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Employment Services

Toolkit for Public Employment Services

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1. Introduction

In the midst of the economic crisis, European employment policy faces new challenges. Tightening budgets exert increasing pressure on the PES to improve the effectiveness and efficiency of their measures and to have convincing evidence of the added value of their services in a context of rising demand resulting from rising unemployment.

The introduction of new public management models, increasing budgetary constraints and the ever increasing need for effective interventions have heightened interest in the development, use and refinement of performance management systems in PES in all Member States. Decentralisation and greater regional and local autonomy have also contributed to a rising interest in tools which allow for the benchmarking of performance indicators, as well as the introduction of effective tools to determine and disseminate good practice.

Performance management can thus contribute to the effective delivery of personalised services as required by the [Employment Guidelines](#). Furthermore enhanced evidence-based PES development can help to build a business case for the PES by increasing transparency about their contribution to the realisation of national and European employment goals. This is in line with the "[PES 2020 strategic output paper](#)" produced by the European Network of Heads of PES which also stresses the importance of improving the evidence-base of PES policies.

A [Peer Review](#) hosted by the Danish PES in Copenhagen in February 2013 as part of the PES to PES Dialogue programme¹ brought together PES experts to debate key tools for performance management and the assessment of effective practice, as well as means towards effective dissemination. Particular emphasis was placed on experience of target setting at different levels and good practice in translating national targets into appropriate local priorities and indicators. Furthermore, information was exchanged about benchmarking practices and the clustering of regions (or indeed counsellors) with similar parameters for the purposes of benchmarking.

Box 1. The Peer Review focused on three guiding questions:

- How can the appropriate balance be struck between national and regional-level coordination and local-level autonomy for performance management?
- How can continuous improvement and learning be effectively built into performance management systems, including bottom-up approaches?
- 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?

¹ The website of the PES to PES Dialogue programme can be found on <http://ec.europa.eu/social/main.jsp?catId=964>

2. Principles of target setting

2.1 The decision regarding the locus of target setting depends on the structure of PES organisation

PES have different degrees of decision making autonomy from their governments and can be divided into two groups.

(1) Executive agencies with their own separate management, but under the direct control of government². In this case, targets and objectives are determined by the ministry responsible for employment policy, while in the second group they are set in contract-type agreements, typically with some involvement on the part of local/regional branches and of the social partners (e.g. *Austria, Belgian PES, Germany*).

(2) Autonomous public bodies (Naldini et al 2012)³. In this case, the relevant government departments cannot unilaterally impose their own view on the PES, however, the government is ultimately responsible for decisions about PES budgets (Naldini et al 2012).

Performance Management systems can contribute to **effective coordination and accountability in countries with regionalised or strongly municipalised PES**, but should take account of these features of the institutional and budgetary framework. Indeed, Member States have developed various solutions to construct their performance management coordination systems. Most Member States participating in the Peer Review use ISO9000 or Balanced Scoreboards as the general framework for their Performance Management system. Some use CAF or EFQM as well⁴.

The key to success appears to be that the system should generate reflection, awaken ownership and provide feedback for all partners.

² Scandinavian countries (DK, SE, FI, NO), some formerly socialist NMS (BG, HU, LT, PL, CZ, SK), IE, LU and the UK belong to this group. PES in these countries are typically subordinated to the ministry responsible for employment policy, with some degree of administrative autonomy.

³ Most of Continental (DE, AT, BE:FOREM, BE:VDAB, BE:ACTIRIS, NL) and Southern Europe (EL, ES, PT, MT) and a few NMS (SI, EE, LV) fall into this group. In this case the mandate of the PES is determined by government employment policies, but they enjoy considerable autonomy in designing and implementing ALMP and services.

⁴ EFQM stands for European Foundation for Quality Management (used by 3 PES), and CAF stands for Common Assessment Framework (used by 3 PES).

Box 2. A highly focused Performance Management system in the UK

Jobcentre Plus in the *UK* takes a structured approach to performance management which spans the whole organisation. Each staff member has accountability for their own performance. This contributes to Team, District, Regional, and National PES wide performance recording.

The performance measurement system was reformed by the new UK government in 2010. The previous, rather elaborate system of sub-indicators measuring process compliance and activity levels was replaced by a single headline target (off-flows from the register). The overall performance expectation of the PES and the required level of register off-flow are set by the Ministry annually. These annual performance requirements are set to deliver required outputs within a pre-agreed funding envelope.

