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

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1. Overall approach to performance management

Background:

The Swedish PES (Arbetsförmedlingen) is led by the Director General, i.e. the senior manager. There are three management groups which support and assist the Director General, namely the:

- (i) Directorate Staff including the Deputy Director General, Production Manager, Staff Managers reporting directly to the Director General, and others appointed by the Director General,
- (ii) Senior Management, that includes the Directorate Staff and departmental managers reporting directly to the Director General and others appointed by the Director General
- (iii) Marketing Management, with Marketing Managers, Deputy Director General, Directorate Staff manager, and Customer Service Manager, Rehabilitation Department Manager, and others appointed by the Director General.

The Director General is the head of the board of all management groups.

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

The Director General decides about the rules of procedure which together with the directives for internal management and control define the guiding principles and overall approach to performance management. Knowledge-sharing within the PES is primarily done within the *Marketing Management*.

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

The *Production department* and the *Directorate Staff* have the main responsibility for performance management in the PES. The *Analysis Department* supports them in this task.

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	No
Balanced Scorecard	Yes
EFQM	No
CAF	No
Other (please specify)	Indicators
None	

For assistance in managing and improving performance, the PES uses a Balanced Scorecard (BSC). This is used in order to clarify the goals that are set. It also facilitates the organization to break down the general PES assignments into certain activities and measures in a structured way. The BSC also makes it possible to manage performance in a more complete and balanced way. In addition to the BSC there are also indicators used in managing and improving performance in PES. These are used by the Directorate staff and in the different departments.

2. Goals and target-setting

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

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
Multi-annual (please specify)	No
Specific points in time/circumstances that trigger a review/adjustment (please specify)	When the PES receives new assignments from the Government or because of changes in the business cycle
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 ...)	Yes, indirectly through new directions and assignments
Other policymakers (please specify level and type of policymaker)	No
Social partners	No
Other stakeholders (please specify who)	No
Other PES staff (please specify who)	The Analysis Department

The *Director General* defines the overall goals for the PES. These are based on the goals and priorities given by the legislation and the Appropriation Directions that the PES receives annually from the Government but also on the PES's long term strategies. During the process of defining and agreeing the goals, the dialogues within the PES senior leadership are important. These are conducted for example at the meetings of the *Senior Management* and the *Marketing Management*.

As mentioned before the Balanced Scorecard (Prodacapos application) is used in order to clarify the goals that are set up. In June, preliminary performance indicators are produced. Information about the current performance indicators of the BSC and the Government Bill is used to do this. The *Analysis Department* coordinates the process of setting the preliminary performance indicators and gives a suggestion of a BSC to the *Senior Management*. The Director General approves the preliminary performance indicators.

In September the dialogue about the level of the performance indicators starts at different levels of the organization. The dialogues are based on business cycle information and forecasts that are produced by the *Analysis Department*. The *Analysis Department* is also responsible for the coordination and execution of the dialogues at the national level. The *Directorate Staff* is responsible for the dialogue about the levels of the performance indicators at the marketing level. If necessary, adjustments of the levels of the performance indicators are made by the *Analysis Department*. In January the *Director General* decides about the final performance indicators and their levels for the year to come. The levels are set in absolute values.

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

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

Frequency that goals, performance indicators and (quantifiable) targets are reviewed and adjusted?	Yes/No and give details if required
6 months	No
Annual	Yes
Multi-annual (please specify)	No
Specific points in time/circumstances that trigger a review/adjustment (please specify)	When changes in assignment or the business cycle occur
Other (please specify)	

Who is involved in reviewing and adjusting the goals, performance indicators and (quantifiable) targets?

Who is involved in reviewing and adjusting the goals, performance indicators and (quantifiable) targets?	Involved? Yes/No and give details if required
PES senior management	Yes
Ministry of Labour (Social Affairs, Economy ...)	No
Other policymakers (please specify level and type of policymaker)	No
Social partners	No
Other stakeholders (please specify who)	No
Other PES staff (please specify who)	The Analysis Department

The performance indicators are reviewed and adjusted primarily at the different forums for dialogues that exist within the PES. Those are the meetings of the *Senior Management* and *Marketing Management*. The so called result-dialogues also exist where the results of the performance indicators as well as of other indicators are discussed and evaluated. If the results are not satisfactory within 5 months of setting the performance indicators the Director General and the *Marketing Management* adjust their levels.

