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General Feedback Report TLD on
"Performance Management – KPIs"
hosted by BA, Germany



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¹ DECISION No 573/2014/EU

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1. Introduction

The eighth Thematic Learning Dialogue (TLD) focused on “Performance Management – Key Performance Indicators (KPIs)” and was held on 22-23 October in Nuremberg. It was hosted by the Federal Agency for Employment (Bundesagentur für Arbeit – BA), the German Public Employment Service (PES), with Participating PES coming from Cyprus, the Czech Republic and Greece, each represented by two experts. In addition, peer PES in Hungary and Malta both sent an expert to act as supporting peers for the Participating PES. The lead expert from the ICON consortium was in charge of moderating the TLD. Finally, a representative from DG EMPL in the European Commission attended the TLD. Unfortunately, the Irish PES was not able to send participants to this TLD due to the unexpected sickness of one of the participants who had planned to come. A bilateral event at the BA was therefore conducted later, on 9 and 10 January 2020, to support the Irish PES in its ambition to develop a coherent project for improving its system of Key Performance Indicators (KPIs). Before the two TLD events, dossiers on Participating PES and on the Host PES were drawn up, checked and sent to all participants. Preparatory “virtual kick-off” meetings were held on 2 October 2019 for the participants at the TLD on 22-23 October and on 18 December for the representatives of the Irish and the German PES participating in the TLD on 9-10 January. This helped to clarify the roles of all the participants, and it discussed the final agenda and participants’ expectations from the TLD.

2. Presentations by the Host PES

General introduction

After the welcome from the German Advisor for European PES Affairs (AFEPA) and a brief round-table in the head office of the BA, the first presentation was an introduction on the BA and its organisational and development programme “BA 2025” which has an influence on the BA’s performance management system and its Key Performance Indicators (KPIs).

The BA is active in six different fields, including careers guidance, job placements and the integration of jobseekers, social security for jobseekers, equal opportunities for women and men, labour market analysis and the disbursement of unemployment and social benefits. Within the German unemployment benefit system (Social Code Book III), all services are organised through the BA’s head office in Nuremberg, its ten regional directorates, the 156 local employment agencies and their 600 branch offices. Within the social benefit system (Social Code Book II), services are offered by around 300 offices (jobcentres at the local level) under shared responsibility between the BA and local government (the municipalities).

There are “controlling” (managing) departments in the head office, the ten regional directorates and 40 local internal services, each of them being responsible for a larger number of local employment agencies and jobcentres.

Over three years ago, the BA developed a new strategic programme (BA 2025) and started its implementation in 2017. The eight strategic “fields of action” in the BA 2025 strategy are:

1. Reducing long-term unemployment and the dependency of customers from social benefits;
2. Improving the transition from school to work;
3. Securing labour and skilled labour;
4. Attractive digital services;

5. Enhancing performance management;
6. Further development in culture and leadership;
7. Automation of suitable processes;
8. Sustainable human resources (HR) management.

The changing environment in which the BA operates has also had an influence on the performance management system: firstly, the performance management system currently integrates effectiveness, efficiency and quality whereas before it was essentially focused on effectiveness. Secondly, managers and controllers traditionally had distinct roles with poor cooperation and communication, whereas nowadays they work more as teams supporting each other while bringing together different competences.

Changes in the BA's performance management system have also been influenced by digitalisation in society. In this context, new technologies helped the BA to increase efficiency in its management control systems, but the enlarged potential of data analysis can only be used if data from the control systems is understood and interpreted in the right way. It is therefore necessary that controllers define themselves as business partners of other organisational units with specific competences, e.g. in analytics, data management, “agile controlling” etc. Their tasks no longer focus on simple controlling operations, but they now also involve analysis and the interpretation of controlling data for managerial use.