Off flows are measured in comparison to the stock of benefit claimants and are calculated separately for youth (aged 18-24) and older workers (50+) as well.

UK PES use the balanced scorecard approach to assist the management and improvement of performance. Internal management indicators are used to assist managers in ensuring that their staff achieve the required levels of performance. These indicators (not targets!) cover mandatory work activity, sanctions applied, referrals to work experience, and better off in work calculations.

Box 3. Performance Management in Austria based on regular feedback

The *Austrian* PES uses a combination of management frameworks: the Balanced Scoreboard, EFQM, and partially ISO9000 as well. The backbone of their system is the systematic benchmarking of performance: management assessment is undertaken every 3 years. All centrally specified internal rules (e.g. on wage subsidies, internal communications etc) undergo a quality assurance process every 1-3 years, which includes feedback loops with regional organisations. This has proved a good instrument to assess what does and does not work. There is also an internal audit programme for cases when something is done efficiently and effectively or repeatedly fails to meet expectations.

2.2. Goal setting typically takes place at the national level with a limited role for the local level

In the majority of PES who attended the Peer Review, overall goals or targets are set at the national level; 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 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).

Widespread ownership, commitment and understanding of goals and targets through consultation throughout the PES organisation appear to be a key element of successful performance management. PES participating in the Peer Review use a variety of procedures that match top-down with bottom-up inputs (European Commission 2013 (Author: Nunn)).

The mechanisms for deciding on the level of the targets which can be fulfilled at local or regional level vary between PES. In practically all countries, goals are derived from political priorities and then translated into measurable targets by the national PES. However, countries vary in terms of whether regional or local PES and social partners are also involved in the process. For example, in *Austria, Flanders, Estonia and Poland* the social partners are represented on the board of PES. In *Denmark*, the social partners have a role in the setting of local targets that implement the national level employment goals through the local Employment Councils (see Box 4 below). In some PES (e.g. *Switzerland*), PES regional officers are also involved in the dialogue about the establishment of performance targets. In *Germany*, regional offices can negotiate target levels and even provide input into the design of targets themselves (see Box 5 below). By contrast, *Spain* and the *UK* use a dominantly top-down approach, where the input from local branches rarely goes beyond providing information.

As indicated for *Denmark*, in some cases, the local and regional level can also set their own additional targets (for example specifying a particular target group focus) but their progress towards achieving these additional targets is not usually monitored at national level (e.g. in *Denmark*, see details in Box 5). 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.**

Box 4. *Denmark*: Steering municipalities by setting common goals for all

In a recent structural reform of public administration, four employment regions and 98 municipalities were created in *Denmark*. The reform devolved responsibility for public services to the municipalities, involving the transfer of 2,000 national employees to the municipalities. The Danish institutional structure for employment services has three distinct levels; with National, Regional and Local Employment Councils, each with an advisory body with representation from the Social Partners. Nationally, the Minister for Employment has responsibility for employment policy and for its implementation by the sub-regional units. AMS (the PES) is responsible for the implementation of this policy.

The Minister for Employment sets national employment goals. Municipalities must convert the national employment goals into 'local, specific, quantified targets' in an employment plan i.e. they translate national aspirations, but have the autonomy to set the targets themselves. Importantly, the social partners also have a role through the local Employment Councils in the setting of local targets that implement the national level employment goals. Lastly, municipalities can set additional targets to reflect local priorities and currently most (84%) municipalities do this. These targets can specify particular groups or services.

Regionally, the Employment Councils coordinate services among the municipalities within them and have representation from Social Partners and some service user representatives (e.g. Disabled People's Organisation). The Employment Regions also provide the function of facilitating benchmarking and information sharing between the municipalities and between the municipalities and the national level.

At the end of the annual cycle municipalities must produce a performance audit. This is then used as the basis for dialogue within the region and including local and regional social partners and stakeholders. This helps to improve the interpretation of performance information and is also used to set targets for the following year. The reports also support the benchmarking process and the interpretation of performance variation between municipalities.

Data provided by AMS suggests that most managers (over 85%) at the local level feel that they have moderate or high levels of flexibility. A recent survey suggested that the highest performing municipalities are characterised by strong local political leadership which works well with a strong local management and who set ambitious goals and targets for the local labour market.

