ANALYTICAL PAPER

APPLICATION OF PROCESS EFFICIENCY TECHNIQUES IN PES

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ANALYTICAL PAPER

APPLICATION OF PROCESS EFFICIENCY TECHNIQUES IN PES

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In collaboration with ICF International
## CONTENTS

1. **INTRODUCTION**  
   1.1 Background  
   1.2 Purpose and scope  

2. **ANALYTICAL PERSPECTIVE AND BASE OF LITERATURE**  
   2.1 Analytical perspective and focus of the paper  
   2.2 Search strategy and delineation of literature sources  

3. **PROCESS EFFICIENCY TECHNIQUES: ANALYTICAL TOOLS**  
   3.1 Cost benefit analysis (CBA)  
   3.2 Data Envelopment Analysis (DEA)  
   3.3 Evaluations of programmes or ways of organising  
   3.4 Overview of the different analytical tools  

4. **PROCESS EFFICIENCY TECHNIQUES: CHANGE TOOLS**  
   4.1 Performance Management  
   4.2 Digitalisation/ICT  
   4.3 Organisational change  
   4.4 LEAN  
   4.5 Overview of the different change tools  

5. **PERSPECTIVES TO THE USE OF PROCESS EFFICIENCY TOOLS**  
   5.1 Implementation experiences  
   5.2 Enabling and disabling factors  
   5.3 Further dissemination of process efficiency techniques and the perspectives in relation to identifying the PES investment case  

REFERENCES
1. INTRODUCTION

1.1 Background

The context within which the Public Employment Services (PES) operate in the European Union (EU) has undergone profound changes, and the present situation is characterised by a combination of reduced budgets, increasing diversity of target groups and rising demands of accountability and organisational performance. The 75% employment rate target of the Europe 2020 Employment Strategy is one of several performance goals faced by PES across the EU. Evidence-based employment services, private actors entering the market for employment training and other employment services, as well as increased use of management-by-objectives tools, are some of the tendencies that add to complexity. This is coupled with a drive to reduce bureaucracy and new ways of interacting with citizens, e.g. higher levels of empowerment, increased digitisation of services, etc.

Overall, these contextual changes create a strong need for methods of assessing, as well as influencing, the efficiency of PES. Even though different techniques have been applied across PES organisations in Member States, it seems that no PES as yet has put together a comprehensive and integrated system for assessing process efficiency.

1.2 Purpose and scope

Given the changing operational context for the PES described above, there is a need for both more knowledge and cross-cutting perspectives on the use of and prospects for process efficiency techniques within PES. Besides increasing the knowledge about the techniques being used and what they entail, it is important to shed light on the barriers and drivers for using process efficiency techniques, as well as what might be done at the EU level and within Member States to enable a more widespread use of efficiency techniques. This paper will endeavour to fulfil these knowledge needs by addressing the following questions:

- What process efficiency techniques are being used by the PES in, as well as outside, the EU?
- What experience exists on the use of these techniques especially regarding implementation, perceived effect and prerequisites?
- What are the barriers and drivers for using process efficiency techniques within the PES in the EU?
- What are the methodological, political, legal, technical, and institutional issues to be considered and addressed to enable the introduction of a wider use of efficiency models?

The paper is organised as follows: Section 1 presents the current situation of the PES, and outlines the purpose and extent of this study. Section 2 begins by explaining the analytical perspective of the study, followed by a presentation of the methodological approach. Section 3 presents and analyses the process efficiency techniques that constitute ‘analytical tools’ that were found relevant through the literature review. Section 4 similarly covers the process efficiency techniques that constitute ‘change tools’. Section 5 contains a cross-cutting discussion where we begin by drawing out and summarising the most important points regarding the implementation of and experiences with process efficiency techniques. This is followed by a concluding discussion about the methodological, political, legal, technical, and institutional issues to be considered to enable a wider use of efficiency techniques.

2. ANALYTICAL PERSPECTIVE AND BASE OF LITERATURE

2.1 Analytical perspective and focus of the paper

A key concern for the achievement of a high level of process efficiency within PES is how to increase cost-effectiveness, i.e. securing a high degree of return on investment in PES services and measures to achieve PES objectives. When analysing the efforts within PES to achieve these aims, it is important to distinguish between two equally important concepts: **efficiency** and **effectiveness**. Efficiency is about using the ‘right’ methodologies in order to skilfully manage resources and thus maximise returns. Effectiveness is about achieving the ‘right’ outcomes by meeting the demands and expectations of various stakeholders.

To get a clearer image of the relationship between efficiency and effectiveness, it can be helpful to relate it to the four main components of PES in the following model:

The efficiency and effectiveness of PES are interlinked and cannot be isolated from each other, but to illustrate how the two terms work with regard to the functioning of PES, efficiency primarily concerns the first three components, namely Resources, Organisation and Activities/services (i.e. ‘using the “right” methodologies’), whereas effectiveness is more concerned with the last component, outcomes/impacts (i.e. ‘achieving the “right” outcomes’). This paper’s approach to studying efficiency techniques in PES is to be both aware of the overall PES model containing all four components and to ensure clarity on the differences between efficiency and effectiveness. Therefore, the present study of process efficiency techniques maintains a clear analytical strategy by focusing on techniques aimed at Resources, Organisation and/or Activities/services of PES. Techniques aimed at Outcomes/impacts will thus only be mentioned when relevant to the former. A typical example of the latter includes techniques aimed at measuring or improving the effectiveness of active labour market programmes (ALMP).

In presenting the relevant process efficiency techniques, the paper includes both techniques that

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3. Model by Ramboll illustrating the main components of PES: Resources; Organisation; Activities/services; Outcomes/impacts.
seek to gain knowledge about efficiency (‘analytical techniques’), e.g. cost-benefit-analysis, and techniques that are aimed directly at increasing efficiency (‘change techniques’), e.g. LEAN.

It is important to note that techniques aimed at optimising Resources, Organisation or Activities/services without looking at Outcomes/impacts run the potential risk of sub-optimising, i.e. over-emphasising the reduction of process related costs to the extent that it has a negative impact on the outcomes. Where there is a significant risk of this, it will be highlighted in the study.

2.2 Search strategy and delineation of literature sources

Given the broad range of process efficiency techniques, it remains outside the scope of the assignment to perform a full-scale systematic review (based on keyword search) of all literature about process efficiency techniques applied with the EU public sector. Nonetheless, the research includes a thorough review of existing literature and organisational studies. The methodological approach to this review has first and foremost been based on snowballing-searches that take the starting point in different PES documents, in particular from the European Commission, but also from Member State PES institutions. This has resulted in a large body of documents from the PES network, but also documents from Member States PES and texts from outside the PES, e.g. OECD reports, and academic journal articles.

These documents range from different types of reports and PEER PES papers, to explanatory notes and official web pages. When relevant documents were identified they were listed and coded. Finally, we have drawn from these documents essential knowledge about the use of process efficiency techniques, i.e. experiences on implementation, transferability, and measured or perceived effects on efficiency. This information has been analysed and synthesised, enabling us to draw conclusions on the application of process efficiency techniques.

