



Benchlearning Initiative External Assessment

Summary report - AMS



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PES of Austria - AMS

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AMS

Summary Report - Draft

1. Introduction

This report outlines the results of the Benchlearning (BL) external assessment of the PES of Austria (Arbeitsmarktservice - AMS) conducted 23-25 June 2015. The team of five external assessors comprised two peer PES staff (Irish and Flanders PES), one from the European Commission and two experts from ICON-Institute (the supporting contractor). The programme of the 2.5 day visit included meetings in AMS Head Office in Vienna with senior management/directorates and a visit to a local PES office (Neusiedl) about 50 KM from Vienna.

A pre-visit briefing document was prepared and along with other background material distributed among the assessors prior to the visit, which helped to ensure that the questions posed during the assessment were well informed. Much of the material used to prepare the document was supplied by AMS. They also provided their own self-assessment findings prior to the visit. This was all extremely helpful, and the time and resources invested in the preparation were regarded by the team as crucial to the success of the BL external assessment process.

AMS is an autonomous public body, has a wide brief and delivers a wide range of employment services. All recipients of unemployment benefits are obliged to register with the PES and AMS is responsible for the calculation and disbursement of unemployment benefits and unemployment assistance together with some other allowances. AMS tasks also include sourcing job vacancies, mediation of suitable job opportunities, provision of professional counselling services, referral to education and training for the labour market, implementation of active labour market measures and enhanced care for the placement of disadvantaged jobseekers. AMS has one Central Office, nine regional (level of the Austrian Federal States) and 101 local offices. The government (Ministry of Finance together with Ministry of Labour, Social Affairs and Consumer Protection) sets the main objectives and also decides on the overall budget available for AMS. Furthermore, it is responsible for the supervision and assessment of AMS.

At the federal level the Administrative Board is responsible for strategic decisions. It consists of nine members including three governmental representatives and six representatives of social partners. The Administrative Board appoints the heads of the Board of Directors and all nine managers of regional offices. The Ministry of Labour, Social Affairs and Consumer Protection approves these appointments. The Federal Office is managed by a Board of

Directors. The federal level is responsible for the implementation of labour market policies and programs, general management issues (including budgetary questions), the coordination of activities between AMS and other governmental or state institutions and the provision of support for the regional and local offices.

At the level of each Federal State there is a regional directorate which consists of the manager of the regional office, representatives of social partners and sometimes one representative of the respective Federal State. The regional office is bound to decisions of the regional directorate and the guidelines set at the federal level. The managers of the regional offices are responsible for the appointment of the heads of local units. The local offices are responsible for the practical implementation of services. Each local office has an advisory council which consists of the managing directors of the local office and representatives of social partners. The local directors are bound by the guidelines set at the federal and the regional level and also the decisions of the local advisory councils.

2. Strengths

Two major strengths of AMS were in evidence during the assessment visit. The first strength centres around a clear, precise and systematic approach to organizational development which follows the PDCA-cycle. The approach focuses on clearly defined processes and their interfaces, is anchored in an elaborate quality management system and diffused through all levels of the organization with a high degree of commitment and the clear objective to improve performance.

The second major strength which became evident during the site visit is the organizational culture of AMS. This culture can be characterized as “cooperative competition” and is reflected in the important role of the Balanced Score Card (BSC) in fostering positive competition among local offices (e.g. via the BSC-based financial bonus scheme) together with the cooperative culture of sharing ideas and good practice examples that contribute to mutual learning activities among local offices.

These strengths are the backbone of an organization which evolved over the past 20 years steadily and systematically in a continuous improvement process. During this evolutionary process AMS established a culture of bottom-up innovations which is characterized by a pronounced employee engagement in change management and the fostering of the exchange of good practice within the organization (incl. different awards). This is supported by an innovative concept for ideas management with the award “AMS ideas of the year”, the exchange of good practice with private business companies and a positive attitude towards learning and innovation. The latter is borne out (among other things) by the fact that AMS took on the challenges of an external assessment within the competition for the “Austrian Quality Award” for which private business companies also competed.

The evolutionary process is anchored in an elaborate quality management system which is supported (among other things) by constant improvement processes (CIP) encouraged also on the local level (e.g. by CIP-teams), quality managers in each local office and a culture of treating errors as a chance to learn rather than as a threat. Further support of the

evolutionary process comes from a mature Human Resource Management (HRM) approach which systematically combines all necessary elements of a modern HRM-strategy with numerous initiatives taking into account equal opportunities, work-life balance, ageing of the workforce and an active management of diversity. It is facilitated by a systematic approach to the encouragement of feedback from employees which includes employee satisfaction surveys, team meetings, individual dialogues, several awards and financial bonuses. Together with a motivational management culture by individual/personal coaching/mentoring activities, these factors have produced a stable personnel model with low fluctuations which can be seen as one of the main assets of AMS.

