

## **PES Benchlearning – Webinar input paper 'Fair Performance Management in Public Employment Services'**

### **Performance Management in PES**

Since the early 1990s, European PES have begun to develop management-by-objectives (MBO) systems to manage performance effectively and efficiently (Weishaupt, 2010). Over time, inspired by the New Public Management (NPM) approach, these MBO systems have become ever more sophisticated and used more widely (Weishaupt, 2016). With technological advances, *data* has become more assessable, fine-grained and integrated; *targets* have become SMART, i.e. specific, measurable, achievable, realistic and time-bound; and *management approaches* more sensitive to relying on better data and improved controlling techniques. More recently, the focus has shifted to also consider *qualitative* aspects of performance management, often in the spirit of total quality management (TQM) and endorsing reflexive and iterative PDCA (plan, do, check, act) cycles (Mosley, 2019; Weishaupt, 2018).

### **PES Network, Benchlearning and Key Enablers (A1-4)**

The European Network of PES was formally launched in 2014, building on the previous work of the informal group of "Heads of PES" (HoPES), first launched in the late 1990s (Kraatz, 2019). The Commission created the Network to support EU members' PES (and affiliates) in their efforts to engage in mutual learning and the exchange of good practices, to promote modernisation and service delivery, and to engage in evidence-based benchmarking. In 2015, "benchlearning" was introduced as a novel approach to systematically, continuously and reflexively "combine concepts of benchmarking and mutual learning with the aim of improving the performance of PES" (Fertig & Ziminiene, 2017, 6). Benchlearning is also a new device that allows to specifically measure genuine PES inputs and not only judge PES performance via macro-economic indicators, unemployment levels, employment rates, etc. In addition, benchlearning increases PES' public accountability and transparency as their performance is presented to the European Parliament and Council in Annual Reports. The benchlearning exercise, which is explicitly built on European Foundation of Quality Management (EFQM) principles, includes eight mandatory quantitative indicators to reflect on PES performance as well as 32 qualitative indicators or "performance enablers". The number of these so-called enablers is not fixed but may vary over time as indicators may be identified as redundant and subsequently replaced, or new ones introduced. Many of these indicators are highly relevant for establishing and operating a *fair* performance management system, including in particular enablers A1-4, B1-4 and perhaps G1-2 (see next paragraph).

### **Operating Performance Management and Conceptualising Expectations of Fairness**

For the establishment and operation of performance management, there are some clear prerequisites, including availability to validate and differentiate data (at local PES levels), the ability to interpret the data and produce meaningful evaluations, and an iterative and interactive system of monitoring and adjusting targets and indicators. Enablers A 1-4 outline the "nuts and bolts" of performance management, including (A1) the establishment of targets, (A2) the translation of targets into (key) performance indicators, (A3) follow-up procedures and (A4) acting upon the results (akin to the PDCA cycle outlined above). The B-enablers, in turn, focus on the *design of the process*. Aspects of fairness can play a role in all four enablers: in B1 "standardisation" of processes is discussed; B2 deals with the support

structure (both in terms of data issues, but also in terms of accountability); B3 is concerned with continuous improvement and learning, while B4 focuses on (the combination of) different channels of service provision. G1 and G2 are relevant in the performance management of some PES as they pertain to human resource management and budget allocation. These indicators may thus be linked to *individual* (pay raise, career development, etc.) or *team performance* (budget allocation for a unit or entire PES location) and may affect operational design and service delivery.