Table 1: Indicators of the BA's target system and their weights

Indicators related to effects and efficiency		Indicators related to quality and organisational structure	
Indicator	Weight in %	Indicator	Weight in %
1. Rate of prevented unemployment (Social Code Book III)	5	1. Customer survey index – young people receiving guidance	7
2. Integration rate (Social Code Book III)	20	2. Customer survey index – jobseekers	7
3. Rate of vocational training	10	3. Customer survey index – employers	7
4. Rate of filled vacancies	10	4. Service index – operational services ¹⁾	9
5. Period of unemployment (benefit recipients)	10	5. Feedback from staff	5
6. Rate of sustainable integration	10	¹⁾ Aggregate indicator including, amongst others, the share of benefits disbursed on time and customer satisfaction.	
Total weight	65		35

Last, but not least, significant labour market changes led to a need for revising the target system and the KPIs (Key Performance Indicators) used in the BA for performance management purposes. In Germany, the recent years were characterised by a very favourable economic climate, a substantial increase in employment and a constantly shrinking unemployment rate. At the same time, the share of customers facing multiple obstacles for entering, or getting back into, the labour market increased. To respond adequately to this new situation, services for job-seeking customers therefore had to change. In order to measure the success of the more individualised services, quality indicators were introduced into the BA's KPI system which was formerly focused on effectiveness and efficiency. As a consequence, the BA measures its performance with a set of indicators related to both effectiveness and efficiency (six indicators making up 65% of the overall performance measurement) and quality and organisational culture (five indicators making up 35% of

the overall performance measurement). The following table describes the different indicators of the target system and their relative weights.

This new set of indicators was based on the results of a broad survey among staff. The survey was based on a representative sample of 8,000 respondents and it showed that “sustainable integration” was considered the most feasible indicator of the BA’s target system.

After the general input, the following aspects were discussed in a feedback session:

- Participants asked how the “job-to-job-integration” indicator (rate of prevented unemployment) is measured. The representatives from the BA pointed out that this indicator relates to the share of employed people telling the BA about their dismissal date, but finding a new job before becoming unemployed.
- One question referred to the way the BA ensures a fair comparison between the performance of employment agencies and jobcentres. The representatives from the German PES described how all employment agencies and jobcentres are grouped in clusters with comparable employment structures and labour market conditions.
- Another question related to the amount of resources that the BA devotes to the analysis of data and the preparation of performance dialogues. Since decisions relating to staff are decided at the local level, this depends on the local office manager’s needs and priorities.
- The representatives of the BA were also asked what their strategy is to improve the (usually low) acceptance of KPIs by staff. In this context, the implementation of “target corridors” instead of fix and inflexible targets was mentioned. It is expected that these target corridors help to overcome the potential resistance of staff against KPIs.
- Asked about staff incentives which help to achieve a high PES performance, the BA representatives explained that financial as well as non-financial incentives are applied. Financial incentives refer to a bonus for managers of the local employment agencies in case of overperformance at level of the employment agency has performed well. An example of a non-financial incentive is the celebration of success in the employment agencies, the regional directorates and in the head office.
- A final issue discussed was the weighting given to various KPIs. The BA representatives explained that the weightings are based on normative decisions reflecting the BA’s strategic priorities at the time.

First in-depth input

The *first in-depth input session* consisted of a presentation summarising the specific elements of the performance management system, the controlling cycle and the interfaces between controlling and quality management. The presentation pointed out that the importance of indicators measuring quality and organisational culture has constantly increased over the last years. Quantifying them is based on earlier results, and measurements are carried out through surveys where different questions are asked for each indicator.

An important element of the performance management system is the “clustering” together of the 156 employment agencies (which belong to the unemployment benefit scheme) into twelve different groups. The clusters were defined on the basis of scientific evidence taking into account the different economic and labour market conditions in which the employment agencies operate. The objectives of clustering are (a) to increase motivation among the employment agencies, (b) to improve the planning process, (c) to support Benchlearning

among employment agencies and (d) to inform the Board of Governors about cluster-specific developments.

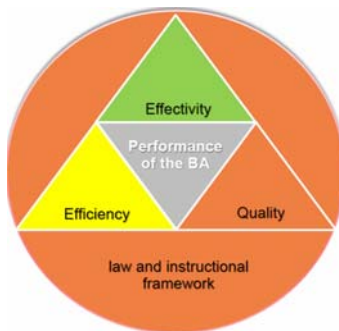


Figure 1: The BA's new performance management approach

The recent changes in the BA's performance management system have led to a broader understanding of performance management (see Figure 1). The overall objective is the optimal balancing and continuous improvement of the measured impact, economic task completion and service quality with a specific focus on service quality for internal and external customers. Despite the existence of a series of quality management elements, the systematic quality management system was only set up in 2019. The first activities in this context related to the definition of priority fields for quality improvement throughout the entire organisation and priorities for intervention in each employment agency at the local level. The introduction of a Total Quality Management approach is scheduled for 2020.

