European Network of Public Employment Services

Internal Benchmarking in European PES

Thematic Review Workshop on PES-internal benchmarking

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1. Introduction

Prepared in the context of the Thematic Review Workshop on PES internal benchmarking, held in Vienna 26-27 June 2019, this policy paper focuses on the benchmarking of the performance of regional and local offices within national PES organisations. By contrast, 'external' benchmarking compares the performance of PES, or other organisations, with similar organisations, for example, as in the ongoing Benchlearning Project of the European PES Network that began in 2015. Benchmarking within PES organisations differs in important respects from external benchmarking. It is not primarily a learning exercise but a performance management tool in (more or less) hierarchical national PES organisations committed to fulfilling goals prescribed by law or government policy. It is not just 'benchlearning' but 'performance dialogues', eventually with consequences. Nevertheless, the benchlearning component together with continuous improvement is essential to both.

The purpose of this paper is not to present an original research contribution but to provide an overview of the current state of play of benchmarking in EU PES. The paper first gives a brief summary of elements and issues in performance management and benchmarking (2.); presents three examples of performance management and benchmarking in practice in Estonia, Germany and Denmark (3.); provides a brief summary of preliminary findings on the maturity of performance management in EU PES from the PES Network's Benchlearning Project (4.); discusses and compares the state of play of benchmarking and benchlearning in the 15 PES participating in the Thematic Review Workshop, based on their responses to the workshop questionnaire and input from the workshop (5.). The conclusion (6.) reflects on the typical challenges and issues that PES face in establishing benchmarking.

2. Management by objectives: elements and issues

Benchmarking and benchlearning in national PES organisations are elements of management by objectives (or management by results) and, more broadly, of performance management. Management by objectives (MBO) is and remains the core of performance management (PM) approaches in the public sector, increasingly broadened by complementary quality management approaches in various forms (e.g. 'Balanced Scorecard', 'European Foundation for Quality Management (EFQM) Excellence Model', 'Total Quality Management'). MBO has been widespread in EU PES organisations since the 1990s. It is a product of the broader trend towards PM and 'New Public Management' in the public sector strongly promoted in particular by the OECD as well as by the EU. Since 1998, Member States are required to submit annual National Action Plans, later National Reform Programmes that document their activities and measure progress towards achievement of the EU's employment policy guidelines. The ongoing Benchlearning Project of the European Network of PES is thus a continuation – and intensification – of a longer trend in the development of PES organisations.

The basic elements of MBO in PES, or other public organisations, can be summarised in the following manner:

2.1 Goals, operational objectives, indicators

At the national level, MBO entails setting annual strategic goals, defining operational objectives for the PES and translating them into key performance indicators. Strategic goals are usually not quantified whereas operational objectives set performance expectations and performance indicators specify how achievement of these targets is to be measured.

Types of operational objectives (targets): In general, there are four principal types of targets in MBO:

- Input targets refer to the allocation of resources (funding or staff) for specific purposes, for example, capacity for the provision of a certain number of places for particular types of Active Labour Market Policy (ALMP) measures. This is typical of traditional bureaucratic administration;

- Output targets refer to a certain number or type of PES services generated with the available resources, for example, the number of counselling interviews or number of persons participating in training programmes;

- Outcome targets are desired labour market results, for example, placements in employment or apprenticeship training;

- Process targets refer to qualitative aspects of PES activities, for example, the quality of PES counselling, customer satisfaction, the speed and accuracy of benefit payments.

In its pure form, MBO is management by results, with primary reliance on outcome targets. Operating units have wide discretion over the allocation of funds and staff, the organisation of work processes and the development of their own strategies but are expected to achieve agreed outcome targets. Typical challenges may include:

Match between goals, objectives and indicators: The indicators may not adequately represent the operational objectives or targets, for example, due to measurement problems. Performance indicators often only represent proxies based on available information in an administrative system. This can undermine managers' confidence and commitment to the system.

Number of targets: The number of targets and corresponding indicators should be limited. Too many targets undermine the purpose of MBO as a tool of strategic management in setting organisational priorities. There is no optimal number of targets to be used; however each additional objective competes to a certain extent with the other organisational targets (goal competition) and at some point may become counterproductive (goal ambiguity and goal conflict).

2.2 Benchmarking

Targets for the key performance indicators set at the national level have to be adjusted and agreed at every level of the organisation. The quantitative targets should reflect regional or local labour market conditions in order to provide comparable standards for operating units, otherwise any performance comparisons could be misleading, or even unfair. Moreover, the targets should neither be set too high nor too low. Targets that are too low provide no real incentives for performance improvements; targets that are too high to be achieved are demotivating and may even induce unintended side effects such as creaming, or even manipulative behaviour ('gaming the system"). In order to avoid such problems, targets set for subordinate units usually also reflect in part the level of performance in the previous period.

The actual process of target setting, of which there are some examples below, varies greatly depending on the national institutional setting. Moreover, the national and local levels of target setting are necessarily intertwined. PES vary in the extent to which they practice a more top-down or bottom-up approach to target setting. The specification of operational objectives and indicators needs to be centrally co-ordinated in order to prevent policy fragmentation. Nevertheless, the implementation of MBO may allow a measure of policy autonomy to operational units at the regional and local levels to permit the adaptation of policy to particular circumstance, for example, additional regional targets and indicators. Although the classical model of MBO in labour market policy is strongly centralist (e.g. the executive agency model in the United Kingdom), there are also less

hierarchical MBO models with greater involvement of all levels of the organisation in target setting (e.g. Austria, Germany).

2.3 Accountability and flexibility

MBO can strengthen accountability within the organisation and in the relationship of the PES to government and to the public by articulating strategic priorities and specifying transparent and measurable performance targets. In contrast to traditional bureaucratic administration, the emphasis in MBO is on output and outcome targets rather than on controlling inputs and steering through detailed rules and procedures. Ideally, subordinate levels of the organisation (e.g. regional and local levels) should be free to allocate resources flexibly between budget items, to vary their policy mix, and even programme design features (e.g. eligibility requirements, implementation structures) insofar as they achieve their agreed targets. Moreover, local variation in implementation stimulates organisational learning (Mosley 2012).

2.4 Continuous monitoring of progress towards targets

MBO requires a sophisticated management information system that regularly measures the progress of indicators towards agreed targets as a basis for assessing overall organisational performance and that of individual operating units. Real-time monitoring enables managers to intervene in case of under-performance (i.e. stronger deviations from the 'target track'). Lack of necessary IT infrastructure or lack of standardised performance measurement in a well-functioning management information and controlling system can be major obstacles to benchmarking.

2.5 Performance assessment

Performance dialogues or reviews either at the end of an annual management cycle, or in many cases at shorter intervals, are another key element of MBO. At this stage, the final performance of the operative units will be assessed typically by the next superior level, i.e. the central office with the regions, regional offices with local PES unit heads and the latter with their own team leaders and staff. Depending on its organisational form, PES central management is responsible to its own board or to its responsible ministry. In many cases, performance assessment may entail financial bonuses or other forms of non-financial recognition.

2.6 Benchlearning

Finally, an essential product of benchmarking should be benchlearning. The performance of individual PES offices is analysed and compared with the explicit aim of performance improvement and organisational learning. In practical terms, benchmarking entails: (1) an analytical stocktaking to explain performance gaps between organisational units and identify best practice; and (2) the translation of the results of this analysis into practical improvements in the performance management system (e.g. adjustment or redefinition of policy goals, operational targets and performance indicators). These practical conclusions then flow into a new planning cycle. Ideally, a performance management system in a PES is a self-learning system. Benchmarking is the key element in fostering organisational innovation and efficiency.

2.7 Quality management

Quality control and quality management is a necessary complement to results-oriented performance management, i.e. management by objectives. Improving the processes necessary to attain performance targets is crucial for the stability of performance management. Quality management approaches in PES may be primarily quality assurance and quality control based on service standards or more comprehensive approaches in the

tradition of total quality management (TQM). Nunn (2013) reports that 11 of 15 PES surveyed used some form of quality management model, most frequently ISO9000 and Balanced Scorecard (BSC). Some PES use multiple models, depending on the particular area of service delivery. PES adapt the original models to their own needs.

2.8 Institutional context

PES differ greatly across the EU with regard to their governance structures, internal organisation and responsibilities. These differences can have significant consequences for the introduction and functioning of PM so that a one-size-fits-all PM model is inappropriate. An important institutional feature for the establishment and functioning of the PM system is the extent to which the PES is a separate organisation. Most European PES are separate organisations, either an autonomous public body, typically with a tripartite governance structure and largely financed through unemployment insurance contributions, or an executive agency under the direction of the labour or social affairs ministry. In five countries the PES is a department within a ministry (Cyprus, Finland, Ireland, Hungary and Poland), usually the ministry responsible for employment policy (PES Capacity Report, 2018). In such cases it may be more difficult to institutionalise PM and a target-oriented culture, if this approach is not shared by the ministry of which the PES is a part.

