



# European Network of Public Employment Services

Index on quality of  
Active Labour Market Policy (ALMP)  
implementation

Study Report 2019



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The European Network of Public Employment Services was created following a Decision of the European Parliament and Council in June 2014<sup>1</sup>. Its objective is to reinforce PES capacity, effectiveness and efficiency. This activity has been developed within the work programme of the European PES Network. For further information: <http://ec.europa.eu/social/PESNetwork>.

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<sup>1</sup> DECISION No 573/2014/EU

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## **1. Introduction**

This report proposes a new index on quality of Active Labour Market Policy (ALMP) implementation. The report presents an approach that focuses primarily on the client journey of ALMP delivery, but also covers the institutional framework of ALMP implementation. The calculation of the proposed index is based mainly on the PES Benchlearning outcomes. The report builds on earlier work on an index based primarily on a special survey of ALMP measures embedded within the 32 public employment services (PES), conducted in 2017. The information gathered in the survey provided the catalyst for further investigation into the ingredients in the process of ALMP provision/implementation, working towards the development of an 'Index on Quality of ALMP Implementation'. The results of a first attempt at constructing the quality index were reported in a Working Paper in May 2018 (ICON Institute, 2018) and a revised version was presented in a final report in February 2019. The Working Paper and the drafts of the Final report were carefully considered by a specially formed PES Reference Group to support the project. Some of their comments pointed to potential sources of bias in the 2017 ALMP survey responses, which were investigated in detail in a supplementary report completed in January 2019 (ICON Institute, 2019).

The index proposed in this report was discussed at various meetings of the PES Network and adjusted in view of the comments received.

The second chapter briefly summarises the empirical and theoretical grounding of constructing an indicator of ALMP quality. The third chapter outlines the structure of the proposed indicator. The fourth chapter presents the calculation method more in detail. The last chapter outlines potential further steps to refine the new indicator. This report is a progress report presenting the concept, and does not include any results.

## **2. Rationale for constructing an ALMP Quality Index<sup>5</sup>**

### **2.1. Introduction**

The ultimate objective of ALMP measures is to enhance the employment opportunities for jobseekers, or more specifically their prospects for finding and keeping gainful employment or to increase their earning capacity in the medium to long terms. This is underpinned by a much wider aim of improving the matching of job vacancies and the unemployed on the labour market.

It is commonly agreed among European PES that a successful integration in employment is a convincing indicator of the provision of good support for jobseekers by making use of different services including ALMP measures. However, it is difficult to commonly agree on the opposite scenario where a failed integration into the labour market may be caused by wrong, insufficient and/or inadequate services (including ALMP measures). Nevertheless, external factors such as economic and labour market developments, legislation, political

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<sup>2</sup> The results of external PES performance assessment gained during the 2nd cycle of the PES site visits. More information is provided by ICON Institute (October 2017), *PES Network Benchlearning Manual*, <https://ec.europa.eu/social/BlobServlet?docId=18857&langId=en>.

<sup>3</sup> The term ALMP measure in this questionnaire refers to labour market interventions where the main activity of participants is other than job search related and where participation usually results in a change in labour market status.

<sup>4</sup> The Reference Group is made up of representatives from Austria (AT), Bulgaria (BG), France (FR), Lithuania (LT) and the Netherlands (NL) as well as from the European Commission (EC).

<sup>5</sup> This chapter is taken from an earlier report of January 2019 (ICON Institute, 2019) with minor changes.

decisions, budgets, etc. play a significant part in determining labour market outcomes. This means that it cannot be excluded, *a priori*, that a positive labour market outcome could not be achieved even if services provided by the PES (included ALMPs) was appropriate and adequate. This raises the question of what constitutes an appropriate and adequate service and what characterises good ALMP measures? To answer this, a good ALMP measure could be characterised by two factors. Firstly, an ALMP that increases the likelihood of labour market integration and, secondly, that is of high quality in terms of its outcomes for the jobseeker.

This section briefly outlines the empirical basis for measuring the quality of ALMP provision and the current approaches to measuring ALMP quality.

## **2.2. The empirical basis for measuring ALMP quality**

The available empirical evidence on the link between the process of ALMP provision and their success in helping participants in the labour market is not extensive or is in a format (e.g. econometric modelling) that does not give rise to details of how such aspects as design and delivery contribute to their success. Most empirical and/or academic work carried out so far does not relate to ALMPs in the broader sense, but to specific ALMP measures (such as training, coaching, subsidies, work exposure schemes, etc.). The findings from such studies tend to focus on the need for measures to be 'well-targeted', suggesting the value of good allocation and referral systems. In general, the results tend to chiefly offer guidance on the mix of ALMP measures that offer the best prospects for jobseeker sub-groups to re-enter the labour market.

