



Benchlearning Initiative External Assessment

Summary report 2nd cycle – Germany



Written by ICON Institut Public Sector GmbH

2018



EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
Directorate B — Employment
Unit B.1 — Employment Strategy
Contact: Renata Häublein
E-mail: EMPL-PES-SECRETARIAT@ec.europa.eu
European Commission
B-1049 Brussels

This publication has received financial support from the European Union programme for Employment and Social Innovation "EaSI" (2014-2020). For further information, please consult: <http://ec.europa.eu/social/easi>

LEGAL NOTICE

This document has been prepared for the European Commission, however it reflects the views only of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained therein.

Benchlearning Initiative External Assessment

Summary report 2nd cycle – Germany



Benchlearning Initiative External Assessment
PES of Germany
Summary Report 2nd cycle

Index

	Page no.
1. INTRODUCTION	5
2. SHORT SUMMARY OF THE CHANGE AGENDA	5
3. RELEVANCE, COHERENCE AND CONSISTENCY OF THE REFORM AGENDA	8
4. ASSESSMENT OF CHANGE MANAGEMENT.....	9
5. SUGGESTIONS AND RECOMMENDATIONS	10

1. Introduction

This report summarises the results of the 2nd external Benchlearning assessment of the German Public Employment Service (PES) the Bundesagentur für Arbeit – (BA), conducted between 14th-16th May 2018. The team of six external assessors comprised three PES peer staff (Austrian, Denmark, Estonian PES, one from the European Commission, and two experts from ICON-Institute (the supporting contractor). The programme included meetings at the BA Head Office with senior management/directorates and visits to local offices in Munich and Schwandorf. The Team wish to express their thanks to the BA for the time and resource they invested in preparing the visit.

The BA is a self-governing public law corporation with its own legal status. It is responsible for the disbursement of two income related benefits , insurance based unemployment benefit (I) (UB 1) legally regulated under Social Code III, and tax based unemployment benefit (II) (UB 2) regulated under Social Code II.

BA Local Labour Agencies are responsible for UB I recipients. People ineligible for UB1 or whose entitlement has exhausted may receive UB2. This is means tested and payable to people whose household income is lower than a minimum level deemed necessary to cover living expenses. People receiving UB 2 must register with Jobcentres. Of these 408 offices, 303 are co-operative jobcentres jointly managed by municipalities and the BA; the remaining 105 are solely managed by the municipalities. Jobcentres are responsible for calculation and payment of UB2, and provide labour market services.

BA has a three tier structure with one Head Office, 10 Regional Directorates, and 156 Local Labour Agencies with approximately 600 branch offices. The Head Office is responsible for strategic steering and controls the Regional Directorates. Regional Directorates are responsible for implementing regional labour market policies and co-operation with Federal State governments to co-ordinate labour market, structural, and economic policies. The Labour Agencies are responsible for local delivery of BA services.

Strategic decision making is the responsibility of the Executive Board, Management Boards are responsible for management at the Regional and Local Labour Agency tiers.

The BA has considerable autonomy in the operation of Social Code III as the Ministry of Labour and Social Affairs exercises only legal and not technical supervision over the PES. In contrast BA has much less autonomy in regard to Social Code II as the Ministry supervises both aspects, and the municipalities are involved in the supervision of Jobcentres.

In operating Social Code III the BA is subject to national and local Administrative Boards. These tripartite bodies with representatives of employers, trades unions, and public authorities have ultimate responsibility for control and supervision including decisions on budget management.

Therefore the operational management autonomy exercised by the PES is within the context of a complicated legal and governance framework.

2. SHORT SUMMARY OF THE CHANGE AGENDA

The German Federal Employment Agency (BA) operates in a very positive economic climate, with a 2.2% increase in GDP in 2017. Employment is at the

highest level since re-unification in 1990, unemployment and underemployment continue to decline.

Notwithstanding the positive external context BA faces challenges in reducing long-term unemployment, avoidance of unemployment e.g. by supporting young people entering the labour market, meeting the demand for skilled workers in an environment of rapid technology driven labour market change, and the integration of refugees.

The BA's current 2020 programme was being adjusted and updated to support a BA 2025 Strategy; this will foster objectives including innovations in personnel planning, development of IT solutions, and promoting new skills amongst employees.