The second most important institutional characteristic is the degree of decentralisation[2] within the PES, or in the employment system. In most cases, decentralisation in the employment system is part of a broader national pattern of decentralisation or devolution of powers to lower levels of government.

Decentralisation in employment services takes two forms in the EU:

- Regionalisation: several previously highly centralised political-administrative systems have devolved power to strong regional governments, including major responsibilities in the field of labour market and employment policy (e.g. Belgium, Italy and Spain);
- Municipalisation of service delivery is a second variant either for all jobseekers (Denmark, Norway and Poland) or only for social assistance recipients (the Netherlands, Germany and Finland).

In decentralised employment service systems the implementing PES agencies are not subordinate offices of a centralised PES organisation but managed by autonomous regional or local governments. In such multi-level governance the relationship between central and regional or local authorities is inherently less hierarchical and more negotiated. Classical forms of MBO and benchmarking have to be adapted to these changed circumstances.

In general, labour law and social security, including unemployment benefits, have remained central functions whereas responsibility for active labour market policies is decentralised (e.g. Belgium, Spain, and Italy). In some cases decentralisation affects services for all jobseekers (e.g. Denmark). In other cases, only employment services for jobseekers on social assistance (Germany, Finland ([LAFOS](#)), the Netherlands), are decentralised in cooperation with the municipalities, but not mainline PES services for unemployment benefit recipients and other jobseekers. Nevertheless, most EU countries (18) still have national PES organisations that are primarily responsible for the delivery of employment services (see Mosley 2011; PES Capacity Report 2018).

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[2] Decentralisation refers here to delegation of responsibility for delivery of PES services to lower levels of government. PES decentralisation is also sometimes used to refer to forms of managerial decentralisation within a national PES.

3. Performance management and benchmarking in practice: Estonia, Germany, Denmark

3.1 Estonia[3]

The Estonian PES (Estonian Unemployment Insurance Fund (EUIF) is a relatively new PES. Estonian Unemployment Insurance Fund was given responsibility for PES functions in 2009 from the former Estonian Labour Market Board. It is not a state agency but a quasi-independent public body financed through unemployment insurance contributions (36% in 2018), state budget (58% in 2018) and ESF (6% in 2018). Its principal decision-making body is its tripartite Supervisory Board. Executive functions are the responsibility of a four-person Management Board. In terms of the performance management system (PMS) the Estonian PES (and the Austrian PES) are the only two EU PES that received the highest designation 'mature' in both the first and second cycles of the PES Network Benchlearning Project (see Table 2 below). In both cases, their relative organisational autonomy is a favourable precondition.

Annual planning cycle: The PM system in the Estonian EUIF is based on the Annual Action Plan, which specifies activities for fulfilling strategic objectives for the current year, indicators and target levels as well as Regional Performance Plans with indicators and target levels within the framework of the multi-year Development Plan approved by the PES Supervisory Board. The Development Plan[4] sets out the mission, vision, strategic objectives and activities of the PES to achieve national objectives as well as Key Performance Indicators and their target levels for the next four years. On the basis of the Annual Action Plan, 13 Regional Performance Plans with more specific regional target levels for outcome indicators are formulated.

Responsibilities: The Estonian PES Management Board is responsible for performance management on a daily basis. The Strategy Manager, Quality Manager and the Analysis Department are responsible for the development of the PMS. The Analysis Department is responsible for calculating the results and providing background information for the annual target setting. The Quality Manager is responsible for collecting all the data for the PMS and distributing the results. Regional Managers are responsible for introducing the PMS and results to their offices.

Indicators: There is no fixed limit on the number of indicators used. The impact and credibility of the indicator's measurement are crucial considerations. Indicators and possible revisions are discussed regularly in the autumn in the course of preparing the Annual Action Plan and Regional Performance Plans for the next year in the performance management cycle.

In the current Estonian development plan performance indicators are divided into three groups:[5]

1. Six outcome indicators (e.g. rate of entrance to employment of registered unemployed who receive unemployment insurance benefit (UIB) within 12 months);

2. Three output indicators (e.g. average monthly percentage of unemployed participating in labour market services);

3. Three quality indicators (general satisfaction index of jobseekers, employers and employees.).

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[3] See for current description The Estonian Performance Management System in PES Practices.

[4] See: https://www.tootukassa.ee/sites/tootukassa.ee/files/euif_development_plan_2016_2019.pdf

[5] See Table 1 for full definitions of the indicators.

Currently, the Estonian PES only uses the outcome and quality indicators to benchmark regional performance. The output indicators are monitored but not included as benchmarks. Indicators are modified or changed over time with experience and changing operational objectives. Since data validity and credibility are essential to the PMS, a new indicator runs for the initial year in the background: it is visible in the data warehouse but does not affect performance scores (Weishaupt 2016: 25).

Benchmarking process: The Analysis Department in the central office recommends the target levels for outcome indicators for the next period to the PES Management Board. Their recommendations take into account the results so far and labour market forecasts (e.g. employment rate, number of employed, number of unemployed, economic growth). Target levels for outcome and output set for regional offices take into consideration the regional labour market situation and forecasts, whereas target levels for the quality indicators (customer satisfaction) are the same for all regions. After approval by the Management Board, the Analysis Department presents the proposal to the regional offices as well as the forecasts for the regional labour markets and the structure of unemployment. The feasibility of the targets and the activities required to achieve them are discussed between the 15 Regional Managers, the Management Board and executives from the central office. In a subsequent 'validation meeting' output volumes and proportions are explained and specified for all of the regional offices. The final benchmark target levels for regional PES are based on economic and labour market parameters but also pragmatically adjusted in consultation with the regions, rather than being strongly guided by a mathematical model.[6]

The basis for the negotiations are target level corridors provided by the central office. The regional offices can in theory request a reduction in the target levels but this seldom happens in practice since the target levels are the result of an ongoing bottom-up process. When the system was first introduced the target-setting process was more top-down, however, over time and with additional experience, the regions have become active participants in the process (Weishaupt 2016: 23-25).

Clustering as used in benchmarking in some PES (e.g. Germany, Austria) is not practiced in Estonia due to the small size of the country. As an alternative, the Estonian PES has implemented a technique to show results transparently and simply for the regional offices. Performance is compared using a weighted index of the indicators that yield values on a scale from 1 to 10. In computing the composite performance scores the set of output indicators is valued at 70% and the set of quality indicators at 30%. All of the individual indicators have the same weight within these indicator sets.

Monitoring and performance dialogue: Regional performance against agreed benchmarks is assessed once a year and results are monitored either monthly (output), semi-annually (outcome, quality) or once a year (quality). Quarterly reports and the annual report are reviewed by the PES Management Board and approved by the Supervisory Board. In annual 'summer tours' the Strategy Manager and Management Board visit each regional office to discuss the results of the indicators and other related issues with the staff, and get feedback on the PM system. The Estonian PES has developed a 'target culture'. It is not expected that all targets be met in all PES but 'PES staff need to be able to offer an explanation where targets are not met' (Weishaupt 2016: 25).

Regional benchmarking results are the basis for personal development interviews that take place twice a year between the PES Board Chairperson and each regional office manager. The performance results are communicated to all employees in regional offices. Based on

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[6] In 2018, the Estonian PES commissioned an evaluation of the Estonian system of performance indicators. Implementation of a new indicator system combined with regression adjustment of benchmarks is planned for 2020.

the interviews, the PES Chairperson determines the bonus paid to regional managers (maximum 50% of one month's pay).