Snowball sampling is used to obtain research and knowledge, using reference lists and other references of a pool of literature to find new relevant literature on the subject matter. The term ‘snowball sampling’ reflects an analogy to a snowball increasing in size as it rolls downhill.
3. PROCESS EFFICIENCY TECHNIQUES: ANALYTICAL TOOLS

This chapter describes the different efficiency techniques that are present in the selected literature. The techniques will be divided into two subcategories: ‘analytical tools’ (e.g. cost-benefit analysis) and ‘change tools’ (e.g. LEAN and Performance Management).

3.1 Cost benefit analysis (CBA)

3.1.1 Characteristics

Cost benefit analysis (CBA) is an analytical technique that is used to compare different courses of action in order to identify the optimal choice. A CBA compares various alternatives to ascertain which creates the biggest benefit (often measured as highest economic gain/outcome) at the lowest cost. CBA makes it possible to compare different positive as well as negative effects (for different actors) of different courses of action by measuring these using a common yardstick: most often money.

3.1.2 Field of application

CBA can in theory be applied equally well to compare either different ways of organising service delivery (i.e. a process/efficiency focus) or the end-user effects of different activities/programmes (i.e. an outcome/effectiveness focus). The first way of using CBA constitutes an assessment of the productive efficiency of the actions in question, while the second use of the tool is about judging different alternatives according to their allocative efficiency.

5 A similar technique is the cost effectiveness analysis (CEA) that compares different alternatives, assessing which creates the highest effect for the lowest cost. It is thus necessary within a CEA to compare alternatives whose effects are comparable, i.e. measured in the same way.


7 Ibid. (page 8).

The use of CBA within PES in the EU is increasing, but still not very widespread. When this tool is applied, it is mostly used to assess and compare the allocative efficiency of PES offices in order to identify the outcome objectives most useful when operationalised to help unemployed people into employment. There are also a smaller number of examples of CBAs relating to productive efficiency, e.g. investigating the costs and benefits of increasing the number of counsellors in PES offices. A recent example comes from Germany where it was investigated what influence the use of additional personnel in counselling activities for a specific target group had on off-flow rates. The analysis calculated the potential savings as well as societal gains compared to the costs of the additional staffing.

When CBA is used to compare the allocative efficiency of different alternatives, it is mostly aimed at analysing the ability of different active labour market programmes (ALMPs) to help the unemployed get a job. In these analyses, all the costs and benefits of the transition have to be estimated in order to calculate the total positive or negative economic sum of this transaction. Numerous factors have to be taken into account, i.e. both the costs and benefits of the individual getting a job and the wider societal impact.

A recent survey among EU Member States about the use of CBA has shown that out of the seventeen countries that participated in the survey, eight of them replied positively to the statement that ‘a concept for cost-benefit analysis is in place in your


9 European Commission (2013), Making the Business Case for Public Employment Services: Cost-benefit analysis and productive efficiency analysis (p. 12)


11 Ibid. (page 10).
Cost-Benefit Analysis in other policy areas

We have briefly covered cost-benefit analysis approaches applied in PES boundary areas in order to provide inspiration on how cost-benefit has been used in somewhat similar areas relevant to PES. In the following we highlight two experiences from the Danish Ministry of Social Affairs and University of Loughborough in the UK, both in the area of disadvantaged families.

University of Loughborough, the UK

University of Loughborough has developed a bottom-up cost-benefit analysis model to calculate cost and benefit ratios of various preventive measures in the area of supporting disadvantaged families.

What makes the Loughborough case special is that, unlike most cost-benefit analyses which are often carried out with a top-down approach, the Loughborough model takes a bottom-up approach of costing preventive social services as well as reactive measures towards families in need of more intensive social services. The CBA is based on time-studies of real cases of social workers’ and other practitioners’ practices towards individual families and children. By breaking down hours spent by various groups of professionals in social services on concrete activities and calculating salary costs and overhead costs of each group of professionals and overhead costs related to their practice, precise costs of measures applied in social services can be calculated.

The Loughborough model provides standard prices. Thus, the method provides a strong base for benchmarking costs of various methods applied, including factors such as social worker/family ratio (case-load). Furthermore, the Loughborough model analyses effects of various approaches and methods. Hereby, the cost-benefit ratio can be calculated for concrete methods applied in social services.

The Loughborough model comprises eight processes calculated and aggregated: i) screening and decision on target group and measure to be applied, ii) action plan, iii) actual methods and measures provided, and iv) bringing the child back to family or network. These first four steps are included in all costing analyses. The remaining four steps are applied only for some children: v) re-screening and new measures applied, vi) follow-up, vii) legal process, and viii) further supportive measures.

The Loughborough model provides data on:

1. ‘The good circle’: Children experiencing continuity in the placement away from their family. Group 1 children have much higher effects than group 2 and costs for group 1 in the first 20 months are around 10% of group 2 children.
2. ‘The vicious circle’: Children experiencing many changes in accommodation also risk losing contact to their family, exclusion from school, etc. Group 2 children cost around ten times as much as group 1 children.

Ministry of Social Services, Denmark

Ramboll Management Consulting has conducted an extensive cost-benefit analysis of preventive measures for disadvantaged families on behalf of the Danish Ministry of Social Affairs. The analysis calculates costs of four evidence-based methods: Multi-Systemic Therapy (MST), Multi-Dimensional Treatment Foster Care (MTFC), Dinosaur School/The Incredible Years, and Network based placements.

As the four programmes are heavily evidence-based, in the way that several evaluations and randomised controlled trials have been conducted, and as the programmes are based on scripted methods, Ramboll has provided solid cost calculations and effects ratios. Based on this, solid cost-benefit ratios of the four preventive programmes are calculated demonstrating a strong business case in applying these programmes.

Furthermore, Ramboll has developed a municipality costing model aimed at municipalities calculating their own local business cases. Thus, municipalities can choose to include only benefits for municipal finances, excluding societal benefits such as those provided in the hospital sector and police and courts sector which do not constitute municipal benefits and therefore not to be harvested in the short run by the municipality, faced with choosing to apply one of the preventive programmes. Also, municipalities can choose to increase or decrease projected effects ratios based on a local analysis of the ability to achieve higher or lower effects than in the models. In this way, municipalities can end up with a local model owned by themselves and therefore constituting a business case model that they believe in when choosing local strategies and measures to be applied for various target groups and individual families.
Further investigation among these countries indicated that the CBAs are mostly carried out as ‘partial/limited CBAs’ in the sense that only a proportion of the relevant costs and benefits of the components considered were included in the CBA. These ‘partial CBAs’ typically ignore ‘incomensurable’ benefits, e.g. increased well-being (especially mentally) of job seekers who get into employment for instance because of the development of personal abilities and potentials or greater career security.\(^{13}\)

One of the examples of a full scale CBA was undertaken in Germany \(^{14}\) and concerned the use of additional case workers in counselling activities for a specific target group. The impact of this staff increase on the flow of unemployed into employment is measured, and the aim of the analysis is to check whether the savings and societal benefits from the initiative are comparable to the additional staffing cost. Another example comes from the Netherlands where experimental studies have been done to assess the effects of increasing e-service provision and of the reduction in re-integration budgets on the duration of unemployment spells and the payment of unemployment benefits.\(^{15}\)

### 3.1.3 Experience gained

As mentioned above, the use of Cost Benefit Analysis and Cost Effectiveness Analysis within EU PES is still scarce and this is reflected in the experience base. Examples of countries where CBA is used to some extent within PES include Germany, the Netherlands, and Sweden, whereas Bulgaria and Spain have performed semi CBAs.\(^{16}\) Some of these countries report positive impacts from including CBAs in their decision-making processes, while other countries state that the lack of sufficient data and/or the characteristics of the political process hinder the use of CBA. In summary, it is important to note that even though CBAs are being used increasingly in PES, it is often not applied systematically and often replaced by other types of evaluations even when a CBA would be very appropriate for the situation.\(^{17}\)

A number of conditions must be met before systematic CBAs can take place and support the decision-making process. Firstly, explicit policy choices are a central prerequisite for CBA/CEA. It is thus necessary, before performing a CBA/CEA, to be clear on what the possible policy alternatives entail. Another crucial point is that sufficient data should be available so that the CBA can include sound knowledge of all the relevant costs and benefits of the alternatives being compared.\(^{18}\) Often costs of increased staffing can be calculated from budgets, whereas data on the cost of increased use of support functions within PES offices as well as data on the wider societal benefits of increased efficiency are less readily available.