Box 5. Germany: Quarterly performance dialogue

Performance dialogues are the main means of performance management within the *German PES (BA)*. Dialogues are held quarterly at all hierarchical levels – between the board of directors of the head office and the ten regional directors as well as between the ten regional directors and respectively the local directors of the 156 local agencies.

The BA considers this holistic approach essential for effective performance management which enables the organisation to evaluate performance in the context of the local situation and capabilities. Performance dialogues provide an open space to present the challenges and to discuss and agree on the targets as well as to interpret the results at the respective levels. Performance dialogues apply the main principles of CAF.

The central, regional and local controlling departments take a lead role in the preparation of the events. They are responsible for proposing the main issues to be discussed, presenting the necessary background information and moderating the debates, as well as for reporting and briefing.

If targets are set at, or with the inclusion of, the local level, besides the good performance of the PES, **the management performance framework should also ensure that local targets are ambitious enough, the target setting process is not too complicated and time consuming, and it is kept separate from local political interests.**

The effective participation of the local level also needs to be supported by:

- a centralised provision of accurate and detailed data on the labour market situation;
- a strengthening of local capacity and expertise in evaluation and management;
- guidelines on performance management practices; and
- access to independent expertise on target setting and evaluation.

Participants at the Peer Review underlined that providing high quality information is more effective than giving advice. This is because, when the solution to local problems comes from external experts, it tends to weaken ownership and reduce sense of responsibility at the local level.

3. Performance management based on accurate measurement

3.1. The effective use of clustering and other methods to control for external factors

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. There needs to be **widespread agreement about the indicators used to correct for such local factors to avoid benchmarking results to be called into question**.

In addition, benchmarking needs to be carefully implemented to ensure that it generates commitment rather than de-motivation and mistrust. This can be the case where managers do not trust performance data, feel that it does not fit with the purpose and objectives of the organisation (i.e. what is measured is not what matters for performance) or that they cannot influence measured performance (European Commission 2012a (Author: Nunn); Nunn and Devins 2012). **Widespread ownership of goals and targets, combined with trust in performance information, is crucial for driving commitment to performance improvement** and that competition is helpful rather than unhealthy.

Some PES have developed cluster models in order to be able to control for external factors affecting performance data. *Germany*, the *Netherlands* and *Switzerland* are among those where this practice is the most developed (an adaptation of the German model is being tested in *Hungary*). There is some debate about the effectiveness of this practice in the technical literature on performance management in PES however, with some suggesting that such efforts can never fully account for such differences (Kaltenborn *et al.* 2011). Whether they do or not is less important for operational practice than is the confidence (or not) among staff and managers that comparison is fair (European Commission, 2013 (Author: Nunn)).

Box 6. Germany: clustering of PES into 12 comparable groups

The clustering system developed by IAB (Institute of Employment Research of the Federal Employment Agency) is based on the advanced statistical modelling of the regional labour market situation. In the first step, it uses regression analysis to identify the determinants of main labour market indicators (selected during discussions with the PES), such as the average reemployment rate of the unemployed. Next, these determinants and their importance (captured by weights) are used in the cluster analysis in order to sort regions into groups that are similar in terms the determinants. This yields a typology in which the performance of local units belonging to the same group can be safely compared.

In the *German* case, researchers identified 12 types of regions, which varied from high unemployment areas, mainly in Eastern Germany with persistently low labour demand, to prosperous urban areas with high and increasing labour demand (Blien *et al* 2010).

Clustering and similar methods can contribute to benchmarking between PES (or indeed individual counsellors). Several PES use such methods and there seems to be increased interest in introducing clustering or similar econometric methods. Information technology tools (such as user-friendly software for entering data and

computer aided data analysis) can reduce the costs and improve the accuracy of identifying good (or bad) practice.

Some PES (e.g. *Estonia, Slovenia*) attempt to account for regional variation in external factors by adjusting expectations ex-ante and then comparing performance between units on the basis of whether they have met previously set expectations or not. In *Slovenia*, regional targets are adjusted in view of the level and recent trends in employment, unemployment, vacancies and region-specific developments in the economy, such as the restructuring of large companies. The adjustment is worked out in a bottom up process involving the regional offices (see also Box 7 below on the *Estonian* case).