Table 1. Performance indicators of the Estonian Development Plan, 2016-2019

	2016	2017	2018	2019	Comment
The rate of entrance to employment for new recipients of unemployment insurance benefit within 12 months	≥73.1%	≥74.1%	≥74.6%	≥75.1%	Registry data of persons registered as unemployed or jobseekers, and of provision of labour market services, unemployment insurance database and data of Tax and Customs Board.
The rate of entrance to employment for new registered unemployed (excluding new recipients of unemployment insurance benefit and people with reduced ability for work) within 12 months	≥62.4%	≥63.4%	≥63.9%	≥64.4%	Registry data of persons registered as unemployed or jobseekers, and of provision of labour market services, unemployment insurance database and data of the Tax and Customs Board.
The rate of entrance to employment for new registered unemployed with reduced ability for work (excluding recipients of unemployment insurance benefit) within 12 months	≥49.2%	≥49.2%	≥49.2%	≥49.2%	Registry data of persons registered as unemployed or jobseekers, and of provision of labour market services, unemployment insurance database and data of the Tax and Customs Board.
The rate of entrance to employment for the long-term unemployed (excluding unemployed with reduced ability for work) within 12 months	≥45.3%	≥46.3%	≥46.8%	≥47.3%	Registry data of persons registered as unemployed or jobseekers, and of provision of labour market services, unemployment insurance database and data of the Tax and Customs Board.
The rate of entrance to employment, education or labour market training or work practice of new unemployed young people (aged 16-29) within six months of registration	≥64.5%	≥65.5%	≥66.0%	≥66.5%	Registry data of persons registered as unemployed or jobseekers, and of provision of labour market services, unemployment insurance database and data of the Tax and Customs Board.
Average monthly percentage of unemployed (except unemployed with reduced ability for work) participating in labour market services	≥30%	≥30%	≥30%	≥30%	Registry data of persons registered as unemployed or jobseekers and of provision of labour market services

	2016	2017	2018	2019	Comment
Average monthly percentage of unemployed with reduced ability for work participating in labour market services	≥30%	≥30%	≥30%	≥30%	Registry data of persons registered as unemployed or jobseekers and of provision of labour market services
Percentage of long-term unemployed (registered as unemployed for 12 months or more) participating in labour market services	≥90%	≥90%	≥90%	≥90%	Registry data of persons registered as unemployed or jobseekers and of provision of labour market services
General satisfaction index of jobseekers	≥80	≥80	≥80	≥80	Part of customer satisfaction survey
General satisfaction index of employers	≥80	≥80	≥80	≥80	Part of customer satisfaction survey
General satisfaction index of employees	≥85	≥85	≥85	≥85	Satisfaction survey of employees

Source: Estonian Unemployment Insurance Fund.

In the view of the Estonian PES, the results of the indicators enable the Estonian PES to determine which regional offices are performing well, and to share best practices between different regional offices and managers. There have been improvements in monitoring of the achievement of the Estonian PES' goals and objectives concerning labour market integration and quality of services provided. The need for an automated system for managing and calculating the performance results led to the development of a new data warehouse and the first reports from this new system are already available to staff.

3.2 Germany

The German PES (*Bundesagentur für Arbeit*; BA) is an autonomous organisation with its own tripartite Board of Governors and executive, responsible for placement services, active labour market measures and unemployment benefits (SGB II) for job seekers. It is a large centralised national organisation with ten regional directorates, 156 local PES agencies and over 600 branch offices. The BA also partners with municipalities in 303 job centres as part of a separate system of benefits and labour market services for the unemployed on social assistance (SGB III). In total, it has a staff of over 95,000 (full-time equivalent).

Performance management:[7] In agreement with the Ministry for Labour and Social Affairs, the tripartite Board of Governors of the PES articulates broad goals for the coming business year in its annual planning document. These goals remain fairly constant over time (excerpts 2017):

1. Integrate young people in training or employment;

2. Prevent long-term unemployment, activate the long-term unemployed;

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[7] The focus here is on performance management in the PES system for insured unemployed (SGB III). A parallel joint PES and municipal system for the unemployed on social benefits has its own separate performance management system.

3. Use the labour market upswing to develop contacts to employers and support customers with labour market obstacles;

4. Support acquisition of qualifications for unskilled customers;

5. Integrate refugees in employment.

These general operational objectives are then translated by the BA into targets with corresponding quantitative performance indicators.

Indicator system - critique and revision: In 2014, the system of indicators and summary performance index used in benchmarking was sharply criticised in a report by the Federal Accounting Office, which recommended major changes in the MBO system. It concluded that the PES was focusing too much of its placement work on the unemployed with good labour market prospects and shorter periods of unemployment. Moreover, it was focusing on easy-to-fill openings, in order to attain a high number of placements. In sum, the critique was that the system of indicators was emphasising quantity at the expense of quality in placement work. In response, the BA developed a new system of indicators and performance index, which gives more weight to qualitative aspects.

The new set of indicators now includes four 'results-based' indicators that are worth 70% and six structure indicators worth 30% of the final performance index score (see Schönenberg and Puschwein-Roberts (2015), Weishaupt (2016), BA Interne Revision (2016):

Result-based indicators:

- Percentage of unemployment prevention (20%);
- Integration rate into the labour market (35%);
- Duration of unemployment (25%);
- Ratio of vocational training and school graduates (20%).

Structure indicators:

- Percentage of persons in long-term employment integration: this is measured by the overall number of people who are still in their job after 6 months divided by the total number of job integrations (25%);
- Percentage of employment integration of all jobseekers who have been looking for a job for more than 6 months (25%);
- Percentage of vacancies filled in small- and medium-sized enterprises (SMEs) (17%);
- Percentage of people without secondary education participating in vocational education (15%);
- Overall customer satisfaction rate (8%);
- Counselling quality (10%).

The new 'structure indicators' are either a refinement of the result indicators to minimise creaming (long-term employment integration; integration of longer-term unemployed >6m; vacancies filled in SMEs; school dropouts in vocational training), which give more weight to disadvantaged persons in the labour market, or process (quality) indicators (customer satisfaction and counselling quality). As Weishaupt notes, the new BA set of indicators resembles the Austrian Balanced Scorecard (Weishaupt (2016): 16-17).

Benchmarking - bottom-up target setting: The German PES used to rely on a more mathematical approach to target setting based on target corridors that were used as a basis for establishing targets for local PES offices. Since 2013 a bottom-up approach has been used in which local PES directors and their staff propose targets for the coming year based on projections for the local labour market, client stocks and the local strategic focus.
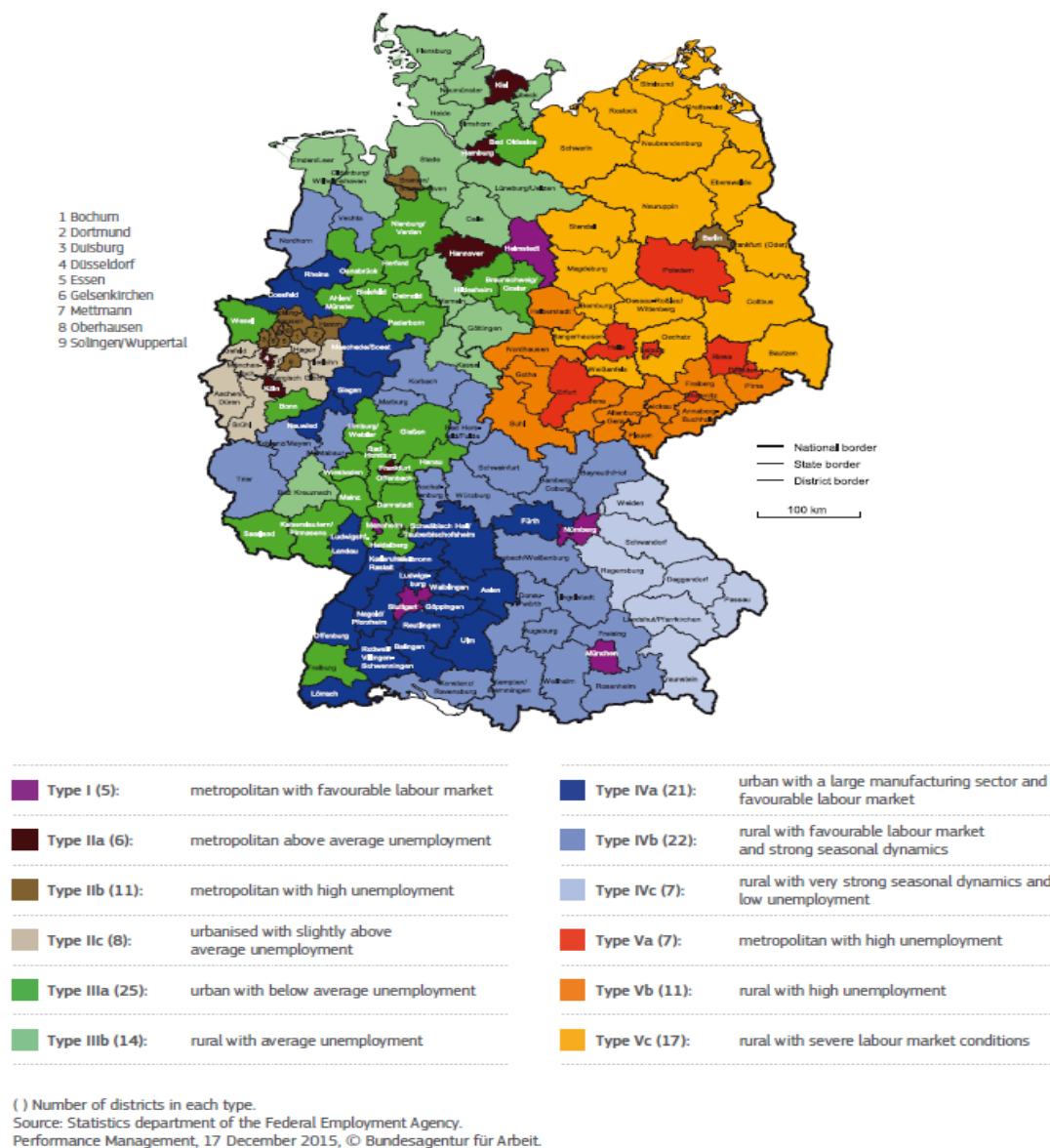
Once the targets are agreed with the regional offices, they remain fixed for the year, barring major unforeseen circumstances (Weishaupt 2016: 17-18).