### 3.2 Data Envelopment Analysis (DEA)

#### 3.2.1 Characteristics

Data Envelopment Analysis (DEA) is a methodological framework for modelling and thus measuring productive efficiency of production units (known as ‘decision making units’ [DMUs]), be it private firms or public service provider offices.\(^{19}\)

Within the DEA framework, different models can be estimated to measure the productive efficiency of units in a given setting. PES in most cases are unable to influence the amount of resources they receive, and DEA models will often focus on measuring the levels of outputs produced for a given level of resource input, e.g. how can case workers carry out more interviews without increasing their working hours?

Put simply, a DEA can be used to investigate these kinds of questions by modelling a function of the different outputs of the production unit and from this calculate a ‘production frontier’, i.e. the highest level of outputs at a given level of inputs. The difference between the production of each unit and this production frontier expresses the inefficiency of that unit, understood as how much more output the unit should be able to produce with the same level of inputs.\(^{20}\)

\(^{12}\) Ibid. (page 10).
\(^{13}\) European Commission (2013), Making the Business Case for Public Employment Services: Cost-benefit analysis and productive efficiency analysis (page 4).
\(^{14}\) Ibid. (page 12).
\(^{15}\) Ibid. (page 12).
\(^{16}\) Ibid. (page 12).
\(^{17}\) Ibid. (page 26).
\(^{18}\) Ibid. (page 8-9).
3.2.2 Field of application

There exists a body of scientific literature where DEA is applied to measuring the productive efficiency of PES offices in EU Member States, as well as other countries. In one of the first studies, Cavin and Stafford (1985) analyzed PES in the US; Torgersen et al. (1996) and Torp et al. (2002) studied PES in Norway, and Sheldon (1999), Vassiliev et al. (2006) and Ramirez and Vassiliev (2007) looked at PES offices in Switzerland, to name but a few. Yet there is very sparse evidence suggesting that DEAs are being carried out or results from DEAs are being applied by PES offices or other PES authorities within the EU. An exception to this tendency is that after the publication of an influential DEA study in Sweden in 2013 (Andersson et al. [2013]) and the recent Andersson et al. (2013) study found inefficiencies of between 8% and 15%.

Looking at the DEA studies described above, it is important to note that none of them take a comparative perspective by looking at PES offices in more than one country. Based on these studies it is thus not possible to compare Member States or to identify a best practice in the EU. Another important point is that a DEA in itself does not shed light on the causes of inefficiencies, and very few studies use the DEA as a basis for going further and analyzing these causes. In particular, very few studies dig deeper to shed light on the identified inefficiencies in the PES offices. Moreover, the academic debate is ongoing about the correct way of carrying out DEAs.

In order to perform a DEA it is crucial to define and measure inputs and outputs (production) in the same way across the units, e.g. through PES offices, being compared. This can often be done when comparing production units of the same type within one country, but it can be very difficult applying DEA to compare units within different Member States, because these can be expected to function under different conditions and demands. A possible solution to this is to use clustering where units (i.e. PES offices across Member States) with similar contextual characteristics are grouped in clusters that make comparisons more valid.

It is also important to mention that even a seemingly ‘objective’ methodological framework like DEA involves important decisions about, e.g. what kind of outputs to measure, or how to weigh outputs

29 Ibid. (page 21).
32 Ibid. (page 23).
against each other. Making these decisions is not only a technical matter, but requires, among other things, prioritising between policy outcomes and making political claims as to the relative importance of outputs, outcomes, etc.

3.3 Evaluations of programmes or ways of organising

3.3.1 Characteristics

An evaluation is a systematic determination of a subject’s merit, worth and significance, using criteria governed by a set of standards. Evaluations can thus assist an organisation, programme or project to ascertain the effect, achievement or value of an intervention or initiative in regard to its aim and objectives. Evaluations can be done in numerous different ways, it is important to distinguish between qualitative and quantitative evaluations. Quantitative evaluations are mostly focused on assessing the output or outcome of a given programme or way of organising service delivery – i.e. to what extent is the desired output or outcome achieved? Especially when doing quantitative evaluations it is very important to apply a counterfactual approach, i.e. comparing citizens or organisations affected by the programme under study with a similar group of citizens or organisations that have not been affected by the programme. The purpose of this is to make sure that the outcome identified in the evaluation can actually be ascribed to the programme and is not a result of factors outside of the programme.

Qualitative evaluations on the other hand are better suited for investigating why or how a programme or way of organising service delivery works – i.e. what makes it produce the identified output or outcome? In this way a qualitative evaluation can be used to support the identification of why particular measures or processes work well or fail to meet expectations. It can thus help ‘open the black box’ of programmes and models for organising service delivery.

Evaluations can enable reflection and assist in the identification of a need for change. A number of different kinds of evaluation models are used in PES. The most common ones are non-experimental estimates and pilot studies, whereas random-assignment experiments are used in a smaller number of countries (e.g. UK, the Netherlands and Denmark). Systematically conducted evaluations that apply a counterfactual approach (e.g. randomised controlled trials) can generate more qualified knowledge of which services or programmes are the most effective, they also emphasise the importance of high quality implementation, thus addressing the need to find out if implementation is conducted efficiently.

3.3.2 Field of application

Systematic evaluation is becoming more commonplace in the PES. Germany has introduced a requirement that all Active Labour Market Policies (ALMPs) should be evaluated and the UK also has a long tradition of combining pilot studies and detailed evaluations. The use of evidence-based activities is a way of securing an effective use of the public finances as it ensures that the money spent on the services – if implemented correctly – should lead to good results. While this ensures that there is a focus on the overall effectiveness of the initiatives, it does not necessarily ensure that the implementation of the services is done efficiently. The use of evidence-based services is a means to ensure that the services delivered are effective, but it does not ensure that they are efficient, as these effective services can often operate in different ways and with different degrees of efficiency. Thus, an effect evaluation does not (necessarily) put the same impetus on the efficiency of the processes as cost-effectiveness analysis or DEA. The analysis of effects and the focus on ensuring a scientific basis for the implementation of public services is, however, very relevant and could work very well in conjunction with both CBA and DEA. It is not an ‘either/or’, but more a question of combining the different approaches and tools in order to ensure both the most effective outcomes and efficient processes for the PES.