The empirical evidence that tends to show a positive relationship between the characteristics of the ALMP implementation process and the outcomes for the participant are limited. The more formal sources emanating from labour economics (such as Card et al, 2018; Caliendo and Schmidl, 2016; Martin, 2014; Card et al, 2010; Kluge, 2010) tend to concentrate on evaluation work using econometric methods to assess the effectiveness of ALMPs. These evaluations or reviews across several evaluations, are focused on the outcomes from the participant perspective and do not explore the processes involved in the implementation of the ALMP measure. They do tend to show that for measures to be effective they need to be well targeted which suggests that the selection process is somehow important to the eventual outcomes. In these studies, the selection of the right participants for a specific ALMP measure can greatly determinate the success of this ALMP in terms of labour market integration. Other elements of the ALMP, such as its content, duration and combination with other ALMPs, etc. are not usually analysed.

In De Koning (2007) there is a little more exploration of the implementation process which suggests that outcomes can be improved through giving attention to the targeting and design of ALMP measures, more efficient implementation and delivery, as well as better performance by benchmarking the various agencies involved in delivery. Similarly, some studies address the timing of participation in relation to the client's unemployment spell (for example, Wunsch and Lechner, 2008) while taking a much broader view, Calmfors (1994) felt that the overall scale of ALMP provision in a country could be a critical factor in effectiveness.

The examples of the literature quoted above show that their focus is on providing guidance on the policy mix, in other words which ALMP measures work better for different labour market sub-groups. This information has merit in that it can point to the type of measure (e.g. training, employment subsidy, or public job) most appropriate for the specific type of client (e.g. long-term unemployed, unskilled, age group, etc.) based on the evidence of outcomes. However, this approach cannot show what part the implementation process (such as selection, design, monitoring, etc.) played in achieving the outcomes.

In an extensive meta-study of ALMP evaluations over a long period, Walsh and Parsons (2005) found that often the main driver for the evaluations tended to be academic interest rather than policy. This meant (particularly for training and retraining measures) that the focus tended to be narrow and so did not address the breadth and scope of analysis necessary to offer effective feedback to the providers (and deliverers) of ALMP measures. It also found that the labour market relevance of measures was critical to the success as measured in employment outcomes, so the involvement of employers and the availability of reliable labour market information were crucial.

In overcoming some of these limitations, work on what might be broadly termed comparative social policy (such as Clasen et al, 2016) concentrates more on the identification of the determinants of how ALMPs are developed and includes such aspects as their design, indicating the presence of an important relationship between the process of implementation and favourable outcomes.

There are a few examples of studies where operational issues are the focus and offer more in terms of process evaluation. For example, Eichhorst et al. (2016) looked at the experimentation in Germany of variable caseloads of PES staff and what effect this had on client outcomes. High and low caseloads of 1:100 and 1:40 were tested and found to be effective in that for clients with more complex profiles, a lower caseload led to lower unemployment spells based on an intensified service that included targeted ALMP measures as appropriate. Lower caseloads also offer significant positive labour market outcomes for jobseekers with a high potential of getting quickly back into work (Fertig and Puxi, 2014).

From the limited secondary information directly addressing the issue, it might seem to be a significant leap to assume that the implementation process is key to high-quality ALMP outcomes. However, intuitively the relationship is an obvious one and is further supported by the experience of PES assessment through the BL project. ALMP measures that are customised to the individual jobseeker and (especially important where resources are limited) allocated to those most likely to benefit from participation is an obvious link to better outcomes. In addition, higher quality is a likely outcome where the ALMP measures are delivered in a way that allows the PES to make a short-term assessment (through, for example effective profiling and linking to labour market needs) of the possible long-term outcomes of the measures, building this into the process of delivery (whether in-house or contracted out).

It is also reasonably evident that an effective follow-up process of ALMP participants that ensures a rapid and informed use of the participant's increased employability from being on the measure, will enhance their employment prospects. Linked to this, the effectiveness of all measures should be evaluated on a regular basis with the results fed back into the design and development of ALMPs or indeed the redesign or adjustment of existing measures, thus creating a situation where adaptation and flexibility are built into the system. Here, the effective use of piloting new measures or amendments to existing measures is fundamental to their effective roll out.

### **2.3. Current approaches to measuring ALMP quality**

The principal implementing agencies for ALMP measures in European countries are the PES and they face the challenge of decision-making on ALMP provision when it is only *ex-post* that the true effects of individual participation can be seen. This means that PES face two major issues:

- The **operational** challenge to implement ALMP measures in a way that maximises the *ex-ante* likelihood of individual success.