As a basis for its target proposal the local PES formulates an annual business plan, including an analysis of the local labour market, and taking into account the capabilities of the local agency, its personnel and financial resources and its current level of performance. Based on its business plan, the PES then proposes its targets for the coming year and its strategies to achieve them. The plan and the targets are then reviewed by the responsible regional office and accepted or, if deemed insufficiently ambitious, further negotiated with the regional office. The targets once agreed are aggregated and used as the basis for the national plan to be approved by the PES Board of Directors (Schönenberg and Pushwein-Roberts 2015: 8).

Recently the PES has experimented with statistical tools to make the setting of target levels more objective. The 'opportunity model' is based on 13 variables and is used to estimate the likelihood that the local PES can improve integration rates. Currently, it is used only in setting a single target: 'integration rates' of the PES customer base (Weishaupt 2016: 18, Schönenberg and Pushwein-Roberts 2015: 9).

Performance dialogues: Performance dialogues take place regularly between the regional and local PES offices and between the head office and the regions. Their focus is initially on the annual target-setting process and thereafter on monitoring of local results against targets, the frequency and focus of which varies among the regional directorates. The composite performance index (see above) is the principal initial point of reference (Schönenberg and Pushwein-Roberts 2015: 7). Heads of local PES offices typically meet once a month with their team leaders to discuss performance issues, usually with a performance advisor from the regional office present. Moreover, the heads of local PES within a region usually meet several times a year to discuss performance-related and other issues (Weishaupt 2016:19).

Clustering: Germany is a large country with heterogeneous regional labour markets. The BA uses clustering as a central element of benchmarking and performance dialogues. Based on mathematical modelling of their economic and social context, 12 clusters are used in performance dialogues to compare performance. For purposes of better comparison, geographic proximity is also a consideration in clustering (see Figure 1; Blien and Hirschenhauer 2017).

Figure 1. Regional distribution 12 German PES Clusters

1 Bochum
2 Dortmund
3 Duisburg
4 Düsseldorf
5 Essen
6 Gelsenkirchen
7 Mettmann
8 Oberhausen
9 Solingen/Wuppertal

Type I (5):	metropolitan with favourable labour market	Type IVa (21):	urban with a large manufacturing sector and favourable labour market
Type IIa (6):	metropolitan above average unemployment	Type IVb (22):	rural with favourable labour market and strong seasonal dynamics
Type IIb (11):	metropolitan with high unemployment	Type IVc (7):	rural with very strong seasonal dynamics and low unemployment
Type IIc (8):	urbanised with slightly above average unemployment	Type Va (7):	metropolitan with high unemployment
Type IIIa (25):	urban with below average unemployment	Type Vb (11):	rural with high unemployment
Type IIIb (14):	rural with average unemployment	Type Vc (17):	rural with severe labour market conditions

( ) Number of districts in each type.
Source: Statistics department of the Federal Employment Agency.
Performance Management, 17 December 2015, © Bundesagentur für Arbeit.

Source: Bundesagentur für Arbeit.

3.3 Denmark

Denmark differs from most other EU countries in having a highly decentralised employment system. In the Danish PES (Danish Agency for Labour Market and Recruitment, STAR) the self-governing municipalities and their 98 job centres are responsible for the provision of employment services to all citizens and businesses[8]. There is a complex regulatory and management framework in place to ensure that employment initiatives are consistently managed throughout the country and in alignment with national policies, while maintaining local autonomy and administration.

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[8] Until 2009 labour market services for the insured unemployed were provided by the national PES (Danish Agency for Labour Market and Recruitment, STAR) through its own regional offices and local employment agencies, whereas the local authorities were responsible for labour market services for unemployed on social assistance.

Although the responsibility for the delivery of employment services has been delegated to the municipalities, the Minister for Employment remains responsible for national employment policy, implemented by the PES via the municipalities. There is a strong commitment to national direction and control in labour market policy governance, despite devolution of implementation to the municipalities. Performance management in this institutional context requires a different approach than that in centralised PES organisations, such as Estonia, Austria and Germany. Although regulated by the national law and nationally funded, the municipal job centres are agencies or departments of the self-governing municipalities and, unlike the former local PES agencies, they are not directly subject to central administrative direction.

In order to ensure central accountability in the context of decentralisation, a national regulatory and performance management framework has been established, of which the principal elements are as follows[9]:

- Legislation and regulations;
- Financial incentives;
- National IT systems and tools;
- Benchmarking and dialogue activities.

Legislation and regulations. Legislation is used to establish a common framework for municipal employment initiatives. For example, legislation stipulates which types of measures municipalities can use in their active policies (e.g. counselling/upskilling, on-the-job training, wage subsidies) as well as minimum service requirements (e.g. regular counselling interviews). The municipalities are otherwise largely free to shape their own ALMP programmes and policy profile, within a broad regulatory framework.

Financial incentives. The Danish system of financial incentives is a unique response to the issue of central accountability within the context of decentral implementation. Financial incentives are used to incentivise the municipalities to direct their activities towards moving the unemployed from dependency on benefits, towards employment or education and training. The objective is to accelerate this process as quickly as possible ('work first').

This functions primarily through differential rates for state reimbursement for municipal unemployment benefit payments, depending on how many weeks the individual has received social welfare benefits. The first four weeks, a person is entitled to social benefits; the state is liable to reimburse 80% of the municipality's expenses. The state is liable for 40% during the subsequent 5-26 weeks, 30% during the next 27-52 weeks and 20% after 52 weeks. The municipalities are thus said to have a strong financial incentive to get as many people into employment or education/training as soon as possible. In general, the financing system for municipal labour market policy compensates the municipalities as a group, for their expenditure for income support and for active measures. However, individual municipalities may gain or lose funding depending on the results they achieve (Mosley 2012).

National IT systems and tools. As a part of the management strategy, national IT systems and tools are used to support and promote politically desirable behaviour and to ensure full transparency of results and efforts across municipalities. In general, digital solutions are said to have three objectives: a) better service, b) streamlining administrative processes and c) management of users' behaviour. Their primary purpose is 'to support or promote politically desirable behaviour'. Transparency and publicity of performance results also play an important role in the Danish accountability framework, as the municipal job centres' results are visible to all stakeholders. The website www.jobindsats.dk is the central

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[9] For an overview on performance management in STAR see https://star.dk/en/about-the-danish-agency-for-labour-market-and-recruitment/performance-management-in-the-danish-employment-system/

element in the unified IT system, which makes structured information available to municipalities and monitors municipal performance. This also includes a national registry-based monitoring system that tracks job centre performance in congruence with the minister's annual goals.

Benchmarking and dialogue activities. The system of financial incentives and regulation is supplemented by a parallel system of dialogue-based performance management. The Danish performance management track is similar to that of other countries except that it is implemented differently given the high degree of decentralisation in the Danish system. There is a strong emphasis on benchmarking to ensure that municipalities set ambitious goals and on full transparency of the performance results.

Each year the Minister of Employment announce 4-5 general national objectives for the coming year. The Minister of Employment's five national objectives for 2018 were:

- More people must be in employment or education instead of being on public support;
- Businesses must be ensured sufficient and qualified labour;
- More refugees and family reunified must be self-sufficient;
- More people that are ready for a job but are receiving cash benefits must become employed and more people must become ready for a job;
- The fight against social fraud and mistaken payments must be strengthened.

The Minister's objectives are concretised in an annual performance agreement between the Minister, the PES and its regional offices and the regional Employment councils. For each of the Minister's labour market goals the PES articulates national quantitative targets that have to be achieved by the job centres. The municipalities are obligated to include these goals in their annual employment plans but the actual quantitative targets are ultimately decided by the municipality in consultation with the local Employment Council, in dialogue with the PES regional office. Although the municipalities ultimately set their own targets, they are under strong management pressure from the PES regional offices, must justify the targets they set and are held accountable for achieving them. There are, however, no explicit formal sanctions.

National monitoring and assessment of progress towards the agreed goals is carried out by STAR's three PES regional offices. Advisory Employment Councils at the national regional and local levels are also expected to monitor job centre performance. In principle, the relationship between the PES regional offices in monitoring job centre performance is dialogue-based rather than hierarchical with the goal of improving local performance. Regional offices meet with all job centres at least every quarter. There is also regular statistical monitoring of results through the Danish national databank for employment indicators. The regional office can intervene if job centre performance is markedly lower than in other comparable job centres, or if there were violations of law.