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33 E.g. whether any person entering into some kind of employment ‘counts the same’ in the analysis or whether more weight is given to full-time jobs compared to part-time jobs and different kind of supported occupation.


35 OECD (2005), OECD Employment outlook (page 224).

3.4 Overview of the different analytical tools

The efficiency tools described in this section are summarised in the following table:

**Table 1: Process efficiency analytical tools**

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Characteristics</th>
<th>Field of Application</th>
<th>Experience gained</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost benefit analysis (CBA)</td>
<td>To compare different alternatives/courses of action and thus determine the most optimal choice.</td>
<td>Measures (usually in money) both costs and benefits of the alternatives under study. Important to include all costs and benefits both for the citizen, PES as institution and society at large.</td>
<td>Increasing but still limited use within PES in the EU. Is mostly used to assess and compare the allocative efficiency of PES offices within one country. Has not been used to compare PES across countries.</td>
</tr>
<tr>
<td>Data Envelopment Analysis (DEA)</td>
<td>To compare the efficiency of units (e.g. PES offices) and thus determine inefficiencies.</td>
<td>Methodological framework for modelling and thus measuring productive efficiency; each unit is compared with a ‘productive frontier’ that expresses the efficiency of similar units at a given level of inputs.</td>
<td>Widespread use within the academic literature studying PES offices, but very few PES authorities use DEA. In 2013-2014 the Swedish government instructed PES in Sweden to begin adopting and developing DEA as a tool for monitoring.</td>
</tr>
<tr>
<td>Evaluations</td>
<td>To systematically determine a subject’s merit, worth and significance. This can be expressed for instance as whether the programme/way of organising works or why/how it works.</td>
<td>Is based on criteria governed by a set of standards. Can be done in many different ways, e.g. quantitatively (randomised controlled trials, etc.) or qualitatively.</td>
<td>Systematic evaluation is becoming commonplace in the PES especially non-experimental estimates and pilot studies.</td>
</tr>
</tbody>
</table>
4. PROCESS EFFICIENCY TECHNIQUES: CHANGE TOOLS

4.1 Performance management

Performance management has for a number of years been a crucial instrument in many PES, as documented in a number of papers published by the European Commission. Budgetary constraints and the need for effective interventions have led to the development and use of performance management systems in PES in all Member States. 37

4.1.1 Characteristics

Performance management techniques are used as a tool to set up targets and monitor performance, and thereby promote accountability and effective service delivery. 38 Using performance management models enables management to monitor and manage the performance of PES – the overall system, its different units and employees – and to align their objectives and efforts and thus facilitate the effective delivery of strategic and operational goals. Well-functioning performance management systems can thus help make the business case for specific services, or teams, and they allow management to see where savings can be made. The use of performance management models helps secure continuous improvement by identifying the most efficient services (e.g. through benchmarking).

4.1.2 Field of application

Performance management as a framework is broadly applicable to different kinds of organisations – both public and private – and, as previously mentioned it is widely applied in PES throughout the EU, irrespective of their organisational settings. Different organisational approaches across PES – from centralised steering to the provision of local autonomy – mean that varying degrees of power are given to local agencies. Goals and targets for the individual PES flow from political priorities and all involve some process by which these political priorities are translated into concrete targets or goals. The extent to which the lower level organisational units (regions, localities, offices, etc.) are involved in this process however differs. In some countries (e.g. Denmark) the national goals are translated into localised indicators and sometimes supplemented by additional measures at the local level. 39 In other countries (e.g. Germany) regional or local officers can negotiate target levels and provide input into the design of targets themselves. 40 Coupled with each country’s political context, these different organisational approaches provide PES with variable levels of flexibility and autonomy. The fact that the performance management approach – in spite of these differences – is so widespread can be seen as a testimony to the versatility of the approach.

4.1.3 Experience gained

Target setting and benchmarking

A central element of conducting performance management in PES is setting up relevant and valid targets for performance at all levels of the organisation. Good targets should be outcome-oriented and well-accepted among the management and staff of the PES. Involvement and securing relevant input from others in the target setting process is recognised as a successful way of securing commitment and ownership among PES staff. The goals should also be clear, transparent and measurable through sound data collection, and should be accessible to the management when needed. It is also important that the number of indicators remains low and stable over time.

When comparing the situation in the Member States, it becomes obvious that there is a great degree of variance in the way goals are set and what indicators are used. One difference in practice across PES is the extent to which they set general

40 Ibid.
or very specific goals and targets. Some countries use few and general goals while others set a higher number of more specific goals or indicators (e.g. Hungary has more than 200 indicators). There are also differences related to the content of the goals. Some countries target specific groups of jobseekers or social groups, some measure the outcomes of particular interventions and some try to measure employment outcomes as a proportion of all service users or benefit claimants to estimate the effectiveness of the PES relative to their workload. Others set goals that go beyond the reintegration in the labour market and include measures of the ability to prevent unemployment in the first place (e.g. Germany and Switzerland) and the upskilling of the workforce (e.g. Bulgaria and Denmark).

Some countries (e.g. Denmark) also put a lot of emphasis on not only the outcomes, but also the services or activities that should lead to the outcome, such as the number of counselling sessions held and the number of job applications sent by the unemployed. At the other end of the spectrum, there are countries (e.g. the UK) where in the provision of services to the hardest to place and the long-term unemployed there is an almost exclusive focus on the outcomes and none on the preceding activities or interventions leading to these outcomes. This sort of ‘black-box-approach’ in the UK is closely linked to the outsourcing of the employment services to private providers who are paid by results only. This model ensures that one only pays for results, but the lack of insight it provides into the ‘machinery’ (the black-box) behind the results makes it difficult to gather solid knowledge on which interventions and services have the best effect.

Securing ownership and commitment to goals and targets is vital to the successful use of performance management. This can be secured by using dialogue and widespread consultation among stakeholders in the target setting process. This kind of responsiveness and cooperation with relevant social stakeholders also provides valuable inputs to the process.

It is worth noting that in some PES (e.g. Germany), the monitoring and management of performance also involve indicators on the efficient use of the budget. The difference in efficiency between local PES can be used to access the most efficient ways of providing the relevant services.

This kind of benchmarking across units is central to the performance management approach. Benchmarking performance is important in the process of identifying good practice, learning from each other and improving overall standards and practices. However, any comparative approach needs to assess the comparability of indicators and variables across units and take into account the specific local factors that may have an impact on results. In response to this, some PES (e.g. Denmark) use ‘clustering’ in order to control for external factors affecting performance. In this way PES offices are grouped into clusters based on their observable characteristics in order to be able to make reasonable comparisons between units within the cluster.

### 4.2 Digitalisation/ICT

For all public services, a wave of digitalisation has transformed parts of the public sector and the way services to the citizens are delivered. Service delivery in a modern society is becoming increasingly dependent on IT and new technologies and digital tools alter the way in which service is organised and delivered to the users. The digitalisation of the public sector offers new opportunities to engage users through new communication channels and offers possibilities to provide new services that will better meet the needs of users or clients. In this way, new technologies will also amplify the capabilities of PES as information brokers. Many of the new technologies entail the possibility of eliminating or converting old procedures into new ones that require less manpower and are thus more efficient. In this way, the use of digitalisation or Information and Communication Technology (ICT) can, in some way, be seen as a tool or a technique for raising the efficiency of service providers.