After this in-depth presentation, a series of questions were discussed in a plenary feedback session:

- Some early questions referred to the cluster approach adopted by the BA
 - Participants were interested in knowing who is responsible for elaborating the clusters. The representatives from the BA answered that the BA's own research institute – the Institut für Arbeitsmarkt- und Berufsforschung in Nuremberg – developed the methodology and the concept, and then grouped the 156 employment agencies into twelve clusters, all of them composed of agencies working in similar economic structures and labour market conditions.
 - An important part of the plenary discussion was dedicated to the question of when and under which conditions the clustering of local offices makes sense. The BA representative made clear that clustering first of all depends on the total number of agencies and having a variety of diverging labour markets. Clustering therefore only makes sense if the different clusters are made up of a “cluster” of similar local offices whose performance can be compared to each other.
- A second set of questions referred to the target-setting process
 - One of the participants asked about the factors that are taken into consideration for the quantification of targets. The BA representatives explained that the cluster performance (cluster average) – together with a projection on the basis of the local office performance for the last four years – helps the regional directorates get a first orientation on how the following year's local employment agency targets would look. The values suggested by the regional directorate (presented as a “corridor for target achievement”) are then assessed by the local office. For each Key Performance Indicator, the final quantified target is agreed between the employment agency at the local level and the regional directorate.
 - Another question related to the linkage between local office performance and the performance of staff in the local offices. The BA representatives pointed out that performance at the local office level is monitored up to the team level, but not to each individual team member. Non-financial staff incentives for the team performance refer to team leaders who might get better career opportunities. In addition, the staff members who contributed to the successful team performance are invited to specific events in which success is celebrated (as in the Austrian PES). The representative from the Maltese PES also added that in Malta high-performing staff also have better career opportunities. Moreover, any

high-performing member of staff that applies for family-friendly measures (like working from home) will have their applications favourably considered.

- Participants also asked for information on how the profiling results are taken into consideration when it comes to defining quantified targets. In this context, the BA representatives explained that no such link exists, instead the socio-demographic characteristics of jobseekers are implicitly mirrored in the employment agency’s cluster.
- It was also asked how the situation of labour force shortages affects the BA’s KPI system and their annual target-setting. The representative from the BA pointed out that employers’ satisfaction is part of the target system. In this context, annual surveys monitor whether the employment agencies at the local level have met their objectives. Apart from the target system, qualitative information is collected three times a year in management dialogues that are carried out between employment agencies at the local level and the regional directorates. In these dialogues employers increasingly complain about the employment agencies not being able to suggest appropriate candidates for the vacancies offered. At the local level, this leads to the employment agencies firstly having to lower employers’ expectations as a strategic aim, and, secondly, intensifying activities that lead to more employers accepting lower skilled jobseekers and supporting them in a more targeted qualification strategy once they decide to fill a vacancy with low-skilled jobseekers.
- Two final questions referred to the process of performance management:
 - In a general question, participants asked for a brief description of the timeline for target setting, revision and monitoring. In their reply, the BA representatives explained that every year targets are set for the following year. As far as ALMPs (Active Labour Market Policies) are concerned, a revision takes place every six months to reflect current labour market developments. All indicators are monitored on a monthly basis, and management dialogues to identify potential underperformance, and then define appropriate steps for improving the performance, take place three times a year.
 - Finally, a last question referred to how diverging quality management priorities in employment agencies are linked to the performance of the local office and to the quantified targets. Representatives from the BA explained in this context that qualitative aspects are discussed during management dialogues.

Second in-depth input

Based on participants’ requests, in a *second in-depth input session*, two different elements were highlighted: (a) the BA’s strategy for increasing staff acceptance of Key Performance Indicators and (b) a brief introduction in ICT applications supporting performance management.