Benchmarking reports for each municipality are published on the website www.jobindsats.dk, which allows a comparison of all job centres in Denmark, measured against the set targets. The website provides the municipalities with an easily accessible overview of the most important key performance indicators in the employment effort. The benchmark reports allow municipalities to compare their own results with those of other relevant municipalities.

The Ministry of Employment has recently developed a new statistical benchmarking model that estimates the expected level of benefit payments for each municipality (job centre). The benchmarking model is based on the local job centres, local conditions and regional conditions; it then compares these factors with the actual benefit level (see Figure 2 below).

The difference between expected and actual benefit level is a measure of performance and it is used to benchmark each local office (municipality/job centre). A municipality/job centre is performing well if the actual benefit level is lower than the expected benefit level. Currently, it functions as another statistical tool for internal and public assessment of local job centre performances.

Like other benchmarking models, its aim is to identify good and poor performers fairly, based on their contextual conditions, provide transparency and stimulate completion among the local job centres. Early experience suggests that the municipalities have difficulty understanding and accepting the model. There are no consequences at the moment, other than bad publicity. However, it is expected that in 2020 underperforming local offices (job centres) that do not meet target (the expected benefit level) will be selected for intensified supervision.

Figure 2: Synopsis Danish benchmarking model

Source: Danish Agency for Labour Market and Recruitment (STAR). The benchmarking model includes in total 300 variables   and is based on micro data from Statistics Denmark (DST) on every citizen between 16-66 years of age.

4. Performance management and benchmarking in the EU

The ongoing PES Network Benchlearning Project has shown that PM and MBO are still very unevenly developed across PES. Performance management as defined by the Benchlearning Project model consists of four basic elements (PES BL Manual: 51).

A1 Establishing the fundamentals of performance management by target setting;

A2 Translation of targets into key performance indicators and measurement;

A3 Following up performance measurement;

A4 Making use of the results of performance management.

In the Benchlearning Project, PES are scored in a qualitative benchmarking process as to the degree to which the above elements of PM have been implemented.[10] Two cycles of external assessments of the Benchlearning Project have been carried out so far. In the second assessment (2017-2018), based on their overall PM scores, eleven PES were judged as still at a basic state of development ('developable'), ten were categorised as 'developing' and eight were assessed to be 'well-developed' or 'mature' in their PM systems (see Table 2).

Table 2: Maturity of Performance Management by PES, 2nd Benchlearning Cycle (2017-2018)

PES	Maturity PM	PES	Maturity PM
Austria	Mature	Italy	Developable
Belgium-VDAB	Well-developed	Latvia	Developable
Croatia	Developing	Lithuania	Developing
Bulgaria	Developing	Luxembourg	Developable
Cyprus	Developable	Malta	Developing
Czech Rep	Developable	Netherlands	Well-developed
Denmark	Well-developed	Norway	Developing
Estonia	Mature	Poland	Developable
Finland	Developing	Portugal	Developing
France	Well-developed	Romania	Developable
Germany	Well-developed	Slovakia	Developable
Greece	Developable	Slovenia	Developing
Hungary	Developable	Spain	Developing
Iceland	Developable	Sweden	Well-developed
Ireland	Developing		

Source: Annual Report European Network of Public Employment Services 2018, p.25 Table 1: 'Distribution of organisational maturity by PES', 2nd BL cycle (2017-2018). Section A of performance enablers = 'Strategic Performance Management'.

These developmental stages of performance management in the Benchlearning Project can be schematically summarised as follows (see Scharle et al. 2017 9-10):[11]

- '**Developable' PM systems**: Very many aspects of the benchlearning model are incomplete or missing, for example, there may be objectives but these are not specific to the PES or translated into quantitative targets; targets may not be adjusted to regional and local circumstances or there may be no lower level targets; and there is usually no performance dialogue;

- **'Developing' PM systems**: The PM system is under development but still has many shortcomings, for example, target-setting is well established but performance often only monitored and not actively managed; there might be too many targets or they might not be results-oriented, benchmarking may exist but not sufficiently controlled for local circumstances; performance dialogues may be absent or only at the national level;

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[10] Performance management is only one of eight dimensions of organisational maturity benchmarked in the project.

[11] The results of the external assessments are not publically available.

- '**Well–developed' PM systems**: Most elements of the PM model are present but there is room for improvement in some features, for example, including quality issues in performance dialogues.

Not surprisingly, the stage of development of performance management in PES is high in countries in which public administration as a whole is well developed[12]. Correspondingly, 'the PES PM system is likely to be weaker in countries where the overall efficiency and/or capacity of public administration is weak'. (Scharle et al. 2017: p.10).

More detailed results for the first (2015-2016) Benchlearning Project cycle[13] also showed a consistent pattern: the greatest PM deficits were in 'benchlearning'. Most PES scored lowest on factor A4 in the Benchlearning Project model (see above): 'Making use of the results of performance management'. This element of the model includes: an incentive system based on performance; use of internal benchmarking to support continuous improvement; fair comparisons between the units; results in a clearly defined and comprehensible format and that are used to inform stakeholders and the public (Benchmarking Manual: 31-32; Scharle et al. 2017: 9-10.)

5. Benchmarking and benchlearning in 15 participating PES

Based on the workshop questionnaire responses, benchmarking and especially benchlearning remain relatively underdeveloped in many of the 15 participating PES. Only two countries (Austria and France) carry out both benchmarking and benchlearning in performance dialogues and exchanges with other regional or local offices. Only eight PES report that they carry out benchmarking in some form. Seven of these conduct performance dialogues in which the results are assessed against targets and issues addressed (see Table 3). This very uneven development of benchmarking and benchlearning among the workshop participants is consistent with the published results of the more systematic Benchlearning Project for the EU as a whole.[14]

Table 3: Reported Status of Benchmarking and Benchlearning in 15 PES

PES	Benchmarking to assess performance of local/regional PES offices?	Performance dialogues on the basis of the final results?	Learning exchanges between PES local offices or regions?
Austria	Yes	Yes	Yes
Bulgaria	Not yet		
Croatia	Yes	No	Yes
Czech Republic	Not yet		
Denmark	Yes	Yes	No
Estonia	Yes	Yes	Not yet
Finland	Yes	Yes	Not yet
France	Yes	Yes	Yes
Ireland	Not yet		
Latvia	Yes	Yes	Not yet

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[12] See: http://info.worldbank.org/governance/wgi/#home

[13] Detailed results on the individual elements of performance management are not publically available for the 2nd benchmarking cycle results.

[14] See Table 2 above.

PES	Benchmarking to assess performance of local/regional PES offices?	Performance dialogues on the basis of the final results?	Learning exchanges between PES local offices or regions?
Lithuania	Not yet		
Luxembourg	Not yet		
Romania	Yes	Yes	Not yet
Slovakia	Not yet		
Spain	Not yet		

Source: Workshop questionnaire results.

Synopsis 1 below summarises the reported information for the 8 PES workshop participants that practice some form of benchmarking (Austria, Croatia, Denmark, Estonia, Finland, France, Latvia, Romania). As a rule, the coordination of the benchmarking process is centrally organised on an annual basis with the participation of central, regional and local levels of the organisation. In all cases, the benchmarks for outcome indicators are adjusted to reflect local circumstances and labour market conditions.[15] The way in which this is done differs. Only Austria relies on a more stringent mathematical model in setting benchmark targets for labour market outcomes for regional and local offices. The Austrian benchmarking model has undergone seven iterations over the past 20 years since the introduction of MBO and benchmarking in the 1990s.[16] In other PES, benchmarks for regional and local offices are set in a more pragmatic fashion based on available data as well as internal consultations with the different levels.

In Denmark, a new benchmarking tool is currently in a trial phase. Based on contextual conditions, this statistical model estimates a single composite target indicator - the expected rate of benefit recipients- for each municipal PES agency. The experiment with top-down target setting based on a mathematical model has faced predictable criticism because of its lack of transparency.[17]

The PES draw data from a variety of sources, in particular internal administrative, labour market and economic data, depending on availability in national data systems. Denmark is noteworthy for its sophisticated national system of micro-data. The PES differ in the extent to which targets are defined in terms of input, output or outcome measures with only the most mature systems relying predominantly on outcome measures. In Austria, for example, seven of eight national indicators used are labour market outcomes; all benchmarking indicators used in Estonia are outcome indicators, with the exception of four quality indicators.

Reported challenges in PES benchmarking systems include the need to reduce the number of indicators used and the design of indicators for labour market outcomes (Croatia), shortcomings in the IT system (Romania); difficulties in reflecting regional differences in the indicators used (Finland and Romania); the need to foster 'ownership' through a more inclusive target-setting process (Latvia), including not only managers but also staff and counsellors (France). Even in PES with more consultative target-setting processes, there is a trade-off between the technical sophistication of the benchmarking process and its plausibility for managers and staff. Primarily for this reason, PES with a more technical

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[15] Quality indicator targets are as a rule the same for all PES agencies.