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41 DG Employment, Social Affairs and Inclusion (2013), ‘Peer Review on Performance Management in Public Employment Services (PES)’.  
42 Ibid.  
43 OECD Employment outlook, OECD (2005), p.222  
44 DG Employment, Social Affairs and Inclusion (2013), Peer Review on Performance Management in Public Employment Services (PES)”.  
45 Ibid.  
4.2.1 Characteristics

Exploiting the benefits of digitalisation by increasing the use of ICT can lead to the overall modernisation of the service offer for PES clients. This involves the widening and deepening of the services available to clients. By introducing different kinds of digital channels for communication and information sharing with clients, PES are able to widen the range of choices for clients while freeing up resources by automating services and by making relevant information easily accessible for clients to find themselves.

The introduction of user-friendly technology has the potential to increase service availability and accessibility. The introduction of this kind of blended service, combining digital and personal contact, has the potential to not only raise the effectiveness of PES interventions, but may also promote cost efficiency. The use of a more differentiated supply of services can enable PES to distribute available resources more intelligently by taking the capabilities and the needs of the individual users into account.

4.2.2 Field of application

Increased use of digital service solutions is central in the development of PES and, in many countries, PES are making progress in the digitalisation of their services. Most countries recognise that data-heavy services (such as registration) are best offered online and some (e.g. Netherlands) even offer online training sessions (‘webinars’) and interactive services, such as ‘e-coaching’. Blended services are however mostly deployed in support situations (e.g. a counsellor helping with an online form) or situations where part of a service (e.g. identification in person) has to be completed via a certain channel.

4.2.3 Experience gained

Introducing digitalised services for jobseekers requires time, planning and well-functioning technology with suitable back-up systems in place. When using blended services, it is important to ensure the right mix. There is a risk that the focus on efficiency – reducing the operating costs – unintentionally leads to a reduction in effectiveness if the effects of these self-services do not lead to the same overall results or do not appeal to certain groups of citizens. This is an example of having to keep focus on both the efficiency and effectiveness of proposed changes to the operation of PES.

PES must carefully balance online services and multi-channel approaches to ensure that they can deliver appropriate levels of service to all client groups. As more PES adopt integrated channel strategies, it is important for PES to consider the accessibility of online channels and the digital literacy of jobseekers and staff. Some PES have established fall-back mechanisms to ensure that jobseekers have access to support services when using, or accessing, IT services (e.g. support telephone helpline or one-to-one support in jobcentres). This seeks to ensure that the introduction of new technologies does not exclude groups of users from the services provided by PES. It illustrates that there is a risk that the use of new technologies could have a negative effect on the PES’s ability to attain their goal of providing relevant services to all users and thus on their ability to achieve their overall goals.

However, digitalisation and the introduction of ICT do not only bring about changes for the users. They also alter the internal organisation of the PES and the competencies needed in the organisation in order to operate these new technologies. Consequently, some PES staff and managers have seen their job descriptions change as the PES have had to adapt their organisations and staff in order to deliver these new services. From a cost-effectiveness perspective it is therefore important to note that, while introducing new digital technologies may reduce costs in some areas, the organisational changes and training of staff needed in order to be able to implement the new technologies will also carry cost. However some of these are transitional and would therefore be perceived as short term.

While e-services and the use of different channels of communications has been put to use rather extensively in some countries (e.g. the Netherlands), it does not seem as if many PES have established ways to evaluate and monitor the performance of different channels, the use of e-services and their effect on the outcomes of PES.

4.3 Organisational change

The need to provide more and better services at no extra cost has led to the implementation of extensive organisational changes in the institutional structures through wholesale rationalisation and reorganisation of delivery infrastructures in some PES

4.3.1 Characteristics

Organisational changes and restructuring of the service organisation can be viewed as a tool for increasing efficiency as these changes are primarily undertaken in an effort to deliver the most effective services through the most efficient means.

Public-private partnership

One tool seeking to address the efficiency of PES at the system level is the introduction of a structure of public-private partnership. This is done by introducing models for contracting out services to other institutions. Several PES use the outsourcing of different services – training, intensive individual support or other specialised services – to private or not-for profit providers. Contracting-out can facilitate flexible delivery models that PES may not be able to provide. The outsourcing of these services can thereby improve service quality by exploiting the expertise and know-how of external providers, as well as enable wider delivery

Service integration (One-stop-shop)

Integration of public services and collaboration across public service providers is another way of addressing the process efficiency of the public sector. When successful, collaboration and integration can cut costs and deliver a more efficient service for the user by sharing knowledge, expertise and resources across the involved actors. Some countries (e.g. Germany, Denmark, France, Finland and the UK) have created so called ‘one-stop-shop models’, integrating different kinds of services (e.g. active and passive measures) and thus significantly reducing the number of offices in the organisation of PES

4.3.2 Field of application

The use of the outsourcing of services will, to some extent, depend on the political context and the presence or not of other public or private institutions to deliver the relevant services needed. In other words, there has to be a basis upon which to draw for the creation of a market for these kinds of services.

An example of a specific kind of restructuring of the organisation of PES, as briefly referred to above, comes from the UK where the concept of ‘Total Place’ has been introduced as a way of unifying different public services in one place (‘one-stop-shop’). The idea behind total place theory is to improve the public value of the public service delivery, to gain efficiency, reduce bureaucracy and to do all this at lower costs. To achieve this, frontline personnel from different professional and geographical areas are moved closer together, both physically and thematically

53 Ibid.
54 Ibid.
56 Ibid.
57 Archibald, Andrew (2011), Total Place – services and support for older people: one year on.
58 Archibald, Andrew (2011), Total Place – services and support for older people: one year on.
59 Bracey, Tom (2010), Bournemouth, Dorset and Poole Total Place pilot: services and support for older people.
saving money and heightening the quality of life of the affected citizens.

In 2009, thirteen ‘Total Place’ pilots were set up in the UK, focusing on closer collaboration between the health sector and social sector in several communities. As an applied theory to reduce bureaucracy by creating new working procedures, the line of thinking behind ‘Total Place’ could have a wider field of application, both in terms of professional – and geographical areas.

4.3.3 Experience gained

Although the experiences are still not large scale, first evidence suggests that implementing ‘Total Place’ can improve service and make it more efficient. There is no ‘one size fits all’ when trying to implement ‘Total Place’. Every form of organisational set-up has different advantages and disadvantages, and experience tells that it is important to take into consideration the degree of cooperation between the organisations that you are trying to connect. Also, local support is an important prerequisite since internal collaboration and coordination, and the engagement of local stakeholders, is essential for the model to work. Furthermore this kind of reorganisation changes the usual allocation of resources and therefore attention has to be paid to the budget allocation procedures and the budgetary control.

4.4 LEAN

4.4.1 Characteristics

Although its origins are in the automobile industry, where it was used as a means for enhancing output quality and cutting costs, LEAN has been in general use in the public sector since the 1990s. ‘LEAN’ means trimmed, and the approach aims to increase productivity and customer satisfaction by streamlining working processes. LEAN can be used for several purposes. Besides being used as a cost cutting instrument, LEAN can also be used as an instrument to improve quality in public service delivery. This is done by focusing on those processes that create value to the customer or user and eliminating those processes that do not. LEAN thus aims to increase value with the use of fewer resources. Utilising LEAN as an efficiency tool often involves activities that continuously improve all functions and involve all employees in the organisation. Everybody has a responsibility to identify and eliminate waste and inefficient procedures. It could therefore be seen as a management technique that can empower front line workers, who are essential to its success, to challenge traditional delivery methods.