The new Strategy and Vision, launched in February 2018, drew upon the 2016 Benchlearning Assessment. This both endorsed Change Projects already proposed, e.g. revisions to the target system, and approach to customer differentiation, and also defined three major fields for intervention:

- i) Promoting Communication and Networking
- ii) Establishing quality and innovation management
- iii) Strengthening employee empowerment.

These are described in more detail below

i) Promoting Communication and Networking

Key elements of proposal

The size and scale of BA's operation means that promoting devolved responsibility within the existing performance management and the approach of decentralised responsibility is mostly coordinated by the regional units. The expectation is that by delegating responsibilities and competences from the central to the regional levels, it is easier to activate the creativity and the innovation potential of the local level. Previously there was not a systematic approach, and only few incentives, to collecting and promoting good practices from the local offices, either to inform central developments or to support inter-regional exchange of expertise.

Current position

The Promoting Communication and Networking Project seeks to enhance internal benchlearning, supplementing competition between local offices by promoting inter-regional co-operation. Since 2017, the Regional Directorates have started to share activity and implementation plans, e.g. for integration of LTU, and a systematic system for sharing knowledge and insights is being developed as part of BA 2025.

At the beginning of 2017, an interactive intranet portal was also introduced, employees can now comment on information from a variety of sources which is also bundled to ease their personal management of the material they receive.

Further regular exchange formats focusing on performance rather than on quantified targets and control figures have been developed between Headquarters and Regional Directorates.

ii) Establishing quality and innovation management

Key elements of proposal

The previous Benchlearning assessment identified that within an overall strong performance in planning, implementation and review, corrective and development activities were not always systematically anchored.

To address this under the 2025 Strategy, BA is introducing a coherent Quality Management System. This involves integrating existing management information and knowledge into a system enabling processes and systems to be reviewed through feedback from customers, evaluation, research, controlling and audit.

Constant involvement of practitioners in the future development of products, projects and services (expanding an accelerating success programme, regional input to redesign of planning process), is to be complemented by the use of customer focus groups and journeys.

Current position

BA has significantly increased bilateral exchange with other European PES to develop responses to previous Benchlearning recommendations. This has included dialogue with AMS (Austria) on the potential from integrated Quality Management Systems, and VDAB (Flanders) on increasing use of customer insight in service development through "Open Innovation" – including facilitating the introduction of an apprentice app to meet the needs of young people.

Since May 2017, the technical supervision of placement processes has been strengthened via random sample surveys of customer journeys, adding to knowledge gained from other third party and internal controlling and audit sources.

Ideas for innovation generated by staff are now systematically evaluated as part of a continuous improvement programme. Staff, especially at the local level, are invited to feed suggestions for improvement to Head Office who evaluate them, and where scalable arrange for their implementation through national process review.

iii) Strengthening employee empowerment

Key elements of proposal

The BA 2025 Strategy includes a number of initiatives for the "further development of culture and leadership". The aim is to, create self-reliance and initiative amongst employees through a number of initiatives, and as part of introducing a more transparent design framework to, wherever possible, remove "process silos".

Current position

Since January 2018, the regional and technical extension of the "make it easy approach "(innovation and promotion and testing of decentralised suggestions for improvement) has included nationwide launch of some regional projects. Projects have included workshops to promote innovation through "Design Thinking", and employees' perspectives were widened by staff secondments to other public administrations and co-operation with private sector organisations.

The 2018 planning process has been substantially simplified, shortened and streamlined, incorporating user defined analyses of customer processes generated through the introduction of self-service, thus identifying areas in need

of action. The results of the 2017 employees' engagement survey are being studied to identify opportunities for enhanced leadership and co-operation.

3. RELEVANCE, COHERENCE AND CONSISTENCY OF THE REFORM AGENDA

Scope of Change agenda to address major challenges for PES

The BA Change agenda has clearly been informed by the recommendations from the previous, 2016, Benchlearning assessment. This is strongly evidenced by the Quality Management themes articulated in the BA 2025 Strategy, and projects already being implemented. One consequence is a rebalancing between quantitative performance management and qualitative quality management. It becomes more and more evident that organisational performance can benefit when performance management and quality management are used as complementary sources in the decision making processes of the BA.