[16] In Austria MBO is also fully integrated in a more complex balanced scorecard used to monitor agency performance. It includes numerous process and quality indicators in addition to the eight labour market indicators.

[17] Moreover, the definition of PES performance in terms of the expected rate of benefit recipients is controversial.

benchmarking approach frequently supplement it by clustering local PES agencies for performance assessment into groups deemed to have comparable labour market characteristics (e.g. Austria, Denmark, France, Germany). In this way, they aim to make performance comparison more intuitive, foster acceptance and facilitate exchange of experience and good practice (benchlearning). For a variety of reasons (e.g. size of the country or decentralised PES), clustering is not always practicable. In such cases, various types of scoreboards are frequently used to present benchmarking results more intuitively (e.g. Estonia).

Synopsis 2 summarises the responses of the eight PES that practice some form of benchlearning, either in the context of performance dialogues or internal learning exchanges. All PES practicing benchmarking, except Croatia, reported having an organised process of performance dialogues on the basis of the benchmarking results, and in many cases periodic dialogues throughout the year based on monitoring results. As a rule, central management assesses the performance of the regional offices and the regional offices assess the individual PES under their supervision. Among the participating PES, only Austria and France use clustering in performance comparison. France, for example, allocates local PES agencies to one of 10 socio-economic clusters. Local PES offices with statistically corrected results less than the median for their cluster are deemed to have potential to improve. This comparative performance tool enables managers to better understand the statistical results and promotes peer dialogue.[18]

The practical consequences of poor or good performance vary. In Austria, Estonia, Finland, France and Latvia good performance for managers may result in a bonus payment of up to 50% of a monthly salary. Otherwise good performance is reflected in individual performance assessments and may open career opportunities. It is possible to extend targets to the team or even to the individual level but this is not typically the case.[19] This information does exist in some countries where teams or units can access it (Austria, Estonia, Croatia). Participants, however, voiced concern that individual targets may generate perverse effects if not combined with incentives for teamwork.

Benchlearning in the sense of formalised internal learning exchanges is rare. Only Austria and Croatia report having organised learning exchanges between PES local offices and/or regions. Four other PES (Estonia, Finland, Lithuania, Romania) report plans to develop such a system. The French PES uses an internet platform (Innov'Action[20]) whereby managers and staff discuss new ideas and disseminate good practice. In the Danish PES, the central office and the regions engage intensively with individual job centres and provide central information resources, for example, on evidence-based policies or a PES Knowledge Centre with analytical papers, practitioners' toolkits, good practice examples, conference outcomes and reports from other EU countries. The lack of formalised structures is in part a reflection of decentralisation in Denmark. The municipal PES offices are primarily responsible to their own municipal governments (see 3.3. above).

In summary, benchmarking and benchlearning are very unevenly developed among the countries participating in the workshop, and in the EU as a whole. There is a marked polarisation in the organisational maturity of performance management within the EU, as in other aspects of the multi-faceted benchlearning model.

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[18] The regression corrected indicators are not used in setting management targets but only in the context of the performance assessment.

[19] And can even be prohibited by law (e.g. France).

[20] See: http://ec.europa.eu/social/BlobServlet?docId=15341&langId=en

6. Challenges and issues in establishing benchmarking

Based on a literature review and input from the workshop, it is possible in conclusion to highlight some major challenges, typical issues and elements of good practice in establishing benchmarking in PES:

- Performance management and benchmarking, in countries where it is well-established and mature, did not develop in isolation but in the context of a broader government commitment to the modernisation of the public sector (e.g. in Austria, Denmark, the Netherlands, Sweden). Its success requires the **support of government and commitment of PES top management**. As noted above, the maturity of performance management in PES strongly correlates with broader indicators of the efficiency and effectiveness of the public sector;

- **Performance management in the PES must be compatible with the broader institutional context of state institutions.** National differences can have significant consequences for the introduction and functioning of performance management so that a one-size-fits-all model of performance management is inappropriate. For example, an important prerequisite for the functioning of the PM system is **the extent to which the PES is able to function as a relatively independent organisation** during its annual planning cycle, free from the disruption of ad hoc interventions. Ministerial intervention should ideally take place only at the stage of formulation of goals and objectives at the beginning of a new MBO-cycle. The classical model is an annual performance contract between the PES and government. In good practice cases, typically the PES operates as a separate executive agency (e.g. UK) or as a semi-autonomous tripartite administration (e.g. Austria);

- The second most important institutional characteristic is the **degree of decentralisation in the employment system**. Where lower levels of government are responsible for implementation (e.g. Italy, Spain and in their own way also Denmark and Poland), the relationship between central and regional or local authorities is necessarily less hierarchical and benchmarking has to be adapted accordingly (see 3.3 above Denmark), or is not feasible;

- Benchmarking in MBO requires investments in a **management information and controlling system** and a systematic effort to ensure the validity of key performance indicators. It is, moreover, particularly dependent on the existence of a strong central controlling unit to support central, regional and local managers. In good practice PES, it is accessible to and serves the information needs of users at all level of the organisation;

- **Number of objectives and targets**: Benchmarking requires a limited number of clear and understandable performance targets and agreed performance indicators. Typically mature PMS have 10-15 key performance indicators, including quality indicators. The essential task of MBO is to set strategic priorities for the PES in a given management cycle. Too many competing targets can thus be counterproductive. There is, however, often pressure to increase the number of targets to reflect the concerns of the multiple groups that PES serve. PES with mature PMS accommodate these concerns by monitoring a wider range of indicators parallel to the annual targets;

- **Match between objectives and indicators**: A principal issue in MBO and benchmarking is the definition of good performance indicators that adequately measure the achievement of PES operational objectives in a way that is both valid and accepted by managers and staff. Many countries report problems with indicators due to shortcomings in the available data. This is especially the case for labour market outcome indicators, which are the principal type of indicator used in mature benchmarking systems. The development of indicators is, moreover, a

recurring task since indicators have to be adapted over time as PES priorities change. The credibility of the indicators is of central importance for the commitment of managers and staff to the benchmarking system. The PES in mature benchmarking have a specialised management information system that provides the necessary data for continuous monitoring and controlling of the performance of PES regional and local agencies against their targets. Managers and staff at all levels of the organisation are involved in the definition of performance indicators. The introduction of new operational objectives and corresponding indicators usually takes place only after an initial trial period;

- **Adjustment of targets to local circumstances:** The coordination of the benchmarking process is necessarily centrally organised. Benchmarking targets for regional and local PES offices have to be adjusted to reflect local labour market conditions in order to assess performance fairly. The degree to which the centrally directed target-setting process is top-down or bottom-up varies. Some PES rely more on statistical models as a basis for negotiating and agreeing regional and local target levels, whereas others proceed more pragmatically based on past performance and projected labour market conditions. Nevertheless, all mature benchmarking systems include an element of participation. This is a recognition not only of the limitations of statistical models (lack of transparency, unique local factors) but, more importantly, of the need to foster commitment and a sense of ownership by local managers and staff.

- **Performance assessment**: Benchmarking aims to improve performance through results-oriented targets but achievement of targets is only a reference point for performance dialogues. Fair assessment requires openness to explanations for performance shortfalls and an obligation to explain them on the part of local managers. To do otherwise may undermine commitment to the benchmarking process. Performance incentives in the form of modest bonus payments for managers (e.g. 50% of a monthly salary) as well as other types of public awards are sometimes used to foster competition but they have a largely symbolic function.

- **Time frame:** Typically, the MBO management cycle is an annual process and benchmarking targets and target levels may change from year to year. In practice, it is frequently embedded in a broad set of labour market goals set by government or agreed by the social partners that remain stable over a longer period. Annual objectives and the corresponding indicators change only incrementally in the short run, whereas target levels are adjusted annually to reflect projected economic and labour market conditions. As a rule, targets are not adjusted in response to unanticipated developments in the economic environment during the management cycle but this is taken into account in performance assessment.

- **Quality management:** The emphasis in MBO and benchmarking on quantitative targets can result in the neglect of quality without complementary quality management. This sometimes takes the form of standardisation through detailed service standards. This approach may, however, limit local flexibility and even innovation. Best practice quality indicators now focus more generally on customer satisfaction (e.g. Estonia) or are based on more comprehensive TQM or EFQM Excellence Model based systems of self-assessment (e.g. Austria). As the German example above illustrates (3.2), quantitative targets for labour market outcomes can be counterproductive if this results-based approach leads to creaming, i.e. focusing PES services on easier-to-place clients.