- The **strategic** challenge to ensure that all the relevant (and those with best prospects of success for the individual) ALMP measures are made available in a timely and quantitatively appropriate way.

Furthermore, all of this often must be achieved in an environment where resources are limited, and other pressures exist that influence what can be done.

This requires the PES to have in place those mechanisms that offer the best prospects of success in the use of ALMP measures and this extends to the processes and tools that will help ensure the optimum quality in ALMP design, delivery and follow-up.

Against this background, to support PES to cope with the two challenges in the use of ALMP measures (i.e. operational and strategic) it is necessary to rely on the essentially theoretical reasoning on the processes and tools needed to ensure the highest quality measures. As discussed in Section 2.2, the literature would suggest that high-quality ALMP measures should be tailor-made to the needs of individual jobseekers and allocated to those clients for which they are likely to make the biggest difference.

In addition, there needs to be a follow-up process involving ALMP participants that ensures a quick and informed view of how any improved employability of the participant can be built on to enhance their job prospects on the labour market. This leads on to the need for a regular evaluation of the effectiveness of the measures (i.e. the extent to which the measures causally contribute to improving the employment prospects of participants) and actual use of the results to regularly review and (if necessary) redesign measures with a view to improving their effectiveness. This then forms the closing part of the 'cycle' towards achieving high quality provision.

## **2.4. Summary**

The above discussion has demonstrated a considerable gap in the research to assess the quality of ALMPs systematically and according to a commonly-agreed collection of process-oriented information of PES activities. So far, academic research has focused almost exclusively on the deployment of quantitative methods to assess the success of ALMPs against measurable outcome and the (re-)integration of participants in the labour market. Qualitative information on different phases of the implementation of ALMPs, such as planning, delivery and follow-up, has not been gathered which leaves a considerable gap in understanding of what works for who and in which circumstances. However, there is consensus among European PES that this gap should be closed and that the way in which ALMPs are implemented by PES (and other bodies if appropriate) can influence their outcomes. This more intensive use of qualitative information would therefore be expected to contribute to better outcomes, as measured in conventional policy evaluation.

## **3. Proposal for a reliable indicator of ALMP quality**

### **3.1. The aim of a quality indicator**

The main purpose of the quality index of ALMP is to support PES by identifying good practice in the process of delivering high quality ALMP measures. Quantitative counterfactual evaluations provide evidence on which ALMPs are effective, and well-designed experiments may also identify particular features that can contribute to effective ALMP implementation. Evidence from such evaluations is very useful in guiding the design of particular ALMP measures and referring clients to particular measures. However, neither of these approaches provide detailed information on how PES may improve their internal *processes* to enable the effective design and delivery of high quality ALMPs.

The index proposed below is aimed at identifying those PES with the best processes, in 5 dimensions. This requires focusing on aspects of quality that are measurable, and with considerable variation among PES. Importantly, while the proposed index may support PES in reflecting on some aspects of their current practices, it does not represent a comprehensive checklist covering all aspects of best practice in the delivery of ALMPs. To supplement the index, Annex 2 includes a checklist that covers the most important elements of implementing high quality ALMP.

### **3.2. Description of a reliable indicator**

In this section we outline an index, based on the review of the earlier work towards constructing a quality index, along with the PES Network survey. This index captures ALMP quality in five dimensions. The following sections describe these dimensions and the information sources (3.3). This indicator is based on available information, which may be improved by using a next round of a PES survey (see Chapter 5 for some options).

The proposed indicator is designed to capture the following five dimensions contributing to ALMP quality:

- (1) Budget: the amount of the resources available for ALMP provision and the flexibility of allocating the budget across regions, ALMP tools and years. This is required to ensure that ALMP can flexibly adjust to fast-changing client needs.
- (2) Performance management: the well-designed PM framework ensures that managers and frontline staff have the right incentives to use ALMP to the benefit of jobseekers.
- (3) Profiling: the well-designed and appropriately used profiling tool ensures that client categorisation accurately reflects client needs and labour market proximity. This is a prerequisite to referring clients to ALMP that can help them the most.
- (4) Segmentation / Referral: clients are referred to the programme that is most likely to help them return to the labour market or improve their employability.
- (5) Delivery of ALMP: the available range of ALMP matches client needs, and the particular measures are well-designed and delivered to the highest standards of quality. This applies both to internal and external provision.