3. Contextual influences

Institutional context

AMS has a relatively large scope for action. Within the general organizational structure outlined above AMS is free to develop specific organizational solutions which, however, have to be approved by the Administrative Board at the federal level. Although the Ministry of Labour, Social Affairs and Consumer Protection can issue directives and instructions, it focuses on defining the overarching objectives, supervising and evaluating the activities of AMS as well as approving fundamental financial decisions.

AMS receives objectives at the federal level from that Ministry which are based on the European 2020 strategy, the National Reform Plan and the Youth Guarantee Implementation Plan. The overall budget is linked to these objectives and they are set in a negotiation/agreement process in which the Ministry has a powerful role, though the agreement process does not seem to be unidirectional or predominantly hierarchical. After an agreement has been reached, AMS is responsible for the translation of the objectives into targets and key performance indicators, the specific service provision and the allocation of resources within the organization.

However, in the recent past AMS has experienced an increase in tasks which are not directly related to their core business of labour market-oriented service provision. Furthermore, AMS has been made responsible for implementing programmes for specific target groups (like 50+) which increased during the last years and for which an increasing share of their ALMP-budget is reserved. This is associated with a decreasing budget share which can be used flexibly to meet the general labour market targets. These programs may erode the idea of individualised tailor-made services according to the needs of a jobseeker since participation in such programmes might not necessarily be the optimal solution for members of the target group with respect to labour market integration. However, since financial resources are exclusively reserved for the target group there is a clear incentive for AMS to spend this money. Thus, this situation could pose a risk to the orientation of AMS on labour market performance targets.

Economic context

The economic background in which AMS operates is characterized by moderate GDP growth rates since 2012 which are accompanied by positive growth in employment rates and an increase in unemployment rates at the same time, though unemployment in Austria is still among the lowest in the EU and is significantly lower than the EU-average. However, GDP is forecasted to grow only moderately and public budgets remain under high pressure due to the repercussions of the banking crisis. Furthermore, Austria is facing an increasing labour force due to migratory movements within the EU which together with low economic dynamics is predicted to result in a substantial rise in the number of unemployed over the next years. According to recent forecasts the number of unemployed is expected to rise from around 320,000 in 2014 to about 390,000 in 2019, which is equivalent to an increase of more than 20%. This is one of the major future challenges of AMS and requires quick and efficient reactions.

4. Current and potential Good Practices identified during the assessment

AMS strengths outlined above are supported by a range of potentially transferable good practices. These include the following¹:

- The system of developing objectives top down and bottom up, the translation of targets into key performance indicators, the management assessments (MASS) on the basis of the BSC in combination with external performance assessments and the “Best of AMS” award. These practices contribute to a culture of “cooperative competition” which is reflected in the high relevance of the BSC for the activities of the regional and local offices and the simultaneous sharing of information across local offices by using a database on good practices and participating in mutual learning activities.
- The system of process definition and review incl. interfaces, the ARIS documentation repository accessible to all staff, the client monitoring system (CMS) and the complete quality management system. These practices contribute to the systematic approach of AMS to organizational development which has been endorsed by an external and highly competitive quality award.
- The quality checks on individual action plans, the training funds for under-performing private-sector employees in danger of losing their job, the broader (more challenging) definition of long-term unemployment and the regional flexibility in contracting out of services. These practices contribute to a service orientation towards jobseeker customers which is reflected by high jobseeker satisfaction.
- The clear choice to approach employers as an equally important customer group both internally and externally, the elaborate HR-advice on offer for employers, the enhancement of personal contacts between employers and AMS, the exploration through the data warehousing resource of vacancies missed by AMS (lost opportunities

for placement) and the initiatives to bring employer counsellors and jobseeker counsellors closer together. These practices contribute to a service orientation towards employer customers which is reflected by high employer satisfaction.

- The opportunity for local offices to initiate pilot projects, the ideas management system (incl. award) and the use of accompanied journeys with real customers to analyse channels, processes and their interfaces in local offices. These practices contribute to a culture of bottom-up innovations which is reflected by concrete practical changes in the implementation and organization of services in local offices.
- The frequency of and participation in seminars/meetings as well as workshops with stakeholders together with the on-going customer satisfaction surveys on the external service providers and the level of mutual responsibility and a distinct sense of co-ownership and shared responsibility between AMS and the Social Partners. These practices contribute to a governance culture in which AMS established large degrees of freedom to determine the direction and the speed of organizational development.
- The human resource management strategy contributing to a stable and satisfied personnel model which is reflected in high employee satisfaction and low staff fluctuation.