- **Organisational culture**: Finally, a high degree of staff acceptance of the performance management approach and of the targets adopted is an essential prerequisite. Agency problems are endemic to the PM approach with its strong emphasis on achieving quantitative targets. There are strong incentives for managers and team leaders and other staff to find a practical solution in order to

get the 'numbers' that are 'needed'. There is always interpretative leeway in applying definitions and entering data into the management information systems. Staff commitment is best achieved in a more participatory and consensual corporate culture. Such agency problems can be expected to be greater in PES with more top-down target-setting processes (Mosley et al. 2000). In the Austrian experience, internal benchmarking 'works best if an appropriate culture exists and is fostered', which is 'far more important than specific procedures'.

The development of internal benchmarking is very uneven across EU Member States and the challenges and issues individual PES vary, depending on national circumstances. Their needs for information and support are correspondingly diverse and there is no single benchmarking model that fits all. The European Union, through its ongoing PES Network Benchlearning Project, strives to address these needs and foster convergence by identifying good practice and challenges in EU PES and by facilitating mutual learning and partnerships.

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Annex

Synopsis 1: Benchmarking in Eight Reporting PES (Austria, Croatia, Denmark, Estonia, France, Finland, Latvia and Romania)

	How the PES establishes benchmark targets for its regional and/or local offices (1)	What types of data are used for the benchmarking? (2)	How is the benchmarking process organised? (3)	How are the data used internally within your PES? (4)	How do the targets take regional or local circumstances into consideration? (5)	What are the key strengths of your benchmarking system? (6)	What are the key challenges/possible improvements? (7)
Austria	Part of BSC Performance Management, revised annually (indicators, scores and benchmarks), involvement of provinces and experts from each relevant department in head office, expert external support for specific tasks.	Internal administrative data and external data for comparison, expert support concerning performance assumption for local offices.	Annual revision, involvement of relevant departments in head office, senior management decides on shaping for the following year, involvement of provinces.	Ranking of local offices and provincial organisations; make development transparent and measurable; basis of agreements with provincial organisations for a 3 year period.	Comparison of results against the background of demand and supply structure of the local labour market. Established methodology to adjust individual benchmarks.	Well elaborated, transparent, accepted by staff, expert accompaniment, gender dimension well integrated.	Well elaborated also means very differentiated -> 'complicated'.
Croatia	Annual objectives are defined and expressed in quantitative targets for each specific objective. Quantitative indicators are revised once a year and are prepared by the central office departments.21 They are adopted at the management level by heads of departments and the Croatian Employment Service (CES) Expert Council. Qualitative indicators are seldom changed, except when business processes change or new services are introduced.	Numeric and qualitative indicators. Use of own extensive administrative data.	On the national level by central office,22 on the regional/local level management of regional/local offices.	Indicators for key business processes have been defined.23 The data is used to measure effectiveness and to monitor objectives and progress.	Every regional office monitors progress toward targets at regional and local levels. Both the regional directors, as well as central office departments, can intervene to ensure targets are achieved. Activities are monitored and regional directors compile reports and monitor activities.	Possibility of performance comparison at regional/local and personal level. Experience and good practice exchange.	To decrease the number of indicators. To design a few labour market orientated outcomes.

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[21] Each for their own area of expertise.

[22] Mainly the Department of Analytics and Statistics but also other departments.

[23] Indicators monitoring services for unemployed persons; services for employers; vocational guidance; benefit payments for unemployed; active labour market policy measures.

	How the PES establishes benchmark targets for its regional and/or local offices (1)	What types of data are used for the benchmarking? (2)	How is the benchmarking process organised? (3)	How are the data used internally within your PES? (4)	How do the targets take regional or local circumstances into consideration? (5)	What are the key strengths of your benchmarking system? (6)	What are the key challenges/possible improvements? (7)
Denmark	Ministerial targets set each year on employment policy goals for the municipalities (local offices), which give the overall direction for work on employment initiatives. Benchmark reports document local office (job centre) activities and results. The Ministry of Employment benchmarking model estimates the expected benefit level for each local office (job centre) based on the local and regional conditions and compares it with the actual benefit level. The difference between expected and actual benefit level is a measure of performance and it is used to benchmark each local office (job centre). A local office is performing well if the actual benefit level is lower than the expected level.[24]	The benchmarking model includes in total 300 variables[25] and is based on micro data from Statistics Denmark (DST) on every citizen between 16-66 years of age.	The benchmarking-model is updated in the Knowledge and Analysis office. The results are sent to the Ministry of Employment, which updates the web page and issues the press release. Employees in STAR's regional offices are thereafter in dialogue with the local office (job centre).	Data is used to estimate the expected level of benefit (the target) and compare it with the actual level. In this way, it is possible to identify the local offices that are performing better or worse than expected based on regional and local conditions.	The 'targets' are the expected level, and take into account regional and local circumstances, since the data seeks to capture regional and local circumstances, over which the local office (job centre) has no control.	It is a statistical model.	It is complicated, so the local offices have difficulty in understanding and accepting the model.

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[24] The benchmarking model is updated twice a year, and the results published on the Ministry of Employment web page. The Minister for Employment usually issues a press release, when new results are released.

[25] Data includes information about family (family size, age of children, partner, type of house); education (level of education, type of education, grades, parents education level etc.); socio-economic conditions (work experience, time spent on education, time spent self-employed);- immigration (immigrant, descendant, birth country, years spent in Denmark, type of residence permit); health (contact with doctor, numbers of admissions, diagnoses); social measures (teenage parent, child of teenage parents, juvenile record etc.); - geographic measures (place near the capital or another city, number of job postings, new positions, industry composition etc.)

	How the PES establishes benchmark targets for its regional and/or local offices (1)	What types of data are used for the benchmarking? (2)	How is the benchmarking process organised? (3)	How are the data used internally within your PES? (4)	How do the targets take regional or local circumstances into consideration? (5)	What are the key strengths of your benchmarking system? (6)	What are the key challenges/possible improvements? (7)
Estonia	Indicators and their targets are agreed in Annual Regional Performance Plans. The Analysis Department prepares the background information for the next year's target setting (previous results, (local) labour market forecasts, differences in the local labour markets, challenge level). Output targets for the next year are discussed in autumn with all regional offices. Outcome targets are calculated by the Analysis Department and agreed by regional offices. Quality targets are the same for all regions. In 2019, Net Promoter Score (NPS) survey was used for first time to gather feedback about career services.[26] The results will be used to compare the performance of different regions.	Outcome indicators (data about rate of entry into employment and long-term employment) Quality indicators (satisfaction survey indexes and results of process quality) are tracked as well as output results (the volume of ALMPs offered to clients) NPS to evaluate career services.	The results are calculated by the Analysis Department or evaluation of quality is performed by a designated team in head office. Quality Manager is responsible for gathering and distributing the data to Management Board and regional offices. Quality Manager is now implementing NPS but the responsibility will be transferred to career services team in the head office.	The data is used in personal development interviews between Chairperson of the Board and regional office managers. The results are communicated to all employees in regional office and to evaluate the performance of the regions and determine best practices and development needs.	Outcome targets are different for all regions. Targets take into account the local labour market situation (rate of registered unemployment).	Our Performance Management System will be changed completely in 2020. Experts from the University of Tartu analysed our goals and Performance Management System and proposed a new one that will include all our goals in one system.	
Finland	The Ministry sets the targets and these are discussed and agreed together with regional Economic Development, Transport and Environment (EKY)centres, which manage local PES (known as TE) offices and reports local results.	Employment statistics and customer data (job seekers, employers and entrepreneurs).	Director General of the Ministry of Economic Affairs and Employment and the team responsible for service ecosystems.	Impact measurement. Recently also for the bonus system (paid to the local TE offices personnel) in some pilot cases.	Regional and local differences have always been taken into consideration.	Balancing regional differences.	Challenges due to regional differences; Regional differences in implementation; benchmarking is not always regarded as fair (regions envy each other).

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[26] A management tool used to gauge the loyalty of a firm's customer relationships or as an alternative measure of customer satisfaction.