The first two of the five dimensions concern the broader institutional context, while the other three concern the main steps of the client journey. We argue that each of these dimensions represents an aspect of PES operations that is *necessary* (though not *sufficient*) for high quality ALMP provision and each has a large influence on quality.

### **3.3. Sources of information**

We propose to build the index mainly on the external scores of the Benchlearning PES assessment process, as the above described five dimensions are either not covered by the 2017 ALMP survey of PES or the survey outcomes are implausible<sup>6</sup>. However, for sub-index 4 and 5, we propose to use both sources as in these dimensions the two data sources complement each other. The table below shows the particular items to be used for each source.

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<sup>6</sup> For more details on the potential sources of bias see ICON Institute (2019).

**Table 1. Sources of information for the proposed index**

Section	Survey questions	BL enablers
1. Budget: adequate resources and flexible allocation		BL enabler G2 (also includes PM feedback) + Eurostat data on spending
2. Performance monitoring and incentives		BL enablers A2, A3, A4
3. Profiling		BL enabler C1
4. Segmentation /referral	S1/Q5 a,d S2/Q8. d	BL enabler C3
5. Range, design and delivery of ALMP measures	S1/Q6 S2/Q3 S3/Q2 S4/Q1, S4/Q3, S4/Q4	BL enablers E1, E2, E3 (evaluations and pilots) C6 (outsourcing, local autonomy) F5 (partnership with service providers)

Note: S1/Q5 d – the answer 'd' to question nr. 5 in Section 1 of the PES ALMP survey

Eurostat data on ALMP spending is used in sub-index 1. These data come from the Labour Market Policy Database of Eurostat. These data cover spending at all levels (central, regional and municipal) of government<sup>7</sup>, which ensures comparability across countries where municipalities provide a large share of ALMP (e.g. Denmark or the Netherlands).

We use some information from the 2017 ALMP survey of PES to construct sub-index 4 and 5. We reviewed all the questions in the 2017 ALMP survey of PES that relate to the quality of ALMP in terms of variance and correlation with the corresponding enablers. We excluded questions where there was very limited variation in the responses (as these questions cannot contribute much to identifying high performing PES) as well as those where the responses were found to be biased (this is discussed in the Supplementary report).

Data on Benchlearning enablers are used for all the sub-indices. It should be noted that some of the enablers that we propose to use in the revised index are not focused on ALMP specifically. We argue that, though this may introduce a bias, this is less likely to influence the cross-country comparisons than the distortions in the ALMP survey. Moreover, this bias may be relatively small, for the following reasons:

- The flexibility of the budget (G2), though covers all PES activities, tends to be an issue mainly in the case of ALMP spending as the other cost items are either easy to plan (staff and maintenance) or bound by legal obligations (benefits).
- Performance management (A2, 3, 4) also covers all PES activities, and we argue that this influences ALMP both indirectly, via the performance incentives of PES managers and staff that govern their overall conduct, and directly, via the quality of the ALMP related elements of the PM system.
- Evaluations (E1, 2, 3), though they may potentially cover all aspects of internal processes, services, and ALMP, typically focus on ALMP in most PES, so we may assume that the enabler scores are applicable to ALMP.

<sup>7</sup> For more details, see EUROSTAT (2006, p. 6).

- Partnership with external providers (F5) covers outsourced ALMP as well as services. In this case we may assume that the rules and procedures captured by the enabler are likely to be similar in both areas within one organisation.

We used the original scores on a six-degree scale for each element of the PDCA cycle and calculated average scores for each enabler. We had access to the results of the most recent round of Benchlearning visits conducted in 2017 or 2018, so the information used is up to date. Please note that due to averaging over the PDCA elements, the effective range of scores was 2-6. We also experimented with using alternative weighting/aggregation schemes for the enabler scores (for details, please see the Annex 1).

### **3.4. Justifying the choice of survey questions and enablers**

First, though the core issue of achieving high quality ALMP is the design and the targeting of the individual programmes, implementation depends on a number of other features of PES operation, which may constrain the actual performance of ALMP. These features include a) the size of the budget available for ALMP, b) the flexibility of allocating the budget across ALMP, regions and years and c) the performance incentives of PES counsellors that govern the profiling and segmentation process. This justifies including the budget and the PM system in addition to elements of the client journey.

Second, to the extent that the effects of ALMP vary across client groups, the overall outcomes of ALMP delivery will depend on the quality of profiling and segmentation. Simply put, well designed and delivered ALMP can achieve their highest potential if jobseekers are referred to the right ALMP that meets their needs. Segmentation clearly depends on profiling: if profiling is inaccurate, ad-hoc, or driven by adverse incentives, jobseekers will be misallocated, even if the segmentation procedure is well designed and properly implemented. As profiling and segmentation both have a potentially strong impact on ALMP quality while their quality is not necessarily correlated, it is important to include them as separate dimensions.