Performance indicators can also be adjusted because of new assignments that the PES receives from the Government or because of changes in the business cycle.

The Director General is involved in this process and the *Analysis Department* is responsible for coordinating the work with adjusting/revising the performance indicators of the BSC.

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

The main goals of the PES are set by the government and the parliament in the so called "Instruction to Arbetsförmedlingen". This can be summarized in three main points, namely that the Swedish PES should:

- (i) Effectively bring together jobseekers and employers searching for employees,
- (ii) Prioritize jobseekers that are far from the labour market; and
- (iii) Contribute to a steady, long term increase of employment.

Moreover, during spring each year the Government bill is published which contains suggestions and guidelines for the financial and budget policy for the years to come. In September, the Swedish PES obtains more detailed directives by the government in the *Appropriation Directions*. These set the overall goals and priorities for the PES for the year to follow.

The performance indicators in the BSC are based on the general goals of the PES and the PES's assignments given by the Appropriation Directions. Amongst others the latter state

that priority has to be given to hard-to-place jobseekers, rapid integration and cost efficiency.

The performance indicators are divided into four categories, namely, (i) customer, (ii) organization, (iii) co-workers and (iv) financial. Strategic goals are set for each category. Furthermore, a number of key issues for reaching the goals are set. The key issues for success are measured by a number of statistical measures. The table below provides an overview of the BSC for 2013:

Categories	Strategic goals	Issues of success and statistic measure (bulleted)
Customer	Satisfied customers and external confidence	<p>Effective matching</p> <ul style="list-style-type: none"> • Turnover to employment • Employer contacts <p>Priority to unemployed with a weak position in the labour market</p> <ul style="list-style-type: none"> • Turnover to employment and education for participants in the <i>Job and Development Programme</i> • Turnover to employment and education for participants in the <i>Youth Job Programme</i> • Turnover to employment and education for newly arrived immigrants • Turnover to employment and education for persons with disabilities • Turnover to employment and education for persons born outside Europe <p>Focus on customers and professional manners</p> <ul style="list-style-type: none"> • Percent of employers that are satisfied with the service they received from the PES • Employers that have had an adequate number of applicants in order to fill a vacancy • Job referrals and proposals that jobseekers received when contacting the PES
Organisation	In time delivery of services provided	<p>Planning based on customer needs and the PES's assignments</p> <ul style="list-style-type: none"> • The employers' market share of the PES • The share of participants in the JOB programme participating in workplace activities • The share of participants in the UGA programme participating in workplace activities <p>Controlling unemployed receiving unemployment benefits</p> <ul style="list-style-type: none"> • Follow up of job proposals • Jobseekers' search area and obstacles
Co-workers	Required qualifications and resources for fulfilling defined tasks	<p>Good work environment</p> <ul style="list-style-type: none"> • Health numbers <p>Commitment and common responsibility</p> <ul style="list-style-type: none"> • Developing operational reviews
Financial	Efficient resource management	<p>Operate with given resources</p> <ul style="list-style-type: none"> • The budget outcome for the <i>Appropriation Direction 1:1</i> • The budget outcome for the <i>Appropriation Directions 1:3, 1:4</i> and the <i>Act on Establishment</i> <p>Operate in a cost efficient manner</p> <ul style="list-style-type: none"> • The emission of carbon dioxide from business trips per full time equivalents

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

The ambition when setting the number of indicators is that they are as few as possible.

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 performance indicators are set at the national level by the Director General. They then are calculated at the marketing level. Based on a cluster model used by the *Analysis Department* a suggestion about the levels of the performance indicators for the local employment offices are made to the marketing areas to which the offices belong. The different marketing areas take into account the suggested values and the local labour market conditions when setting the value of the performance indicators for each local office.

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

The greatest challenge in ensuring effective target-setting has been (and to some degree still is) to obtain acceptance and understanding for the performance indicators in the BSC. For that purpose reference groups are used in order to amongst others anchor the indicators to the Marketing Management and to ensure that they are correctly specified. The indicators are also discussed with the heads of the marketing areas in order for them to gain understanding about the background when setting the indicators and their meaning.

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

The best way to have effective target-setting is when the highest leadership of the PES shows commitment during the processes and has clear motives for the goals and indicators set.

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?