Seeking to optimise fairness in operating performance management is important as **notions of being unfairly treated may lead to negative attitudes, demotivation and ultimately to poorer performance or complete resignation** of individuals or teams. What staff perceive as fair is, however, very complex. Conceptualising fairness leads to following (non-exhaustive) dimensions, *which may be altered or expanded based on the discussions in the Webinar*:

- **Fair play:** everybody in the organisation follows the (same) rules (gaming targets/cheating is not tolerated by management).
- **Managerial fairness:** team leaders treat all staff equally (no favoritism) and make it transparent how decisions about rewards are made; Moreover, the organisational culture promotes honest debates and accepts mistakes as part of a “learning by doing” approach.
- **Equality of opportunity:** individual (or group) performance<sup>1</sup> is established by comparing “most similar” units (or clusters); with valid data (i.e., indicators do measure the intended outcome); and adjustments may be made, when conditions (significantly) change.
- **Procedural fairness:** setting targets and selecting indicators leaves room for staff (also and especially junior/front line employees) to provide feedback (based on customer interface); the rules of the performance system in place are clear and transparent; and the associated language is easy to understand.
- **Distributive fairness:** the distribution of rewards/recognition and PES resource allocation adequately reflects not only target attainment but also staff efforts and relevant circumstances (e.g. local PES with most challenging labour markets).

## Summary of key lessons from previous publications

Performance management has been the topic of various PES Network activities which have highlighted several lessons for successfully operating a (fair) performance management system. Recent key publications include Weishaupt (2016, 13), who stresses:

*Operating and maintaining an effective and efficient system requires supportive structures and processes that create ownership, trust, and commitment (i.e., staff internalise and believe in the (new) MbO techniques). At the same time, MbO systems need to generate 'upward competition' without undermining team spirit (i.e., where individual performance rewards create incentives not to share good practices or assist colleagues who perform less well), promote (and reward) high performance without creating disillusionment and frustration among low-performers, and consider the needs of customers and staff alike in reaching certain numeric outcomes (i.e., the best intervention to reach certain targets but not the best intervention for a customer).*

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<sup>1</sup> In some PES, performance management may not be broken down to the individual as a unit of comparison, but based on teams/aggregated data.

In this context, he identified **three areas** as most important to reach these complex goals: **benchmarking** (including clustering approaches as well as alternatives such as the use of comparative statistics, dash- or scoreboards, and the comparison of contextualised performance scores), **performance dialogues** (vertical and horizontal), and **incentives** (financial and non-financial).

Scharle et al (2017), in turn, point out that “it appears that target setting and the translation of targets into indicators are a necessary first step, but on their own have a limited impact on PES performance. [...] **what really matters is that the results are used**” (Scharle et al, 2017, 10)). Hence, they argue that benchlearning should not only **zoom in on what works** but should also **pinpoint what doesn't work** (Scharle et al, 2017, 13). They also stress that **staff need adequate skills and need to receive continuous learning opportunities** such that staff understand and commit to performance management (Scharle et al, 2017, 14). Moreover, they stress that performance management should **not stifle innovation**, i.e. it ought to be flexible enough to adapt procedures and routines over time (Scharle et al, 2017, 13).

In 2018, Weishaupt (2018, 14), building on the experiences of the Austrian PES, concluded that successful quality management – as a crucial element in fair performance management – requires, next to the criteria outlined in enablers A1-4, also “soft” elements such as leaders, who lead by example, and a positive atmosphere that allows for building trust and team spirit by appreciating staff efforts and allowing to make errors.

## Exemplary “good practices” from the selected PES

### Clustering analyses in Germany and a new PES Strategy and Vision

In a recent summary report, Schönenberg and Puchwein-Roberts (2015) outlined that the German PES groups its 156 local PES offices into 12 clusters on the basis of local economic and social circumstances. Variables used to determine these clusters include the unemployment rate, seasonal dynamics, inflow and outflow to / from the region, percentage of service industry, share of jobs compared to total population, share of people without vocational training and share of businesses with under 100 employees. Clusters are used in the performance dialogues, determining target fulfilment in a given PES (Mosley, 2019, 16).