Third, the fifth dimension covers the delivery of ALMP. We propose to add externally provided measures, follow-up (which were separate sub-indices in the previous version of the index) and the possibility of adjustment at the local level (which is part of the first sub-index in the previous version) to this dimension, as these all concern some aspect of delivery. We have two reasons for proposing to include several areas into this dimension. First, we argue that, while a complex area, the actual delivery of ALMP is of equal (but not higher) importance as the other dimensions. One way to reflect this in the index is to give each sub index an equal weight and give one sub-index to delivery. Second, the available data sources had limited information on several aspects of delivery, so it would have been difficult to construct several sub-indices that represent the main aspects of delivery in a balanced way. In Chapter 5 we briefly outline these aspects that may be explored in an updated survey.

A further argument for including externally provided measures within the 5<sup>th</sup> dimension (the delivery process) is that the volume and importance of outsourcing within PES delivery varies greatly across PES. Therefore, if treated as a separate dimension, outsourcing would need to be given a varying weight corresponding to its share within ALMP measures in the particular country. Second, even in countries where outsourcing is of a similar volume, it may be embedded in the institutional setup in a different way, implying that it is difficult to construct standard questions in a survey that apply in all institutional contexts. Therefore, it seems better to integrate outsourcing as a crosscutting issue that may be relevant in all aspects of delivery. As we note in Chapter 5, one way to do this is (mainly in the second and the last two dimensions) to list viable combinations of organisational solutions and include outsourcing as one of these.

## 4. Calculating the index

As explained above, we propose to measure five dimensions of the quality of ALMPs, and primarily use Benchmarking Enabler scores to approximate quality, complemented with responses from the 2017 ALMP Questionnaire, where appropriate. While in the previous chapter we outlined the reasons behind our choices, in this section, we present how the scores were calculated.

**Sub-Index 1:** budget flexibility and size was approximated by BL enabler G2, and ALMP spending, where the first item received a double weight. ALMP spending was normalised and six quintiles were formed. The normalisation involved two steps: (1) calculating the expenditure on LMP Categories 2, 4, 5 and 7 as a percentage of GDP<sup>8</sup>; (2) and dividing this by the long-term unemployment rate (using official Eurostat statistics, which are in turn based on the EU LFS)<sup>9</sup>.

**Sub-Index 2:** this was approximated by BL enablers A2, A3 and A4, and we used a simple average of the three scores.

**Sub-Index 3:** we used BL enabler C1, with no modifications.

**Sub-Index 4:** we used BL enabler C3, complemented with questions from the ALMP Questionnaire. The scoring of the questions was very similar to that used in the first calculation in the draft of 2017. Specifically: S1/Q3b; S1/Q5 and S2/Q8d was used. Given that we deem that information gleaned from the Questionnaire is rather complementary to the scores of the enablers, we gave double weight to enabler C3 vis-à-vis the sum of scores calculated from the Questionnaire.

**Sub-Index 5:** This sub-index is relatively complex, as it combines several BL enablers. We cover three areas: evidence-based design; implementation of activation strategy and relationship to service providers; and monitoring dropouts and follow-up of client outcomes. For the first element of this sub-index, we used enablers E1, E2, E3 (the numeric average of these), complemented with S3Q2; where the enablers received a double weight. The second element was calculated as a numeric average of enablers C6 and F5. Finally, the third element was composed of the Questionnaire S3/Q3d, S3/Q3e, and S4/Q1, S4/Q3, S4/Q4 (with a scoring equivalent to those proposed by ICON). Finally, we formed a weighted average of these three elements, with evidence-based design; as well as implementation of activation strategy and relationship to service providers receiving double weight, while monitoring dropouts and follow-up receiving unit weights. Note that we also experimented with alternative weighting schemes, which is explained in Annex 1.

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<sup>8</sup> Please note that we did not use spending on direct job creation (LMP Category 5), as it has proven to be ineffective in numerous evaluation studies (as surveyed in Card, Kluve, and Weber, 2018).

<sup>9</sup> We opted to normalise using the LTU rate (instead of the unemployment rate, for instance), as it represents the size of the jobseeker group facing the largest barriers to returning to the labour market, and are most likely in need of active measures.