In addition, BA senior managers have articulated a consistent and systemised response to recommendations received. The BA has a well-deserved international reputation as an exemplar in the use of performance management to analyse systems enabling evidence based strategic steering. There is now an acknowledgement that continuing success will require "not just steering by, but looking behind the figures".

This response to the need to focus efforts on harder to help clients, especially LTU and refugees/asylum seekers are being applied across the organisation. There are currently debates concerning the desired optimum balance between centralised and more decentralised service delivery models.

Similarly the appropriate mix between steering and counselling for performance managers is being considered with new support products intended to support an emphasis on the quality and not just the quantity of output.

These first steps on a Quality Management journey are in part a recognition that implementation standards will need to be further improved to meet the specific challenges of a tight labour market, skill shortages, and clients with significant barriers to integration.

There is also recognition that an eventual destination could also include a need to fundamentally revise the current system of performance measurement, reflecting the changing customer base. This could include assessment of the quality of counsellors interventions with clients (especially the longer term unemployed in the Social Code II group), as a yardstick to monitor progress towards re-integration. This type of change would need Board of Governors' and Ministry's approval.

Cohesion of Change Agenda and Strategic Fit

The BA 2025 Strategy has five guidelines:

1. Individual Counselling
2. Responsibility for Social Cohesion
3. Designing training and Active Labour Market Policy-instruments (including key fields of action to address LTU, promote lifelong learning and improve school to work transitions)
4. Digitisation to benefit both customers and employers

5. Competencies built around provision of the best possible customer focussed services.

These present a cohesive response to the strategic requirement to offer more in-depth counselling to more difficult customer groups whose share among the registered unemployed is steadily increasing.

A large staff-conference to launch the above-mentioned guidelines drew important conclusions that human resources policies needed to be more flexible and more oriented towards future needs. The strategy needed to be transparent, cross functional, and crucially participative.

Initiatives already in-situ for, streamlined planning, revisions to targets, random process monitoring, deeper links between client and employer services, reducing six profile typologies to two with more self-exploration tools, and readjustment to lifelong guidance programmes, are all examples of tangible/practical innovation to deliver the strategy through a logical and well-constructed change agenda.

Staff workshops are an increasingly important feature to optimise frontline input through effective staff engagement.

4. ASSESSMENT OF CHANGE MANAGEMENT

Initialisation and Design

The BA has launched a 2025 Strategy building upon the previous 2020 approach. This new orientation has been developed following analysis of inputs from a broad range of stakeholders including staff at all levels of the organisation. Mega-trends have been studied with those identified as most influential explored in more detail to assist in developing the new strategy. These themes are:

- Demography (especially the ageing population)
- Digitisation, Automation, Artificial Intelligence, and the influence of the 4.0 industrial revolution on jobs (creation and destruction),
- Flexibility and individualisation (both in new patterns of work, and the nature of PES counselling), and
- the growing social inequality.

Systematic discussion has identified eight key activity areas: reduction in LTU, improved transitions from school to work, ensuring supply of a suitably skilled workforce, an attractive digital customer service offering, further development of the performance management system, leadership development, sustainable human resources development, digitisation and automation of organisational processes.

These activities have not yet been prioritised, which makes it difficult for key frontline local delivery staff and units to place these required changes into their operational contexts, even if managers of local offices are building upon the BA 2025 Strategy when drafting their yearly operational plans. Clear priorities need to be set from the Head Office to ensure that changes desired from BA 2025 can be effectively implemented at a local level and transformed into concrete and targeted actions.

Mobilisation and Implementation

So as to mobilise efforts for the implementation of the BA 2025 Strategy, units have been established at Head Office and in Regional Directorates. A series of regional conferences have been held to inform local agency managers about the strategy, to motivate them to drive change, and encourage their ideas on how to best deliver changes at the local level. To support more digitalisation, agile rooms for innovation and digitalisation have been created, in which co-creation processes between customers and employment advisors can take place.

The BA has identified that cultural change, moving the mind-set of staff at all levels, will be essential to make optimum use of the creativity and utilise ideas for innovation from local staff. An optimum balance will need to be sought between ensuring that local employees have enough ownership of the agenda, and providing sufficient guidance from the Head Office in terms of standards and quality requirements to ensure that. This will be especially important to meet the needs of vulnerable customers in the Social Code II group receiving social benefits whose case management is a shared responsibility of the BA and municipalities.