The main system in place for collecting data is the PES's information system, the so-called AIS. All events for each individual registered at the PES are collected and stored daily in a longitudinal database, a data warehouse (datalagret). Another tool for collecting data that measures performance is through holding interviews with randomly selected job seekers and employers every month. In that way it is possible to measure amongst other things, search intensity and service satisfaction.

Data is collected in order to ensure a good basis for presenting and analyzing statistics, follow-ups, evaluations etc. The data is used for all kinds of purposes, such as performance measurement, evaluation etc.

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

Comparable local employment offices are grouped into clusters using Cluster models. **The** grouping of the local employment offices **into clusters is** based on various labour market conditions. There are 16 different clusters and the offices within each cluster are compared to each other.

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

The most effective system by which data is collected is the AIS, the PES's information system. Information about the jobseekers and employers is collected there. Such information includes for example basic information about the job seekers such as gender, age, education, country of birth and occupation. Benefits, either from unemployment insurance or from programme activities, are also included. Every change of status between unemployment, programmes and temporary jobs is also registered. It is therefore possible to monitor durations (for e.g. in different ALMP) and to some extent be able to create "matching twins" which can be used in evaluation studies.

Different IT (qlikview) solutions are used for graphical presentations of data.

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

One main challenge in measuring performance is the sometimes poor quality of the data. The quality of the data depends on how good every employment officer at the local employment offices is at administrative registration. This is because the source of the data collected is this registration information. The data could sometimes include erroneous information about for example, the jobseekers educational level or occupational information.

Another challenge, which is perhaps the most difficult, is how to formulate the measures in such a way so that the goals are achieved. If the measures are badly formulated it may lead the employment officers to actions that do not lead to achievement of the actual goal. In other words, in this case even if the levels of the measures are satisfactory the goals may not have been achieved after all. Furthermore, a badly designed measure can lead the employment officers into making the wrong priorities at work. In a worst case scenario it could also lead them into behaving in inappropriate ways and/or taking the wrong decisions. The best way to try to avoid measures that do not lead to achievement of the goals is by having continuous discussions with the co-

workers at the local employment offices since they are the ones that will implement the measures in practice. Good communication at all levels of organization is also a necessary.

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

The development of effective services benefits both from setting accurate targets and from having an understanding as to why it is important to reach those targets.

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 main goals of the PES are set through the *Senior Management*. The Analysis Department participates in the management group meetings where the motives for the goals and performance indicators are explained. The Staff of the *Senior Management* is responsible for communicating the performance indicators and targets to the heads of the marketing areas. The latter are thereafter responsible for communicating these to the different local offices included in the respective marketing area.

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

The basic tool used in order to use the results for continuous improvement and learning is regular result dialogues at many different levels of the organization. Result dialogues are conducted between: (i) the Director General, Production Managers and Staff Managers, (ii) the executive director, production manager, the Staff Managers and the heads that are directly subordinated to them respectively and (iv) the heads and co-workers at the local offices. The dialogues have no particular themes and are based on follow-up material that is being followed from time to time. There could be points that are brought up afterwards, during the course of the year. Such examples include those emerging due to lacking results, system rigidities and new priorities.

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

The most effective way of learning differs depending on the situation. However, it is most common that local autonomous learning situations are best since they provide the highest degree of flexibility and the most opportunities to make local adjustments.

For example

It has long been suggested that the PES at every contact with an unemployed should try to match him to a job/give him a job referral. This is often not fulfilled according to the so called Applicant Survey conducted by the PES. Last year the government chose to give priority to this issue. In order to ensure that the unemployed receive a job referral every time they visited the local office a marketing manager took the initiative and instructed the heads of the local offices in his marketing area to stand by the main entrance of the office and check that every job seeker leaving the office had received a job referral. If not, they were sent back to the employment officers.

Through random sampling it was discovered that the action plans for the jobseekers were of poor quality. To remedy this, a marketing manager gave the heads of the local offices in his marketing area a random sample of registration information on the basis of which they were asked to prepare an action plan. After this exercise the heads of the local offices realized that there were great inadequacies in the registration information.

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

The best way of ensuring continuous learning and improvement within the PES is by managers that are committed to the task.

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

The greatest challenges in linking performance measurement to continuous improvement and learning within the PES is to get the managers to be more committed to performance measurement and to gain understanding for the tasks faced by the PES.