## **5. Proposal for further steps to improve the performance of the ALMP Quality Index**

As a general strategy we propose to develop an index that combines the information from enablers with that of a separate PES survey focusing on ALMP strategy that complements the information captured by enablers. It may be possible to conduct this survey as the previous one, relying on the PES network, or, as part of the Benchlearning site visits, as an ad-hoc module attached to the standard process of scoring enablers. It should be noted that the methodology of the Benchlearning PES assessment (PES performance excellence model) itself is undergoing a revision in order to adapt the model and performance description to new challenges arising for PES. The possible revision of the ALMP Quality Index will need to take into account any change in the current Benchlearning tool and in the quality of Benchlearning data.

In both the enablers and the survey questions it is recommended to distinguish the four phases of the PDCA cycle, so that the index would capture actual implementation and the scope for self-correction (rather than rules and protocols, which are not always followed in practice). For example, in the delivery of ALMP measures, the planning phase (P) may cover the analysis and adjustment of ALMPs to client needs, the involvement of clients and stakeholders in the design of measures, the evidence base for designing new measures and adjusting old ones, and local autonomy in adjusting measures to the local context. The doing phase (D) may cover quality assurance of internal and external provision, and performance management of external providers. The checking phase (C) may cover follow-up, customer satisfaction surveys and impact evaluations. The acting phase (A) would cover rules and mechanisms that ensure feedback on the information collected in the checking phase.

A sixth dimension could be added to those outlined in Chapter 4, to include outreach as an important part of targeting ALMP (see table below). The main argument for that is that a growing share of ALMP is likely to target NEET, working age benefit recipients and other vulnerable groups, who may be discouraged or demotivated from visiting the PES. The overall efficiency of ALMP that target these groups to a large extent depends on whether the PES is able to reach out to them and encourage them to use their services and measures. It should however be noted that this dimension may be less relevant for PES with a mandate narrowly focused on short-termed unemployed close to the labour market or for PES whose core function does not include outreach activities. This needs to be accounted for in the extended indicator.

The outreach dimension may cover the following five areas (these correspond to the PDCA phases, but we distinguish two areas in the first phase):

- regularly collect and analyse information on potential clients in need of PES services;
- design outreach activities tailored to the characteristics of potential clients;
- cooperate with partners in reaching potential clients;
- monitor the effectiveness of outreach activities;
- regularly adjust outreach strategies according to monitoring results.

Furthermore, it may also be useful to extend the index to two closely related issues: service delivery (which often complements ALMP effectiveness) and the intensity of activation<sup>10</sup>, which influences the take-up of ALMP and dropout as well.

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<sup>10</sup> Please note that this was included in the previous version of the index, as captured by enabler C2, which focuses on the segmentation of client groups and the rules setting the frequency of PES visits for each group.

**Table 2. Proposed structure of the revised, complete index of ALMP quality**

Section	Survey	Enablers
1. Budget: adequate resources and flexible allocation	flexibility of the ALMP budget	BL enabler G2
2. Performance management	PM of ALMP	BL enablers A2, A3, A4
3. Outreach	outreach activities	
4. Profiling		BL enabler C1
5. Segmentation /referral	information on ALMP outside PES, quotas	BL enabler C3
6. Delivery of ALMP measure	designing ALMP, quality assurance of ALMP, client satisfaction surveys, feedback mechanisms	BL enablers C6, E1, E2, E3, F5

Concerning the questions in the 2017 ALMP survey of PES, the revised questionnaire should improve, where possible, the structure and wording of the survey to reduce the sources of bias outlined in Chapter 3. To reduce the risk of misinterpretation, it would be important to pilot the survey in a variety of PES and to provide detailed guidelines on what position and experience is expected of the person providing the answers.

It is recommended that the revised survey (and if possible, the benchlearning methodology) should have clear guidelines on how to treat regional variation in PES processes. Concerning the PES survey, as it is geared towards identifying good practice, we recommend that countries should be invited to report the practices of the best performing region, and for each dimension indicate if there are large variations in PES practices across regions.

Once detailed information is available on PES processes affecting ALMP quality, the revised index should take into account the inter-linkages between elements of these processes by weighting or jointly scoring some of the survey questions.

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## Annex 1: Sensitivity analysis of weighing the elements of the Quality Index

We used two approaches to test the sensitivity of constructing the index.

First, instead of putting equal weight on the PDCA sub-scores of Enablers (simple averages), we looked at two alternatives. (1) We placed double weight on the Plan and Do elements of the cycle, with the rationale that if these two parts of the cycle are high quality, the other two may contribute somewhat less to overall ALMP quality. (2) We used triple weight on the Act score, given that this was the aspect where most PES received lower scores, and as such, this measure would serve as a useful lower bound on performance. However, these latter two results did not differ substantially, as scores within a given country and a given enabler vary little<sup>11</sup>, so we will only report the main result which is a simple average of PDCA scores.