Box 7. Benchmarking in *Estonia* with a strong focus on impact

Estonia recently introduced a method for accounting for regional labour market disparities. When evaluating the fulfilment of the regional performance plans, the achievement of the target levels of all sub-indicators (within the four main groups of indicators) is evaluated on a 10-point scale. By doing this, the average achieved level is calculated for all the four groups. In the overall result, the four groups of indicators have different weights as these groups are of different importance in achieving the general objectives of the *Estonian* PES (EUIF). The respective weights are 40 % for impact indicators, 25 % for output indicators, 25 % for quality indicators and 10% for the so-called activity indicators. This system enables the EUIF to detect high and low performing regional offices and also to identify best practices.

Benchmarking at the level of the individual counsellor seems less commonly used among the PES participating at the Peer Review. Exceptions include the *Netherlands, Bulgaria* and *Estonia*, where it forms the basis of the individual incentive scheme, as well as *Switzerland* where it is used as a diagnostic tool (see Box 8 below). In *Austria* and *Germany*, the official indicator and performance management framework enables individual performance management, but this is not used (European Commission 2012a (Author: Nunn)). In the *UK*, performance is not officially measured at the individual level, but informal data collection and individual management is in place.

Box 8. Switzerland: Benchmarking at the level of the individual counsellor

The *Swiss* PES has recently developed a tool for benchmarking the performance of counsellors at the individual level. It is an IT based tool called *Interpretationshilfen* (literally: support for interpretation), which contains statistical information on the performance and activities of counsellors and the characteristics of their clients. It calculates various indicators on placements, sanctioning, interviews, referrals to active labour market programmes and also the age distribution of their clients, for each counsellor. The average performance for other counsellors in the same branch, the region, and the national level are also calculated.

In its current form, the indicators require careful interpretation as they reflect not only the efforts of the individual counsellor, but also the local labour market situation and the composition of job seekers.

Counsellors receive their results twice a year by email, and discuss it with their managers. Otherwise the individual level indicators are not disclosed and members of staff have no information on the performance of their peers.

Rather than encouraging competition, *Interpretationshilfen* is intended as a diagnostic tool. It helps counsellors reflect on their own practice and find means of improvement, and also managers to identify what practices lead to success and who on their staff may need to adjust their practice or who are to be rewarded for their high performance.

Beyond the technicalities of benchmarking and comparison of sub-national units, there are important questions of the effect and behaviours that such comparison causes, either intentionally or by accident:

- On the positive side, such comparison might drive healthy competition and provide incentives for continuous improvement or the basis for learning from experience (see below), as has been suggested in both *Germany* and *Austria* previously (European Commission 2012a (Author: Nunn)).
- On the more negative side, there have been concerns that such comparison can drive gaming (artificial manipulation of outcome measures), perverse incentives (e.g. focussing on jobseekers who are easy to place into work) or de-motivation of low achievers as has been debated at times in the *UK* PES.

Therefore, benchmarking and cluster-analysis can be useful as long as they facilitate healthy competition in an organisational culture of trust in the accuracy, fairness and effectiveness of the comparison (hence the importance of accurate clustering) and support for information sharing, risk taking/innovation and improvement.

4. Identifying good practice

4.1. PES use a wide variety of tools for detecting good practice

The Peer Review has shown that the PES use a wide variety of soft and hard, qualitative and quantitative tools for detecting good practice.

Qualitative methods may include:

- discussions of good practice at regular managerial meetings;
- management or expert visits to high performing local branches;
- staff meetings or working groups dedicated to discussing good practice;
- client interviews following satisfaction surveys; and
- suggestion boxes, which may be used both among clients or frontline staff.

Quantitative methods may include

- formal customer surveys;
- benchmarking based on outcome indicators;
- control group impact analysis based on administrative data or dedicated surveys; and
- randomised controlled trials.

Quantitative methods can produce more reliable evidence on what works, as they can ensure that programme effects are distinguished in an objective way from other effects beyond the control of the PES (these external effects include the labour market and the qualities of programme participants). However, qualitative methods are necessary to identify which elements of a certain practice make it work effectively.