The rolling out of Youth Employment Agencies offering integrated personalised services including guidance, counselling, and competency assessment for young people from school to apprenticeship and work has been a very successful example of co-operation between the BA, municipalities, and other services. This type of co-ordinated approach could provide a template for future collaborations to assist the integration of some of the long term unemployed people with multiple barriers to employment.

At senior management level there is clearly recognition that a transition from central controlling and steering to quality management is necessary for the future success of the PES in meeting the needs of harder to assist clients. However the steps taken so far, though logical and welcome, will not of themselves be enough to deliver the required changes.

Integrated Quality Management is only possible in systems which present the opportunity for trial and error and empower staff at all levels. This provides the foundations of a learning organisation. We observed elements of Quality Management but, at least by local staff, this was mostly perceived as an add-on to the existing system rather than a different approach and philosophy.

Quality Management needs to be internalised as a management system across the organisation, this will need a shift from using the current system of KPIs as the primary management tool.

5. SUGGESTIONS AND RECOMMENDATIONS

The BA has made good progress on responding to recommendations made following the previous Benchlearning assessment, especially those relating to digitalisation and simplification of processes.

The PES has recognised that challenges from low unemployment, with an increasingly tight labour market, are necessitating a focus on seeking to match "harder to help groups" (especially LTU from vulnerable groups and youth with problems in the transition phase between school, vocational education and training, and work), and requiring a reflection on internal human resources approaches as recruitment into the PES becomes more difficult. A move away from central control and steering towards a system of local ownership guided by

common quality management standards has been identified as the best response to this new situation.

The INGA programme offering more intensive support to jobseekers with multiple integration problems is a good example of a pragmatic policy response orientated towards meeting customer needs in an environment where most “easy to match” jobseekers need little if any PES support for re-integration.

This new philosophy will need to be effectively communicated across the organisation, with even more investment into “feedback loops” and framing the new concepts in a way that can be seen as most relevant for front line operational staff. Change ambassadors in each local agency could assist in translating strategic messages to resonate with delivery staff. Overall, more guidance and support for the local tier with open dialogue about what works, rather than controlling, can assist in securing buy-in at all levels, ensuring that staff internalise change, feel committed and actively take the initiative for further developing products, processes and strategies in an environment encouraging empowerment.

The PES has continued to develop since the 2016 assessment, succeeded in changing customer processes, has improved digital access, and simplified profiling methodology and integration planning. The BA 2025 Strategy is involving more people than ever before, consulting and seeking their insights and opinions as part of a shift in philosophy from centrally controlled steering to a more “bottom up”-approach. Inspired by examples of other PES (e.g. the “Innovation Labs” in Flanders the “Greenhouse”-approach of the Swedish PES), the BA has implemented agile rooms for innovation and digitalisation, which offer the possibility of developing innovations in a co-production process between PES-employees and customers.

There is a clear desire to embrace change and recognition that this is needed to address future demands and maintain a role for the PES as a key labour market actor. However, it is currently less obvious how these organisational changes will necessitate changes to internal structures, and where the ambition of a comprehensive quality management system which covers all organisational levels and all processes will eventually lead.

A greater role for partnerships as the PES is increasingly part of a wider delivery ecosystem is one possibility which can have significant implications. Co-creation with customers is an increasingly significant feature of organisational change in an era of increased devolution to individual recipients of state services. Apart from the already mentioned agile rooms, the BA has as yet done little to pursue this, but could find exploring the potential from this approach to be a fruitful complement to its quality management agenda.

As “easier to match” jobseekers will become increasingly able to look after their own integration needs without the need to access PES support, a greater proportion of those offered to employers will be people who are some way from being the best match. This has implications both for the nature of integration support the PES will need to supply, and also the requirements of meeting employers’ and especially SME’s needs.

The latter issue possibly offers opportunities for the BA to provide an enhanced recruitment service for SMEs, recognising that job candidates will need more intensive assistance. This would also reflect the reality that SMEs will not have the “in-house” infrastructure to successfully assimilate new employees with such

profiles. Increasing Employer counsellor resource could be considered to deliver such a service.