Second, we experimented with giving alternative weight to different Enablers within a given ALMP Quality Sub-Index. These modifications were the following. (1) Sub-Index 1: budget flexibility and size was approximated by BL Enabler G2, and ALMP spending, where the first item received a *triple* weight; to reflect that well-designed ALMPs are more important than participation. (2) Sub-Index 2: this index was approximated by BL Enablers A2, A3 and A4, and we gave *double weight* to A2, implying that the proper measurement of KPIs is slightly more important than the communication and follow-up of results. (3) Sub-Index 3: no modifications. (4) Sub-Index 4: We gave *triple* weight to Enabler C3 vis-à-vis the sum of scores calculated from the Questionnaire, to reflect that Enabler scores reflect quality aspects better and more succinctly. (5) Sub-Index 5: First element of this sub-index, we used Enablers E1, E2, E3, with E1 and E2 receiving double weight, reflecting that communication is slightly less important than the regular use of pilots and evaluations. The second element was unchanged: it was calculated as a numeric average of Enablers C6 and F5. Finally, the third element was also unchanged: composed of the Questionnaire S3/Q3d, S3/Q3e, and S4/Q1, S4/Q3, S4/Q4 (with a scoring equivalent to those proposed by ICON). Finally, there was no change in the weighting of sub-elements. Ideally, one would want to give larger weight to the quality scores in countries where PES use outsourcing to a larger extent, this was however outside the scope of this exercise. Given that these modifications were minimal, we did not find any large changes in the outcomes.

Overall, we conclude that the outcome of the index is not sensitive to the weighting of the various elements within each dimension.

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<sup>11</sup> In other words, it very rarely happens that scores on a given element of a PDCA cycle differ by more than one point.

## Annex 2. Checklist of actions to ensure high quality design and delivery of ALMP

This list of actions is comprehensive in the sense that it covers all the main areas of PES actions that may contribute to high quality ALMP delivery. It is intended to support self-reflection on which areas may need further development. Once PES identify weak points, they may seek help from high performing PES as identified by the ALMP Quality Index.

The list builds on the Benchlearning Excellency model, applying the relevant elements of the model specifically to ALMP. It reflects the PDCA approach in that it covers the continuous cycle of planning, implementing, checking and improving. However, in order to focus on the key elements, the list is somewhat uneven in the sense that it goes into more detail in some key elements and is less detailed in others. The list covers the following six areas recommended for the extended ALMP Quality Index (Table A1).

**Table A1. Six main areas of actions to ensure high quality ALMP**

1. Budget: adequate resources and flexible allocation
2. Performance management
3. Outreach
4. Profiling
5. Segmentation /referral
6. Delivery of ALMP measures

### 1. Budget

*High quality ALMP should meet client needs: this requires that resources available for ALMP provision is adjusted to client numbers and needs and there is some flexibility in the allocation to ensure that ALMP delivery can adjust to changes in the needs.*

- The amount and distribution of financial resources from the central to the regional/local level follows an analysis of the regional/local labour market situation and the targets to be achieved given this situation in bilateral negotiations.
- After the budget is distributed regional/local offices are at least to some extent flexible to use it according to their needs.
- Regional/local offices have the possibility to shift budgets between personnel/equipment and ALMP measures as well as (at least partly) across fiscal years.
- Regional/local offices are accountable for the results achieved by their ALMP budget.

### 2. Performance management

*The well-designed PM framework ensures that managers and frontline staff have the right incentives to use ALMP to the benefit of jobseekers.*

#### 2.1. Measuring performance

- PES translates targets into (key) performance indicators that are specific, measurable in a generally accepted manner, clearly weighted, realistic and time bound.
- Performance indicators include measures of efficiency and sustainability of achievements and to prevent creaming.

- The (key) performance indicators are measured on all relevant levels of the organisation and systematically compared with predefined target values.

## *2.2. Motivating high performance*

- Indicators are broken down to all relevant levels (regional/local offices, teams/employees), adjusted for regional and/or local external factors.
- Performance indicators are well communicated to staff at all levels of the organisation.
- Information on the results of performance measurement is provided to all levels of the organisation in a fixed and easily understood format, according to a fixed time schedule.
- Management follows a transparent and forward-looking management-by-objectives strategy with clearly described responsibilities.
- Achievement is followed up by a cascaded system of top-down and bottom-up dialogues throughout the organisation, strictly based on performance indicators. The dialogues are based on respect and fairness, openness, empowerment, reward and recognition.
- Decisions taken in the dialogue are directly and fully implemented, monitored, assessed and (if necessary) revised.
- PES implements a system of incentives for managers (and possibly also frontline staff) based on performance results to promote continuous improvement.
- Internal benchmarking between organisational units further supports continuous improvement.