	How the PES establishes benchmark targets for its regional and/or local offices (1)	What types of data are used for the benchmarking? (2)	How is the benchmarking process organised? (3)	How are the data used internally within your PES? (4)	How do the targets take regional or local circumstances into consideration? (5)	What are the key strengths of your benchmarking system? (6)	What are the key challenges/possible improvements? (7)
France	The Performance Dialogue (bottom-up and top-down) is conducted by the network correspondent with the support of the Management, Performance and Organisation of Work Division, with the Division of Statistics, the Division of Quality, the Strategy Division, the HR Division and the Budget Division. Its aim is to define the objectives internally and to take into account the regional, departmental and local particularities (economic situation and labour market).	The 14 indicators of the tripartite agreement (ICT) illustrate Pole Emploi's commitments to jobseekers. They describe 6 areas of results: 1) benefit payments; 2) return to employment; 3) range of services and jobseekers satisfaction; 4) range of services and employers satisfaction; 5) digital services; 6) efficiency. Depending on the indicator, results are evaluated on a weekly, monthly or quarterly basis. Complementary indicators are included in the Single Scoreboard: 2 operational performance indicators; 4 social performance indicators; 3 indicators about resource allocation. Depending on local objectives, other indicators can be used occasionally.	Annual national targets generally negotiated starting from June, initially in a technical framework, and are then validated at the level of strategic governance (Convention Tripartite Follow-up Committee). The targets for the national level are set in September and for the local level at the beginning of the year, through the performance dialogue. The performance dialogue to set the objectives is held between the Headquarter and the regional offices; then the regional offices and the department offices; and finally between the department offices and the agencies.	-To improve practices and performance. -To eliminate contextual impacts so as to measure the impact of the agency's actions.	A cluster of areas is based on the socio- economic situation; a statistical adjustment of the indicators based on the characteristics of the unemployed.	To take into account external context; to detect precisely an agency's good practices; to allow objective discussions; to disseminate good practices.	To involve staff and counsellors not only managers.

	How the PES establishes benchmark targets for its regional and/or local offices (1)	What types of data are used for the benchmarking? (2)	How is the benchmarking process organised? (3)	How are the data used internally within your PES? (4)	How do the targets take regional or local circumstances into consideration? (5)	What are the key strengths of your benchmarking system? (6)	What are the key challenges/possible improvements? (7)
Latvia	The benchmarking performance targets are agreed in a meeting of local PES office heads and the Board.	Both quantitative and qualitative.	The Client Service Management and Development Division coordinates it, follows up the outcomes, and requests additional information or action.	For allocation of resources, HR planning; for drafting proposals for changes in some activities.	Although small, Latvia is a very diverse country. Regional differences are very strong and influence the work of the local office. Both the statistical data from various sources, economic development plans of local municipalities, as well as short term labour market forecasts are taken into account.	It allows PES to measure progress as well as to tackle some problematic issues. It also has helped to identify best practice.	To encourage ownership - not something that is a 'top-down' system, but that is inter-related and reflects the work of PES.
Romania	The National Agency for Employment (NAE) agrees an annual contract with the Ministry of Labour based on indicators of managerial performance at national level. Based on this contract, NAE then agrees annual contracts with the county agencies which set indicators at county level.	Input and output quantitative and qualitative data.	Benchmarking process is coordinated by the Ministry of Labour at the national level. The NAE, although a specialised department, sets and monitors the performance indicators for the county agency.	The data are used within PES to plan activities and budget, to monitor implementation, review the planning and legal framework, and set measures for improvement.	Local circumstances and conditions are taken into consideration at the beginning of the policy cycle because the levels of performance indicators are set based on data provided from the county level.	The large number of indicators used.	Shortcomings in IT system. Need better IT system for data collection. Regional differences in economic development are not well reflected in indicators used.

Source: Summary of Workshop Questionnaire responses

Synopsis 2: Benchlearning in Eight Reporting PES: Performance dialogues and learning exchanges (Austria, Croatia, Denmark, Estonia, Finland, France, Latvia and Romania)

| | Are there perform-ance dialogues on basis of the results? (1) | How is performance assessment organised? (2) | What are the practical consequences of good (bad) local PES performance? (3) | Are the results publicised? (4) | | Is benchmarking linked with internal learning exchanges ('benchlearning')? (5) | How are the results used for learning and dissemination of good practice? (6) | Which levels of the organisation are involved? (7) | What are the key strengths of your benchlearning system? (8) | What are the key challenges/ how could it be improved? (9) |
				Internal	Public					
Austria	Yes	PES is compared in six clusters with similar labour market situations. Overall performance is represented with a single numerical value. Performance against targets is monitored throughout the year at both the central and local levels. Management Assessment is a structured management tool to improve processes through evaluation by internal assessors. Each regional organisation and 1-2 local offices within the regional organisation with the best or worst results in the BSC, or local offices with special challenges, regularly undergo an assessment (so far every 3 years).	Bonus is aligned with BSC Performance.	Yes	No	Yes, PES has established benchlearning procedures.	The Project database is a web platform for project management and practice sharing. Regional offices use it to identify solutions to challenges and encourage offices to share good practice. The aim is to create transparency around successful projects and lessons learned across the PES.	All, depends on topic.	Learn from colleagues, create learning atmosphere, stimulate innovation, and use competition between offices/ranking.	Data quality of documentation, search and find approaches.

	Are there perform-ance dialogues on basis of the results? (1)	How is performance assessment organised? (2)	What are the practical consequences of good (bad) local PES performance? (3)	Are the results publicised? (4) Internal	Public	Is benchmarking linked with internal learning exchanges ('benchlearning')? (5)	How are the results used for learning and dissemination of good practice? (6)	Which levels of the organisation are involved? (7)	What are the key strengths of your benchlearning system? (8)	What are the key challenges/ how could it be improved? (9)
Croatia	No		There is no system of financial/non-financial incentives. Individual employees can be disciplined in case of a serious mistake.	Yes	Yes	Yes, PES has established benchlearning procedures.	Intranet, workshops, meetings, internal training.	Management and frontline staff.	Exchange of experiences and practices, improvement of skills and knowledge, comparison of PES offices.	Due to staff size not possible to organise benchlearning between departments. More frequent meetings, training and workshops.
Denmark	Yes	See performance management as dialogue management in 3.3 above.	No consequences at the moment, other than bad publicity. However in 2020 it is expected that local offices (job centres) that do not meet target (the expected benefit level) and some focus targets will be selected for intensified supervision.		Yes	No				

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				Internal	Public					
Estonia	Yes	Chairperson of the Board has individual performance interviews with all Regional Managers twice a year.	Based on the interviews, the Chairperson of the Board can decide the size of the quality pay award of the Regional Manager. Maximum quality pay is 50% of a monthly salary. The decision is not based only on the numbers (achieving the targets) but other aspects are also taken into account.	Yes	No	Not yet, but there are plans to develop such a system.				
Finland	Yes	DG of the Ministry of Economic Affairs and Employment and the team responsible for service ecosystems.	Basically no consequences apart from a bonus reward system which came into force in 2019.	Yes	No	Not yet, but there are plans to develop such a system.	E-mail, workshops, Skype meetings.	All levels	A lot of information is available and distributed.	

	Are there perform-ance dialogues on basis of the results? (1)	How is performance assessment organised? (2)	What are the practical consequences of good (bad) local PES performance? (3)	Are the results publicised? (4) Internal	Public	Is benchmarking linked with internal learning exchanges ('benchlearning')? (5)	How are the results used for learning and dissemination of good practice? (6)	Which levels of the organisation are involved? (7)	What are the key strengths of your benchlearning system? (8)	What are the key challenges/ how could it be improved? (9)
France	Yes	Each level from national to local contributes to the setting of the global target. The performance dialogue integrates new tools and the comparative performance approach. It works 'in cascade' because it is systematically based on the same set of indicators, thus ensuring consistency and alignment for the setting and monitoring of the objectives (carried out through the Single Dashboard). Results-based management structures in the headquarter are present in all the regional offices, and are based on the department offices. Their activities are coordinated through a network. The objective of the performance dialogue is to take into consideration as many proposals as possible from the regional offices, as long as it is	Bonuses are awarded to Regional Director, and partly to territorial and local managers according to the ICT results.	Yes	No	Yes	Intranet to post good practices (Innov'Action by Inspiration Platform).	From regional to local management and agency staff as frontline staff.	Speed and ease of sharing information, clusters' network.	A better communication with a wider use. Ownership for all managers and staff according to the vision and the use of internal benchlearning for better performance and quality.

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				Internal	Public					
		possible to achieve the national targets (with a few exceptions). The regional proposals must be based on the regional diagnosis and elements of their comparative performance (in 2017, 80% of regional proposals were validated).								
Latvia	Yes	Quarterly discussions with the heads of local PES are one of the main sources for the annual evaluation of the head and staff of the local office. Twice per year a report (including information on performance assessment) is submitted to the Ministry of Welfare, prepared by the Risk Assessment Unit.	A small bonus system exists if the PES has been able to save some HR funding for this purpose. Rewards are in the form of opportunity to increase competencies: seminars, courses, information exchange with other institutions, possibility to take part in Baltic PES cooperation.	Yes	No	Not yet, but there are plans to develop such a system.				

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Romania	Yes	At the end of the year the final target values are determined and compared to the planned value. Based on this data, the NAE President evaluates the management team's activities and then may set new indicators for the next year.	The results are reflected in the annual management assessment and measures taken for improvement.	Yes	Yes	Not yet, but there are plans to develop such a system.				

Source: Summary of Workshop Questionnaire responses.

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