More quality elements are being introduced; however the PES has further steps to take on a "Quality journey" to arrive at an Integrated Quality Management destination. Top management could assist this by articulating and systematically communicating their quality principles.

Innovation is clearly accepted but not yet universally encouraged, and feedback-loops are now in place but not systemised. Similarly, lateral exchanges now happen but there are not standard channels to facilitate these. Future process development systems that "mainstream" innovation with agile production techniques are more likely to complement quality methods than traditional approaches to system design.

Team leaders and middle managers are often those whose traditional role is most challenged with the inception of quality management approaches, it will therefore be important to target messages to these staff.

Addressing how new performance management systems can drive quality outcomes and incentivise counsellors to develop creative responses to meet the needs of the new customer base will be essential. Obtaining buy-in to this from key senior stakeholders and especially at a political level will be a particular challenge. A new approach will entail less emphasis on the numbers of outputs produced but more holistic assessment of customer progress, involving new approaches to more sophisticated mining and interpretation of data.

In transforming itself to fully embrace Quality management BA can take advantage of the current low level of unemployment.

Firstly it can consider issues about how to attract staff to work in the PES given that it is also suffering from recruitment problems. An opportunity to work in an organisation offering considerable scope for empowerment and development can be attractive.

BA should consider the future added value it can make investing in customers and define this. In this regard segmenting customers into three key target groups with differing needs could be of assistance:

- Long-Term Unemployed /Hardest to Integrate
- Skilled workers for SMEs
- Youth.

The organisation should decide what a customer centric approach focussing on these groups means for BA, and consider how this impacts upon four key components of the strategy:

- Communications
- The nature of information transmitted through the organisation
- Leadership – especially Team Leaders
- Contact Management.

Quality Ambassadors in all Agencies could act as advocates and catalysts, assisting in promoting the BA 2025 vision, encouraging as broad participation as possible, and feeding back positive ideas and messages up the management line. Adapting this approach can facilitate a Quality Mind-set across the organisation.

Adopting these recommendations will of itself increase staff involvement interest and understanding of the BA 2025 Strategy. An increase in maturity can be achieved if this is taken forward in tandem with technical changes to enable quality systems through:

- Simplification of Procedures
- Enhanced IT and Process Management
- Efficient Digital Tools.

A growing awareness of the benefits of rebalancing Quality Management and Steering can be achieved through enhancing the nature of Customer Information gathered and utilised on both Jobseekers and Employers. Systematic customer insight should form an increasingly important part of PES management information gathered and following careful analysis this should be utilised to enhance the design of services for both jobseekers and employers.

The successful Partnership working that has produced good results for the Youth cohort could be applied to address the needs of other target groups, such as some of the hardest to integrate most vulnerable clients.

The BA has a justified reputation as a well performing PES that is entering a period of transition recognising the need for necessary adjustments to ensure that it is fit for purpose to meet new challenges. This will involve a change of approach from central steering with considerable direction from the Head Office tier into a more empowered organisation, allowing for a degree of trial and error in a test and learn environment.

Previously reform has been transmitted from the Head Office through a central command approach via managers; however Quality is ultimately determined on the front line. Future efficiencies can be realised by identifying blockages, designing and testing solutions using data and insights from staff and customers. Staff and customers should be supported to design improvements. This more diffuse approach can lead to faster evolution.

As has been identified at senior management level active promotion of Quality is the correct path to pursue. This will involve managers at all levels both "Walking the Talk" and "Talking the Walk". Strategic decision making should ensure that investment is focussed where this can add the most value, especially in improving employees' skills to test innovation, boosting data analytics, and leadership for empowerment. This should be informed by widespread engagement both internally and externally to support co-creation where ever possible. This can be the route to continuing success with continuous improvement in a learning organisation.

In assisting the BA in addressing this agenda and pursuing a Quality Management approach. Number of other PES are suggested as possible partners, for:

Communication Strategy – France

Evidence gathering and efficiency – Netherlands

Co-creation – Denmark and Netherlands

Quality Management – Austria, Estonia, Belgium Flanders (VDAB)

Leadership – France, the Netherlands, and Sweden.