5. Areas where improvements may further enhance PES operations and outcomes

In their self-assessment AMS has identified some areas in which the organization sees room for improvements. These include the modernization of the IT-systems in which they have lagged behind in recent years due to various internal and external factors, the better use of e-services as well as the need to improve the targeting and steering of service provision to jobseekers. The latter is to be achieved by a new segmentation model using a profiling system which assesses jobseekers' distance to the labour market. There is also work in train to improve automated matching of vacancies with jobseeker profiles using a competency-based tool. All these plans of AMS deserve full support.

In addition to the above we would like to highlight that although AMS is a very well balanced organization in many respects, there are four areas in which we see specific risks or threats to this balance now and in the near future. The first area concerns the balance between the autonomy in conducting the core business of public employment services based on management by objectives on the one hand, and the political interest to provide support for specific target groups on the other hand. From our perspective there is a clear risk for the success of the strategic management approach of AMS by the growing importance of target group programs defined by the Government. By limiting the scope for action through a steadily growing amount of budget restricted for target groups, the efficiency of past and current investments could be at risk.

The second area refers to the balance between evolution and revolution in strategic decision making and designing operational processes. Against the background of the challenges outlined above there may be a risk that AMS focuses too strongly on following

their evolutionary approach. One central aspect in this context is clearly the intended improvement in the use of e-services to inter-alia release staff capacities for enhanced labour market-oriented service provision. Given the predicted increase in unemployment we clearly see the need for quick and large innovative steps forward. This is entirely feasible for a well-developed organization like AMS and such steps will certainly help them to regain a leading position in this field.

The third area is related to the second and concerns the balance between reaction and initiative. Since 1994 AMS has been able to define the speed and direction of organizational development without any external stimulus by policy. An increasing external speed of change necessitates that also the internal change processes need to be accelerated in order to stay ahead of events and to maintain or regain the initiative. Against this background, it seems to be worth considering the implementation of a strategic risk management approach to properly anticipate future threats and opportunities for AMS.

Finally, the fourth area refers to the balance between stability and innovation. Undoubtedly, operational continuity in a job fosters experience, routine and reduces the risk of mistakes in day-to-day business. High routine, however, can also reduce the eagerness for change to improve performance. It might therefore be worth considering how to uncover the hidden creativity of staff. One way might be to introduce exchange programs across and within the different levels of AMS. Such programs can provide new perspectives for employees and allow them to gain new experiences. This may be helpful in supporting the already existing system of continuous improvement.

6. Recommendations

Since AMS has proved to be a mature and well-balanced organization the assessor team will not provide recommendations, but rather suggestions. These suggestions, however, are worth thinking about, especially against the background of the above mentioned risks/threats of AMS. Before presenting our suggestions for AMS, we would like to highlight again that we are convinced that AMS needs more room to concentrate on core business. This includes adjustments in the approach to programs for specific target groups, as set out above since these programs contradict the idea of individualised tailor-made services and pose a risk to the performance-orientation of AMS. There are certainly more appropriate ways to ensure that specific target groups are not ignored, for instance, by formulating performance targets to be reached by AMS for such groups.

Furthermore, we first of all want to confirm that we fully support all the plans for improvement identified by AMS itself in their self-assessment. Additionally, we suggest some further ideas for consideration. For clarity, we present our main suggestions² as a series of bullet points as follows:

- We suggest strengthening the bottom up element in target setting based on labour market analyses and forecasts and to derive targets even more from labour market requirements.
- We suggest reducing the number of elements in the BSC based on a correlation analysis (factor or principal components analysis).
- We suggest considering more individual incentives (including non-monetary) to further promote performance and ambition (for example, have the opportunity to study customer flows in a hospital or risk management at private enterprises).
- We suggest completing the outstanding QM-system by strategic risk management, i.e. a systematic approach to assess likely threats and their expected extent of damage in order to make the QM-system even more forward-looking/pro-active (esp. against the background of the challenges regarding the labour market).
- We suggest the extended provision of post-placement services especially for “hard-to-place” jobseekers which might be tested in a pilot project with randomized assignment (randomized controlled trial, RCT).
- We suggest developing the e-channels further and to integrate them with the contact centres. Clients could be more actively directed towards the e-channel.
- We suggest reinforcing AMS services for employers and to become more pro-active with employers in the future. It appears reasonable to allocate more personnel to employer services in order to work more actively on canvassing vacancies particularly with new employers (e.g. by a more systematic follow-up of the list of “lost opportunities for placement”). “After-sales-services” should ideally be provided to every employer.
- We suggest continuing the enhancement of the systematic integration of internal career development into the HRM-strategy.
- We suggest the introduction of a system of regular exchanges between the head office, the regional offices and the local offices for a fixed time (i.e. a “job rotation” programme).
- We suggest a pilot project (ideally as a RCT) in which local offices are allowed to shift (a limited amount of money) between the budgets for ALMP (the part which can be used flexibly) and the personnel budget in order to be able to increase counselling activities (as an active measure).