It is also important that the measures are connected to the actual goals of the PES in a reasonable way. This is considered when developing the indicators. In order to do so the heads of the marketing areas and other co-workers are invited to participate in reference groups.

Historically there are examples of unwanted behaviour driven by poorly designed measures. An example of such a measure is the number of vacancies registered at the PES. In order to increase the latter some "creative" employment officers read the newspaper ads and registered them as vacancies in the administrative records. This resulted in a clear divergence from the employers wish and to a non-optimal use of human resources.

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?

This kind of knowledge is collected through evaluations in the different Departments that have special tasks (for e.g. the Department of Rehabilitation to work) and the *Analysis Department*. There are differences within the PES-authority on how such comparisons are conducted. Sometimes a simple follow-up is used in order to evaluate success while some other times a control group of similar non-participants is used. In a few cases control trials have been set up in advance in order to be able to compare the group receiving a particular service/program against another similar group.

There are also evaluations conducted by external researchers and institutes specialized in evaluating labour market policy. These evaluations are however conducted **upon the government's demand**.

4.7. How is the wider knowledge of successful (and less successful) employment policies and measures shared with others (e.g. social partners and policymakers at different levels)?

This knowledge is shared through the writing and publishing of reports. Also, "good examples" are mentioned on the PES intranet, the so called VIS. The research division in the Analysis Department also publishes a "Labour Market Report". The main object of this report is to provide an evaluation on the aggregate influence of the PES on the functioning of the labour market. This is done by examining numerous empirical indicators and providing theoretical discussions about the expected effects of active labour market policy on the labour market. The latter point is of great importance. This

is because in many instances the focus on the final outcome is lost and is instead given to certain facts that interest for e.g. different stakeholders.

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?

The goals, performance indicators and targets are communicated to other stakeholders through various presentations. Some stakeholders (for example. the Ministry of Employment) also have direct access to the PES intranet.

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)?

The results from the PES performance management are shared with others through reports and various analyses conducted by the PES. In some instances, when performance results have been communicated with the government it has resulted in changes in service delivery or ALMP measures. Such examples are when the possibility of the unemployed receiving early activities was extended and when the PES received more funds for activities within the guarantee programmes.

In the appropriation direction the government often requires reports on the effects and evaluations of various measures. These are reported on several occasions during the year. Every year in connection to the spring government bill the PES is also required to present a three year draft budget, where desirable reforms within the labour market policy area are presented and motivated.

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?

The primary challenge is a mutual understanding of the functioning of the labour market and how different measures are meant to work. Without this understanding it is difficult to both design effective policy measures and good measurements. This understanding should continuously be developed and requires probably a structured evaluation programme.

5. Conclusions and questions

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

It is important to have:

- a good understanding of the functioning of the labour market and the prospects of the labour market policies.
- An effective measure of the goals. The final goals are reached through various actions taken at the local PES offices where suboptimal behaviour could be generated if performance measures are not carefully designed.
- In measuring performance we should always ensure that we have comparable units. For example the scale of urbanized and agricultural areas differs.

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

- One key issue is to accurately define what a successful policy is and to define the actual goal in order to achieve this policy. Various stakeholders define successful policy measures in different ways.
- Discussions based on cost-benefit analysis. This kind of analysis is still work in progress at the PES. It is based on measuring the expected return of participation of each unemployed in the optimal for him/her labour market programme. The latter will be estimated by using a targeting model. The cost of the optimal for each individual programme will then be weighed against the expected benefit from this programme. In order to estimate this, a duration model will be used for evaluating by how many days unemployment is shortened because of participation in the labour market programme.
- This kind of cost-benefit analysis will make it possible to capture two dimensions of the labour market programmes, namely the optimal level and the optimal mix. Furthermore, it will require extensive evaluation of programme efficiency and information on time used for counselling the unemployed.

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	2	
Goals and target-setting	5	<ul style="list-style-type: none"> ▪ <i>How to translate difficult to measure goals into process measures.</i>
Performance measurement	5	<ul style="list-style-type: none"> ▪ <i>A balance between simple follow-up measures and control-group measures</i> ▪ <i>Setting measures in different business cycles</i> ▪ <i>Cost-efficiency</i> ▪ <i>Data envelopment analysis (DEA)</i>
Performance management, continuous improvement and learning	3	