One concrete way of using LEAN as a management technique in PES is as a tool to generate more efficient ways of organising the time spent by employees throughout the organisation. Another way that it can be employed is to optimise procedures and paper work, ensuring that citizens experience a faster handling of cases. Thus, if applied correctly LEAN has the potential of being a tool for better and faster service delivery.

4.4.2 Field of application

LEAN is used to varying degrees in the public sector today throughout Europe, but there does not appear to be widespread use of it in PES, though it has gained significant momentum in the UK where it has been widely used since around 2008. A variety of examples of its application exist in the British public sector, ranging from ‘customer close areas’ such as universities, the health care sector, to public employment and tax (HMRC) offices.

As a tool that aims to identify non-optimal work processes and to cut costs, LEAN is not a country-specific tool. It can be applied in a variety of different country settings in PES. However, one must take into consideration the different levels of employment protection in the Member States. A high level of employment protection (as in e.g. Germany and France) can make it difficult to make swift changes in the organisational set-up (e.g. by reducing staff) and thus reduces the potential efficiency-gain as it will take a long time for the changes to be fully implemented.

Another important caveat to consider is that due to its reputation, introducing LEAN to front-line workers can cause resistance. The implementation and misrepresentation of LEAN as purely a cost-cutting instrument has led to a critique that the approach intended to ensure productivity and efficiency and

60 Leadership Center for Local Government (web page), Total Place: a practitioner’s guide to doing things differently.
61 Archibald, Andrew (2011), Total Place – services and support for older people: one year on.
cutting flab, ignores other crucial parameters such as employee wellness, and corporate social responsibility. LEAN is also criticised as applying a constant focus on improvement and elimination of waste which causes stress among the employees. However a method of reducing such potential resistance is for the management level to devote time to including the front-line workers in the process, as further discussed below.

4.4.3 Experience gained

In the Public Employment Offices in the UK, LEAN has been a useful tool to identify processes that do not add value to the handling of cases. Thus, in the UK, LEAN has been implemented as a tool that can underpin the Europe 2020 aim of PES optimising the use of advisor staff time and maximise quality contact time with clients. This has been done by identifying and removing wasteful, non-value-added and obsolete processes. As previously mentioned LEAN as an efficiency tool has not been put into widespread use by PES. In the UK PES, where LEAN has been widely used the experience has however been positive. On this basis, it seems that it might be relevant to explore the potential of introducing LEAN to a larger extent as a tool for increasing efficiency in the internal working processes of PES. As referred to previously, some of the working processes related to the working of highly developed performance management systems often entail time- and resource-intensive working processes related to the collection, processing and reporting of data on performance and outcomes. LEAN could be seen as a tool for optimising these central processes and thereby increase the overall efficiency of the performance management systems.

It is important to bear in mind that LEAN is not a quick fix. It takes a long-term commitment from an organisation that chooses to commit to a LEAN process, since it takes time to optimise processes. It is essential for the successful implementation of LEAN to create procedures that include front-line workers in the process. This can be done through a daily meeting held with the manager where input from front-line workers is considered, as well as by assessing their performance in order to increase the quality of service and detect processes that do not bring value to the organisation. Through this inclusion, front-line workers contribute to the process of creating a cost-efficient organisation.

64 Ibid, p. 10.
65 DG Employment, Social Affairs and Inclusion (2013), Peer Review on Performance Management in Public Employment Services (PES)”.
4.5 Overview of the different change tools

The efficiency tools described in this section is summarised in the following table:

Table 2: Process efficiency change tools

<table>
<thead>
<tr>
<th>PURPOSE</th>
<th>CHARACTERISTICS</th>
<th>FIELD OF APPLICATION</th>
<th>EXPERIENCE GAINED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance management</td>
<td>Tool to set up targets and monitor performance and thereby promote accountability.</td>
<td>Includes activities which ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on the performance of organisations, units or employees. Uses benchmarking to identify good practice.</td>
<td>Broadly applicable to different kinds of organisations. Used in most PES. Important to set transparent and practically measureable goals and secure ownership among PES employees.</td>
</tr>
<tr>
<td>Digitalisation/ ICT</td>
<td>To increase the use of digital solutions and tools in organising and delivering PES services.</td>
<td>Offers new opportunities to engage users through new communications channels and new possibilities for providing new services that will better meet the needs of citizens.</td>
<td>Widely applicable and use is slowly increasing across the EU. The Netherlands is a front-runner on digitalisation. Introducing digitalised services for jobseekers requires time, planning and well-functioning technology with suitable back-up systems in place. Not widely applied in PES yet.</td>
</tr>
<tr>
<td>Organisational change</td>
<td>An approach or tool to change the organisational set-up of an organisation in order to increase efficiency and effectiveness.</td>
<td>Involves the restructuring of organisation, authority, competences, etc. of PES. It involves aspects such as decentralisation, service integrations and outsourcing.</td>
<td>The use of organisational change within PES is widespread. The concrete form will to a large extent depend on the political context and institutional structure in each country. Examples include public-private partnership, one-stop-shops, Total Place, etc. Organisational changes have led to varying degrees of increased efficiency and effectiveness of PES.</td>
</tr>
<tr>
<td>LEAN</td>
<td>Tool to increase productivity and customer satisfaction by streamlining working processes and eliminating waste.</td>
<td>Can be used as an instrument to analyse work processes in PES (e.g. finding waste time) and on the basis of this analysis improve quality and cut costs.</td>
<td>Mostly sparse use in PES. More widespread use in the UK. Positive experiences in the UK showing good potential for improving processes of service delivery. LEAN is not a quick fix, but takes a lot of time to implement.</td>
</tr>
</tbody>
</table>
This chapter provides perspectives across the process efficiency techniques described in the previous sections. Firstly, we sum up the experiences regarding the implementation of process efficiency techniques within PES. Secondly, we discuss the relationship between different organisational settings within Member States and the use of process efficiency techniques. Finally, we summarise and discuss a number of enabling and disabling factors for the introduction of process efficiency techniques, related to methodological, political, legal, technical and institutional issues.

5.1 Implementation experiences

It is not straightforward to generalise about the implementation of such a diverse set of process efficiency techniques as described in earlier sections, however some general tendencies seem to stand out. Firstly, all the techniques described share the trait of being quite comprehensive in that they involve extensive data collection and/or reorganisation, making it a sizeable investment to apply the technique. This is something that requires both allocating resources to the task and making (often political) decisions about how, what and where to apply measures. An important experience from implementation is that using the techniques can often be hindered by the fact that it takes a long time and a lot of resources to decide how and where to apply the techniques in the first place, then actually carry out the analysis, and finally implement the changes that the techniques require.

In general the application of the analytical tools requires less time and resources than the change tools as these typically involves more people and often also entail a change of the organisational culture which is a very slow process.