4.2. Systematic evaluation is becoming more commonplace in a framework which requires greater proof of effectiveness and efficiency

There are econometric tools that can be used to control for external effects, but these typically require rich data (measuring all characteristics of the job seeker that may influence their labour supply) and experienced researchers. Much better results can be achieved by choosing a research design that produces two groups which only differ in their participation in a programme and otherwise share the same characteristics. This can be achieved by

- piloting a programme (e.g. introducing it only in selected branches so that results can be compared to other, very similar PES branches)
- grandfathering the introduction of a new scheme (i.e. applying the new rules only to new entrants, so that they can be compared to those who entered a few weeks beforehand)
- randomised controlled trials (RCTs).

In RCTs, there are two, randomly selected groups, only one of which will participate in the programme to be tested. The random selection ensures that members of the two

groups share the same characteristics, so that when outcomes are compared between the two groups, the difference will reflect the programme effect and nothing else.

There seems to be increased interest among European PES in using rigorous quantitative evaluations:

- The *UK* has a long tradition of running pilots combined with detailed evaluations.
- *Germany* also introduced a requirement that every single Active Labour Market Policy should be evaluated.
- In the *Netherlands*, several 'natural' and 'net effectiveness' experiments are currently being run to test the efficacy of 'lighter' touch and more intensive service delivery.
- *Denmark* has made use of randomised controlled trials for a number of years and other Member States are now beginning to use this approach, for example *Germany* and *Belgium* (see Box 9 below on the *Danish* case).

Box 9. Evidence based policy making in *Denmark*

There are three elements in the *Danish* strategy for evidence-based policy and implementation:

- Collecting knowledge about what works in employment policy;
- Generating new evidence through randomised controlled trials;
- Disseminating evidence among staff and stakeholders.

The *Danish* National Labour Market Authority AMS and the employment regions cooperate with selected job centres at national level in projects aimed at identifying programme designs which generate good results for specific target groups or problems. Such initiatives often lead to new tools or amendments of existing tools rolled out at the national level.

Randomised controlled trials (RCT) are usually used to test the impact of small changes or new services that may supplement the existing range. For example, RCT was used to verify whether early and more intensive measures can speed up reemployment compared to standard ALMP provided according to the existing rules. The positive results of this experiment led to a revision of national statutory requirements.

4.3. There is increased interest in using administrative data for ex post evaluation

Most PES rely on their existing administrative data sources in ex-post evaluation, which also helps to reduce costs. Such data may include the unemployment register, linked to insurance or tax records or data on welfare benefit receipt. A recent Peer Review on data driven analysis also confirmed the increasing understanding of the potential use of administrative data in evaluation of labour market policy, as well as the growing appreciation of other sources of government-held administrative data which can widen the scope for policy evaluation (European Commission 2012b). In *Germany*, the evaluation of active labour market policy is carried out by the methodological approach

“TrEffeR” – **T**reatment **E**ffect and **P**rediction. This approach creates statistical “twins”, allowing the comparison of individuals who have participated in a measure to individuals not participating in this kind of measure in a given profile layer.

Initiatives of integrating administrative data collected by several government agencies have been launched for example in *Germany, Austria* and *Norway*. A promising avenue for such initiatives is to establish a regular procedure for linking unemployment register data with tax or social security records, so that jobseekers can be tracked from the moment of entering the unemployment register to entering a job. Such initiatives are also promoted at the European level via the Public Sector Information Directive and the recently launched Open Data Strategy for Europe (European Commission 2011).

However, even where PES have a sophisticated and integrated Datawarehouse, many noted the **challenge to ensure the administrative collection and updating of jobseeker records in a consistent, accurate and timely manner by frontline staff**. This is particularly important where performance indicators are tracking activity, specific customer groups or relationships between specific activities and outputs/outcomes.

5. Disseminating good practice

5.1 PES have developed a variety of tools to disseminate good practice from the bottom up as well as top down

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. Participants at the Peer Review identified this as a weakness and **there was general agreement on the need for systematic, standard procedures for identifying and disseminating both successful and unsuccessful practices.**

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).

Several tools are used by all countries independent of the maturity of their performance management system:

- Meetings of regional and local PES managers;
- Qualitative expert assessments (e.g. expert networks, quality circles or coaching teams);
- Workshops and conferences for PES staff or extended to partners as well; and
- Study visits of PES staff to well-performing PES offices.

Information technology tools can also help cut costs on pooling and sharing information in a structured way:

- Data warehouses; and
- Banks of good practice.

A centrally developed knowledge bank (e.g. the knowledge database in *Denmark*) can be a first step to building a Performance Management system. However, these should be combined with more interactive ways of sharing, otherwise their usage may fall below potential.