## **4. Outreach to vulnerable client groups**

*A growing share of ALMP is likely to target NEET, working age benefit recipients and other vulnerable groups, who may be discouraged or demotivated from visiting the PES. The overall efficiency of ALMP that target these groups to a large extent depends on whether the PES is able to reach out to them and encourage them to use PES measures and services.*

- The PES regularly collects and analyses information on potential clients in need of PES services.
- The PES (supports the) design of outreach activities tailored to the characteristics of potential clients. If outreach is not in the remit of the PES, the PES cooperates with the relevant partners in designing effective outreach activities.
- The PES cooperates with relevant partners in reaching potential clients.
- If relevant, the PES monitors the effectiveness of its outreach activities.
- If relevant, the PES regularly adjusts its outreach strategies and tools according to the monitoring results.

## **5. Profiling**

*The well-designed and appropriately used profiling tool ensures that client categorisation accurately reflects client needs and labour market proximity. This is a prerequisite to referring clients to ALMP that can help them the most.*

- A standard tool is used by all PES units to profile jobseekers.
- Counsellors are trained in how and why to use the profiling tool.
- The profiling tool collects information on the following:
  - o age, gender, education and qualifications

- past employment history
  - other labour market barriers (e.g. care responsibilities, health, ethnic background)
  - transversal (cognitive) skills (literacy, language, IT, etc)
  - soft (non-cognitive) skills (e.g. communication skills, teamwork, or leadership)
  - job search motivation (expected unemployment duration, etc.).
- The profiling tool uses information that comes partly from the PES register (and possibly other administrative data sources linked to the register) and partly from interviews or questionnaire(s).
  - The profiling tool predicts the risk of long-term unemployment using a reliable method: ideally, the combination of econometric analysis and theory-based prediction.
  - Employment counsellors have the possibility to refer clients to specialised service units or expert teams that help them to assess cases which do not appear to be straightforward or need more time to assess.
  - Counsellors can adjust the prediction if justified, and such decisions are monitored.
  - Counsellors repeat the profiling at regular intervals or when there is a change in the relevant characteristics of the client.
  - The profiling tool is regularly checked for accuracy.
  - The use of the profiling tool by counsellors is regularly monitored.
  - The prediction element of the profiling tool is regularly updated. Other elements are updated if and when necessary.
  - Counsellors receive regular feedback on their use of the profiling tool.

## **6. Segmentation / Referral**

*Clients are referred to the programme that is most likely to help them to return to the labour market or improve their employability. Clients are motivated to complete the programmes that improves their employability.*

- Jobseekers are grouped by their likely level of need based on the results of a holistic profiling.
- For each jobseeker group, the PES defines the minimum frequency of contact, the duration of counsellor meetings and the number of cases to be handled by each employment counsellor.
- For each jobseeker group, the PES describes the ALMP measures that are likely to be most effective.
- Job search and ALMP referral is planned within an individual action plan for each jobseeker, on the basis of profiling outcomes.
- Referral is monitored.
- The referral guidelines are regularly checked for accuracy and updated as necessary.

## **7. Delivery of ALMP**

*ALMP include a range of measures that meet client needs, can be flexibly combined according to need and is implemented in high quality.*

- The available range of ALMP matches the needs of jobseekers and can be flexibly combined to maximise effectiveness.
- Individual ALMP measures are well-designed, taking into account the available evidence on what works.
- Stakeholders are consulted about major changes in the range and content of ALMP.
- Newly introduced ALMP are piloted before full-scale implementation.
- Local PES offices have some degree of autonomy to adapt the details of ALMP to local needs.
- The choice of in-house or outsourced provision of ALMP follows a strategy that is regularly reviewed in light of the effectiveness of internal versus external provision.
- ALMP measures are delivered to the highest standards of quality. This applies both to internal and external provision. There is systematic quality assurance including client satisfaction surveys and other tools.
- The delivery of ALMP is embedded in a case-management process.
- The quality of external provision is ensured by a combination of entry requirements, financial incentives and supervision.
- The financial incentives are designed to motivate high quality and effectiveness and avoid perverse incentives for creaming or parking and competing purely on price.
- Access, delivery, dropouts and outcomes of ALMP is regularly monitored.
- Available ALMP measures are regularly evaluated, and ineffective measures are amended or phased out.

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