Secondly, an implementation experience related to the analytical techniques in particular is that there can be a long way to go from undertaking the analysis to actually making the organisational changes that can improve efficiency. Looking at, for example, DEA and evaluations, it is far from a given what should actually be changed in the PES offices on the basis of these two types of analysis. In the same way, a CBA, even when indicating a more efficient alternative course of action, will often not yield very specific instructions for how to change procedures, organisational settings, etc. in order to achieve the improved efficiency.

A third point regarding the implementation of process efficiency techniques relates to organisational and institutional inertia. In several of the instances described techniques are not being used or only being partially applied, an important explanation for this seems to be that PES, like other parts of the public sector, and other large institutions, are more generally characterised by a certain degree of inertia, ranging from the higher political level to the grass-roots level where services are delivered to citizens. Going all the way in applying such process efficiency techniques requires large investment of time and money and often produces significant changes, but organisations are often hard to change mainly because they are very bound by existing methods and their members are often in entrenched and interdependent positions. This is not at all to say that organisational change is not possible, but when working with implementing techniques aimed at change in large, relatively stable and law-governed organisations, an important experience seems to be that these kinds of changes can be hard to initiate and completely carry through.

5.2 Enabling and disabling factors

In the subsections below we summarise and discuss some central methodological, political, legal, technical, and institutional issues to be considered to enable the introduction of the wider use of process efficiency techniques.

5.2.1 Methodological

The methodological set-up of the different techniques can be seen as having implications for the usability and applicability of each. From a practical perspective, the methodology of, for example, LEAN can be seen as both its strength and weakness.
LEAN stresses that the analysis should be conducted by the staff close to the working processes at the focus of the analysis. This can be seen as a strength as it ensures that those instructing the change are those closest to and most knowledgeable about the processes involved. The close involvement of the staff members running the processes can on the other hand be a weakness as it is unlikely that those involved will suggest changes if this entails the abolishment of functions that they are themselves responsible for, thus rendering themselves surplus to requirement. The use of LEAN thus seems more likely to be successful if it centres on minor or specific processes rather than on wholesale organisational changes.

In a similar fashion, some types of evaluations such as Randomised Controlled Trials (RCT’s) are best applied when focusing on minor adjustments of interventions and are thus not as useful or applicable when more wholesale changes or reorganisations are required.

Data related challenges

Each efficiency technique has different prerequisites in order for it to work. Both performance management and the different analytical tools require high-quality data on matters that are not very easy to monitor and measure. As a result, there are challenges connected to the process of using these types of techniques.

First of all, these techniques seek to obtain appropriate and valid data on very diffuse and sometimes rather difficult to define, or even abstract matters, such as the well-being of those getting a job or the value of obtaining new skills. Before actually starting to collect the data there is therefore a need to identify the relevant indicators and data to be collected and used in the subsequent analysis. The identification of valid indicators and measures of added value (CBA) can be very difficult and often requires expert knowledge and time in order to test the appropriateness of these. Secondly, the gathering of data can be very challenging as it is often difficult to collect involving many actors (e.g. the local offices of PES) within PES and needs to be done in a very systematic and uniform way. Thirdly, the processing and analysis of the collected data often requires strong analytical competences and good data processing tools.

Considering the differences in the targets set across the Member States, there does not seem to be a widespread consensus on which data is of most relevance for assessing efficiency and effectiveness or on its interpretation. Thus trying to reach an agreement across different PES on which type of indicators are of most use would support comparable analysis.

What indicators to measure

In order to make a valid business case for the PES, it is important to focus on long-term targets. Case-loads or unemployment rates are not good measures of success as they do not necessarily take into account the full added value that the PES delivers to the labour market and wider society. Thus long-term labour market attachment, employment levels and earnings outcomes, may be better targets, as they can take into account the additional tax receipts generated by employment services and put these issues at the centre of management thinking. PES performance management will therefore enable more comprehensive measurement of the relevant factors that need to be taken into account in order to make the business case for PES.

In some cases the need for analytical tools and a specific type of indicators can have an impact on the areas within which these can be applied. While CBA and LEAN techniques have been successfully applied in PES it is apparent that the use of these techniques is less extensive here than in the private sector. Techniques such as CBA and LEAN seem easier to employ when the different options included in the analysis have characteristics similar to those found in the commercial sector, essentially where costs and benefits can often be more easily converted into monetary terms. In some areas of the public sector it is very difficult to gauge the effect or value of certain services in such terms. As CBA uses monetary measures to compare costs and benefits of different options it is difficult to apply the technique in these situations. Therefore, CBA can be expected to be more prominent in areas such as clearly-defined public investments where the costs and benefits of different options are more easily measured.

On a general level these methodological and data related challenges seem to highlight some fundamental differences between analysing processes and outputs (e.g. policies) in the public sphere and analysing outputs (e.g. goods and commodities) in the private sector. The difficulties of defining and measuring performance, benefits and costs related to activities and outputs in the public sector seems to restrict the use of process efficiency tools and thus acts as a disabling factor in the dissemination of these tools in PES. On these grounds there seems to be a need for the continued improvement of good management and performance indicators and process measures in PES. Applied in the right way, tools like CBA and LEAN have demonstrated value in other parts of the public sector. As an example LEAN has been more widely applied in public healthcare and while comprehensive studies of the effect of these initiatives are still lacking, this illustrates an increase in the application of such techniques in the public sector. It also indicates that the continued development of process efficiency techniques within PES could lead to improvements in its overall performance.

5.2.2 Political

Changing political leadership or differences in overall political culture or tradition may have an influence on which approaches or tools are selected. The outsourcing of employment services as a tool for attaining more efficient services might, for example, be discarded as a tool to use on political grounds rather than on economic or professional grounds. In some countries (e.g. the UK) there is a strong tradition for using private market service providers, while in others (e.g. the Mediterranean countries) where there is a tradition for a large public sector and thus some degree of political reluctance to use such measures. As mentioned earlier some countries have a strong tradition of social dialogue and the involvement of stakeholders in the policy making and the organisation of PES. Such a tradition may in some cases have an impact limiting PES’s ability to promote change.

One disabling factor relating to the political sphere stems from a disparity between the time frame of the political system and the often long-term timespan of the outputs and benefits related to PES activities. While budget streams, political mandates and political goals are often relatively short term, the horizon for making valid assessments of the success of specific social public policy initiatives is often long term. In this respect the short-term focus of the political sphere can counteract the application of long-term measures of the social benefits of investment in PES.

5.2.3 Legal

In some countries, legislation restricts the extent to which data on an individual level can be obtained and interconnected (e.g. due to the absence of a central identification register). This can be an obstacle to the use of analytical tools such as CBA and evaluations, as well as to the implementation of a performance management approach, as they often seek to measure outcomes or effects on an individual level and thus are dependent on the integration of data from different data sources. On the other hand, the existence of more liberal legislation on the matter of collection, storing and use of data (e.g. Denmark) will act as an enabler for these kinds of data-heavy analytical tools.

5.2.4 Technical

Some of the techniques in question require quite advanced technical solutions. The use of digital services is obviously dependent on PES having the relevant technical solutions and systems. Implementing a full-scale performance management model, however, also requires well-functioning monitoring systems and databases in order to monitor performance and outputs in a valid way. As mentioned in chapter 3, the use of analytical tools such as CBA and DEA do however also – though on another level – require advanced analytical and data processing tools and expertise. A high level technical system (e.g. a highly developed and widespread IT-infrastructure) can be seen as a prerequisite for the full use of many of the mentioned process efficiency techniques. Further developments and technical improvements (e.g. in the establishment or further development of data warehouses) might therefore also lead to the application of more sophisticated analytical tools such as CBA or to the development of more accurate performance management models.