Several PES collect and share good practice through the use of knowledge banks. In *Austria* and *Denmark* good practice is documented, archived and made available through a 'Knowledge Bank.' In the *Danish* case the data indicates not only the results but also the reliability and relevance of evaluation studies (see Box 10 below).

A recent initiative for sharing good practice across European PES is [WEESP](#) - The Webtool for Evaluated Employment Services Practices, which was launched within PARES.

Box 10. The Knowledge Bank and evaluations in *Denmark*

In *Denmark*, both the Knowledge Bank and the AMS website host information on good practice for PES employees. This is linked to the evaluation approach (see below) and evidence on the success or failure of employment policies/programmes is graded against a structured evidence framework with the following levels:

- Strong evidence – three or more high quality studies show effectiveness than show ineffectiveness.
- Moderate evidence – two high quality studies show effectiveness than show ineffectiveness.
- Indication – one high quality or more limited quality studies show effectiveness than ineffectiveness.
- No, contradictory or uncertain knowledge – studies suggest contradictory findings or there are no high quality studies available.

The quality of studies is judged mainly on the basis of whether they convincingly control for external effects (see 4.1 above). The collection of empirical evidence extends to countries whose experience may be relevant for *Denmark* and the AMS is also engaged in setting up controlled experiments to measure the impact of ALMP and services. Randomised controlled trials are typically used to evaluate the impact of additional services provided on top of regular programmes. This reduces ethical concerns about excluding job-seekers from services that are vital for their reemployment.

The good practice messages collected in the Knowledge Bank are promoted via various channels, e.g. through a newsletter that is disseminated to PES employees and external stakeholders.

Box 11. Expert networks in VDAB, Belgium

As provinces enjoy relatively large autonomy in the implementation of national employment policies, the *VDAB* established expert networks to encourage sharing of knowledge and experiences as well as mutual learning. Altogether 13 service-specific network groups were created engaging and connecting experts from the local, provincial offices and from the headquarters. The essence of the network meetings is to reflect on the challenges and problems occurring in the field, thus providing inspiration for shaping and improving the strategies and business plans, (re)negotiate the targets and promote the most effective programmes and actions to achieve the set objectives.

Expert meetings are held at province level as well - discussing the local issues and formulating region specific recommendations. Middle-management has also networking events, where the issues are tackled in broader terms setting national targets and structuring actions plans.

Box 12. Quality circles and coaching teams in Spain

In *Spain*, the quality assurance system is not specific to employment services, but is defined nationally for all central government activities. However, sector specific quality assurance measures on employment services are taken at regional level and there is also a quality programme in place for temporary employment agencies. The system focuses mainly on service sustainability and accessibility, with less attention paid to staff working conditions or qualifications.

Coaching teams are responsible for the continuous improvement and learning in the Public Employment Services at all levels. There were 75 such teams in 2011, comprised of 5-6 people in a group organised in the provincial offices. Coaching teams enjoy considerable autonomy so results depend on the motivation and level of initiatives among their members.

6. Performance incentives

Most PES use financial as well as non-financial incentives to promote continuous improvement. Non-financial incentives appear to be equally efficient, while they are considerably cheaper. Individual level performance related pay for counsellors is rarely used (*Austria, Estonia* and *Lithuania* are among the few exceptions). 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 across PES branches.

Several PES reported the use of formal tools to **encourage competition among members of staff** and to motivate performance, such as

- benchmarking against others at the office or at individual level (see Box 13),
- “naming and shaming” low performing offices at management meetings,
- rankings that are made public within the PES or even beyond (see Box 16),
- awards such as ‘counsellor of the month’ or ‘PES branch of the year’ awards, or training opportunities as rewards for high performance.

Most participants shared the view that tools that encourage competition should be balanced by good leadership to ensure that competition does not lead to perverse incentives.

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.

Box 13. Individual scorecard in Switzerland

In *Switzerland*, staff performance is measured at individual counsellor level. The data includes details of sanctioning behaviour, results and steering on individual level and this is compared to the Swiss average. Cantons can then decide whether to give incentives based on counsellor’s work.

This information is confidential (though some branches publicise rankings) and does not impact on wages. Instead, it is used in a personal consultation process with the manager, as a tool for identifying potential areas of competence development.