Since 2018, the BA – inspired by 2016 Benchlearning Assessment – has begun to also endorse a new Strategy and Vision. Building on its powerful quantitative data-driven approach, this new approach includes important elements of (fair) qualitative performance management, including promoting communication and networking (e.g. by promoting intra-regional cooperation, the establishment of a SharePoint-based interactive Intranet, and the development of new exchange formats), establishing quality and innovation management (inspired by good practices from Austria and Flanders), and strengthening employee empowerment (e.g. via engagement surveys) (ICON Institut, 2018b, 6ff).

### The Swedish “Journey or Renewal” – Achieving Performance Improvement through a Culture of Change

Since 2014, the Swedish PES has been on a “Journey of Renewal”, which has included inter alia an intra-organisational change of culture, “attempting to encourage the organisation to be more reflective and based on taking ‘ownership’ of performance improvement (Scharle et al, 2017, 28). In order to create this ownership, management assists employees to (a) understand the purpose of change, (b) accept the change, (c) achieve the necessary ability for contributing to change, and (d) be willing to implement changes (ICON Institut, 2018c, 6). The tools and mechanisms utilised include inter alia monthly performance dialogues, a new incentives portfolio to reach targets and contribute to the organisation's development,

and the introduction of a new clustering analysis, which was inspired by the German PES (Scharle et al, 2017, 27ff).

As the new approach encourages “thinking outside the box”, local innovation and self-leadership, some concern remains about (too) high levels of local variation. Accordingly, the Swedish PES was also encouraged to look at the Austrian and Flanders PES for inspiration to balance flexibility with some degree of standardisation and quality management, e.g. via setting minimum standards for processes and procedures (BL Report 2018).

### **Estonia – Cultivating Change through Trust and Co-operation**

The Estonian PES has matured significantly in recent years, including the operation and implementation of performance management and the overall quality of services. Improvements include inter alia the development of a data warehouse, the introduction of a new position of “ALMP Chief Quality Specialist”, and externally evaluating the performance indicator system.

A key operational change affecting “fair” quality management included the decision to no longer assign scores to the output indicators for ALMP:

*Discussions between regional managers, the management board and service departments showed that the EUIF has now reached a ‘mature level’ where the provision of ALMPs is integrated into its everyday work. The scoring of ALMPs ended up sometimes creating the wrong incentives, for example when ALMP provision might have been artificially increased to achieve the maximum score (ICON Institut, 2018d, 8).*

Overall, the Estonian PES’s staff and management are exceptionally open to change and to embrace the core values of “trust” and “co-operation”. Newly hired staff is selected partially based on these qualities which are assessed during job interviews, while the change agenda is prepared and continuously supplemented with open discussions, concept papers, and communication plans. Transparency is generated via the flow of “information on the progress of implementation through different channels, including the intranet, e-mail, ‘information days’, meetings, strategy days, and the Management Board’s ‘summer tour’” (ICON Institut, 2018d, 9).

### **Austria – Advancing Fair Performance Management through Risk Assessments, a PES-internal social network, and staff exchanges**

The Austrian PES (AMS) has long been amongst the most advanced PES globally. In the mid-1990s AMS had already introduced a (quantitative) performance management system, followed in 1999 by the implementation of (qualitative) quality management based on EFQM. Continuous reflexions and improvements in both performance and quality management have contributed to establishing fairness in performance assessments as MBO-techniques are supplemented with management efforts to build trust, commitment, mutual respect and appreciation (cf., Weishaupt, 2018, 5). Recent advances in the AMS’s quality management include: the introduction of a systematic risk assessment procedure intended to ensure that staff are prepared for most eventualities; the launch of Connections, an AMS-internal social network that serves not only as an information platform but also enhances staff communication and mutual learning; and the re-introduction of staff exchanges at all levels of seniority. While all of these measures were introduced to improve overall service quality, learning and collaboration, they may also enhance staff notions of “fair” performance management. Moreover, the number of indicators in the BSC has been reduced to avoid redundancies and increase acceptance amongst staff (ICON Institut, 2018a, 6).

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