5.2.5 Institutional

In general terms, the impact of PES organisational settings on the usefulness of process efficiency techniques is not widely documented in the litera-
Jury by what has been written on the subject, organisational settings do however seem to have a degree of impact in this respect.

**The importance of autonomy**

A high degree of organisational separation between PES and political and central administrative control can help to promote strategic management decisions free from short-term political considerations. In many countries the setting of more general targets, at national level often leaves significant levels of freedom for local and regional authorities to determine the actual design of labour market measures and services. This type of decentralisation ensures local autonomy and freedom of implementation, and fosters responsibility and ownership in municipalities.

In the same way as initiating a dialogue and inviting input from relevant stakeholders strengthens the target setting process, it is also recommended to secure input from local labour market stakeholders that can help PES to adjust their services to meet the differing needs of local labour markets. The main issue for PES is finding the right mix between flexibility, accountability and responsiveness to local conditions. Therefore, what is decentralised, and how, is very dependent on the country context.

While often financed at national level, unemployment benefits and employment services are always implemented at local level. However the level of local autonomy can vary significantly across PES. Performance management is well suited for an organisational setting where PES are decentralised into local units with comprehensive autonomy or where parts of the employment services are subcontracted (outsourced) to external service providers. A high level of local autonomy allows more room for local management to adjust policies and to set relevant targets and manage partner relations, while still meeting the need for central monitoring and steering of the local operation. In the end this may increase accountability and foster cooperation with local stakeholders. In cases where decentralisation and local autonomy is limited, the performance management tools are less effective, since management has little room to manoeuvre and influence outcomes.

A strong decentralisation in PES, or even a quasi-market, can lay the ground for healthy competition among different units, driving them to deliver the most effective services in the most efficient way. On the other hand, such competition and scattering of knowledge and competencies across different service providers might lead to a lack of cohesion in PES and the services provided. As seen with the ‘black box’ model used in the UK, it can be difficult for PES to gather solid knowledge on what it is that makes some services or service providers more effective than others. As a result, it can be difficult for PES to ensure the dissemination of knowledge about effective services and good practice; this is left to the forces of the market.

**The significance of culture**

An important aspect relating to the implementation of each of the aforementioned techniques is that they all imply a very important aspect of cultural change. The implementation of performance management or the continuous use of LEAN requires as much a change of organisational mind-set or culture as it does a practical/organisational one. In order to fully exploit the benefits of a performance management model, it is imperative to create a culture in the organisation that focusses on performance and a mentality that encourages the drive to achieve the established targets. The implementation of such techniques or models is thus as much a cultural challenge as it is a technical or methodological one. In order to implement the techniques effectively it is therefore necessary to address this issue directly and to assess the impact it has on the time scale for implementation and the related costs.

This factor should not be underestimated as it is a long and often slow process to build the right culture in an organisation such as PES. Changing the culture of an organisation and the mind sets of staff and managers often takes longer than the completion of the more practical steps to implement new practices. This might in fact be one of the main reasons why the development and use of these techniques is not as advanced and widespread as might be expected.

**The cost of organisational change**

It is important to bear in mind that while organisational changes may improve efficiency in the

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long term, they can be costly in the short term, e.g. because of the disruption of working procedures, the need for additional training of staff, and the time spent analysing the organisation.

As mentioned earlier, the increased use of digital solutions and the implementation of blended services are expected to lead to cost-savings through the automation and standardisation of work processes. However, this also requires both investment in PES, technical systems and the training of staff. While the cost-reductions are often quite easily measured, it can be a more challenging task to estimate or calculate the benefits from such a change and also, on the cost side, to estimate the extent of the investment needed in order to achieve these.

In the same way, the introduction of a performance management system can create benefits in terms of the identification of effective and efficient interventions, but this also entails the changing of established routines and sometimes requires quite a lot of time- and resource-consuming data collection and work in order for the model to operate as intended. Thus it is important to also focus on the indirect costs of introducing process efficiency techniques.

5.3 Further dissemination of process efficiency techniques and the perspectives in relation to identifying the PES investment case

5.3.1 Enabling comparison across PES

A prerequisite for creating efficient incentives for performance improvement across different PES is the accurate measurement of performance. It is however important to ensure that the performances measured are corrected for ‘local’ (e.g. national, regional) external factors to ensure that fair comparisons are made. At present such use of clustering is relatively limited and primarily used internally in some Member States (e.g. Denmark, Austria and Switzerland). A way to enhance the impact of performance management across national PES could thus be to look to develop comparative models to secure accurate measurement of performance across Member States in order to support dissemination of good practices and knowledge of effective interventions and process efficiency. It should be noted that a new initiative within the PES network addresses this issue by introducing benchmarking at the EU level.72

5.3.2 Combining the different approaches

When looking at the documented use and experiences gained from the implementation of the different process efficiency techniques, it seems clear that it should not be a question of selecting one or the other technique, but rather one of finding a good way of combining these. Analytical tools such as CBA or evaluations of the effectiveness of certain interventions can be used to enlighten and qualify performance management models or help determine the right mixture of services to be implemented in blended service models in PES. Similarly, evaluation may provide valuable inputs and information to CBA by providing an accurate assessment of the effect (in terms of benefits) of different services or interventions. In addition, the experiences of combining structured and systematic analysis of performance data with regular programmatic evaluations are good. This kind of ‘double-looped’ learning places emphasis on the efficacy of the services offered and the way these services are delivered and at the same time ensures that the evidence continues to inform and shape the future development and refinement of the system.

It is also worth noting that performance management and the use of ICT can be very much interlinked. The fact that the use of digital tools, such as e-services, is easily monitored can in some ways ease the burden of monitoring performance in PES. The introduction of ICT can thus, besides increasing the efficiency of the organisation, also facilitate the activities (and reduce the costs) related to data collecting and thus supports the execution of performance management activities in PES.

Looking across the different techniques, it is also apparent that they offer different perspectives on the subject matter as some have a retrospec-

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73 http://www.pes-benchmarking.eu/english/about.asp?idPageLv=1
tive focus (e.g. evaluations), some are concerned with present performance whilst others are concerned with the future effect of an intervention.

Many impact evaluations thus primarily have an ex-post character, looking at the effects of a certain service or intervention based on data collected over a certain period of time. Meanwhile the DEA and performance management is more concerned with current performance and the efficiency of the processes inside PES. Finally a technique such as CBA often has a more prospective or forward-looking focus on the cost-effectiveness of different (hypothetical) future scenarios for the service deliveries or the organisation of PES.

On this basis, there seems to be considerable potential to combine the different approaches and thereby utilise the diversity of perspectives and capabilities of the different techniques in order to gain more solid and broad-spectrum insights into the effective initiatives and efficient processes inside PES. The combination of different analytical approaches could heighten the validity of the knowledge gathered and thus qualify the knowledge base for the future development of PES. It could also support PES in their role as ‘knowledge brokers’ and strengthen the dissemination of good practice and effective and efficient initiatives in the employment sector.
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