Similar, though less detailed systems are in use in the *Netherlands, Bulgaria* and *Estonia*, where there is also an individual incentive pay scheme.

Box 14. Double loop learning in VDAB Belgium

In *Flanders*, the *VDAB* emphasises the importance of a continuous and multi-level assessment of employment policies. Therefore they combine structured and systematic analysis of performance data with regular programmatic evaluations. These are then compiled and published as an annual explanatory narrative by the Ministry of Work. The purpose of such an exercise is to place attention on the efficacy of the offered services and the way the services are delivered in order to make sure that evidence continues to inform/shape policy throughout the implementation and design cycle.

Box 15. Individual level bonuses in Austria

In order to reward staff for meeting targets and encourage better performance, the *Austrian* PES uses individual level financial incentives for frontline staff as well. The bonus system is linked with the balanced score card. The amount can be up to 50% of the monthly wage and managers may decide how to distribute bonuses among individual staff members. This is understood to strengthen motivation not only as a monetary incentive but also as a signal of success, i.e. that money is perceived as a symbol of successful performance.

A further, more general incentive is built into the goal-setting process which ensures an extended budget to local branches or the region depending on the ambitiousness of the targets they propose.

7. The use of PM tools improves PES image and may also generate useful evidence on the impact of PES services

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 measures (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, however, the process has to be gradual, as it was for example during the modernization of the PES in *Denmark*. The *Danish* experience has shown that the existing staff may not immediately understand and accept the role of economic and statistical analysis.

The accumulating evidence on the effectiveness of particular measures and of the services of the PES in general can be used to support the business case for the PES and to convince policy makers to maintain or even increase their funding. The discussion at the Peer Review suggested that the PES may not yet routinely use the results in their performance management systems in negotiations with policy makers.

Participants at the Peer Review have identified several ways to promote the business case for the PES. **The use of performance management tools borrowed from business itself may help by improving the image of the PES as an efficient organisation.** Beyond this general signal, particular tools may include practices such as:

- presentation of PES performance by high level PES leaders at political fora;
- summarising PES performance in a few, clearly documented indicators that are easy to interpret;
- presenting the indicators in graphical forms and in a timely way;
- publishing data on savings to the national budget; and
- publishing a cost-benefit analysis of PES services.

These tools help increase the visibility of PES performance and can contribute to taking the message to a critical mass. It is also important to raise awareness and understanding of policy makers about what exactly the PES do and also 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. Some messages take time to go through the political machine, so they must be repeated several times.

Box 16. Denmark: benchmarking results are made open to public scrutiny

The *Danish* employment service established an internet portal (Jobindsats.dk) containing statistical information on a wide selection of indicators that describe active labour market programmes and services as well as their impact. The indicators are provided at the national, regional and local level so that the performance of individual PES branches can be compared.

The purpose of Jobindsats.dk is to create more transparency about the municipalities' effort to promote employment. Therefore, unlike in most Member States, data in jobindsats.dk is not only available to the PES and government bodies, but also to stakeholders, the press, and the general public.

It has also become the key instrument for promoting the business case for the PES. The mutual confidence between the political and administrative leadership supports a greater readiness to invest in employment policy. A prerequisite to this confidence is that the administration provides reliable information about the services and measures and their results, and can demonstrate that there is a close follow-up of the results and an ability to adapt and change their practices if necessary.

The jobindsats.dk portal also allows municipalities to benchmark their own measures and performance against clusters of comparable municipalities. To support the monitoring and evaluation process, it also provides a monthly performance overview of employment policies: this is a one-page overview of the most important measures and results compared to other similar municipalities.

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),

8. Lessons

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:

1. whether they use financial or other types of incentives to promote development,
2. whether their performance management system is mostly formal or informal, and also
3. 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**.

It is evident that there is no one-fits-for-all rule. The question of transferability has to be taken into consideration and the exact conditions necessary for certain good practice to work well have to be explored. However, as toolboxes and examples presented show, there is a variety of interesting practices in place, elements of which can be further explored and transferred taking into account the national conditions. Further support is available for participating PES who are interested in transferring practices to their own PES through a follow up study visit supported by the Commission. The visit will focus on approaches to clustering and performance management at individual level within the Austrian and Swiss PES.

More information on the Peer Review is available [here](#). More information on other activities under the PES to PES Dialogue programme is available here: <http://ec.europa.eu/social/pes-to-pes>.

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