- *Increasing acceptance of KPIs by staff:*

Key Performance Indicators can only fulfil their function if they are commonly accepted by all staff at all organisational levels. In order to achieve this, the BA has implemented a broad range of activities. The latest initiatives were the introduction of “target corridors” rather than fixed targets, and the introduction of new indicators related to quality and to the BA’s organisational structure. These new targets are, based on a representative survey among 8,000 employees. Other activities are:

- Specific workshops for the members of the Governing Boards;
- An information paper describing the target system and the target process;

- A specific focus of the management dialogues on how external factors may have influenced the achievement of targets;
- The implementation of “controlling experts” at the local level who support managers in the employment agencies in analysing their agency’s performance. These controlling experts can communicate directly to their controlling colleagues in the BA’s head office.
- *ICT tools supporting performance management*

In a final presentation, the information system for managers (FIS – Führungskräfte-Informationen-System) was highlighted as the BA’s main tool for analysing data. It is updated once a month and contains around 10,000 key pieces of information from ten different databases related to the unemployment benefit system (Social Code Book III), the social benefit system (Social Code Book II), different internal services, impact analysis results from the TrEffeR tool,² etc. The FIS is accessed around 200,000 times per month.

The discussion following the last presentation basically touched on the question of whether the actions described are part of a coherent strategy, however the representatives from the German PES then explained to the participants that this form of strategy does not yet exist.

3. Working groups and their results

There were two two-hour group work sessions, the first one on Day One of the TLD and the second one on Day Two. At the end of each working session, working group results were presented and discussed in the plenary session. For the working sessions, the following pairings were made between Participating PES on the one side and Host PES (or supporting peer PES) on the other side: representatives from the German Host PES were the supporting peers for the Greek PES, a coach from Malta supported the PES of Cyprus, while the Czech PES representatives were assisted by coaches from Hungary and Germany.

3.1 First working session: stocktaking

The *first working session* aimed at identifying those elements of the German PES which offer interesting ideas for the improvement of the KPI system of the Participating PES in their own situation at home. In this context, the mandate and the current challenges faced by the Participating PES are different, so different aspects of the German PES were highlighted.

OAED (the Manpower Employment Organisation) – Greece

The introduction of a system of Key Performance Indicators supporting strategic management according to clear strategic objectives and appropriate quantified targets had already been recommended to the Greek PES in the first external assessment. A convincing system of Key Performance Indicators was seen as being of the utmost importance by the external assessment team for achieving the desired change in the culture of the OAED in its transition from being an essentially administrative organisation to a customer-oriented service organisation.

Within its “Re-engineering of the OAED Business Model” organisational reform programme, a new task was setting up a new management model that includes performance indicators.

² TrEffeR = Treatment Effects and Prediction. This tool is based on results of counterfactual analysis of jobseekers’ participation in active labour market policies (ALMPs) vs. non-participants.

The objective is the implementation of the new performance management model and monitoring quantitative and qualitative parameters in the daily operation of the organisation through selected performance indicators. Several steps – such as the introduction of a scorecard – have helped move in the desired direction. However, a meaningful system of quantified targets which are derived from strategic objectives does not exist. The quantified targets system would require a coherent approach for assessing and discussing the results and moving towards defined targets in a dialogue between representatives from the different organisational levels (head office, regional directorates and local offices) do not exist.

Against this background, the following aspects of the BA have been characterised as interesting for the further development of a KPI system in Greece:

- systematic communication between local offices and regional directorate in management dialogues;
- the application of a standardised data collection methodology for all local PES;
- electronic data collection;
- linking performance indicators to the set of targets;
- setting targets for local offices grouped in clusters;
- linking performance to incentives.

The PES of Cyprus

The first external assessment recommended implementing a coherent performance management system, including Key Performance Indicators. On this basis, the PES of Cyprus has developed different sets of indicators, one set of indicators relates to the Government's medium-term Strategic Plan firstly to measure and evaluate its implementation and secondly to measure and evaluate the impact of its activities in the context of Cyprus's National Reform Programme and Cyprus's National Action Plan for the Youth Employment. This set of indicators is updated on a yearly basis. In addition, a second set of indicators measures the PES operational performance and it allows comparisons between regional and local offices. The analytical work is mostly done on a monthly and yearly basis at the head office level, which is able to identify bottlenecks or problems related to the PES's performance.

Despite the above-mentioned activities aimed at implementing quantified targets, during the second external assessment, the assessors did not find a clear process for translating strategic objectives and targets into appropriate KPIs. In addition, clear, predefined, quantified targets were missing. A real “management by objectives” strategy could not be observed. It remained unclear how the monitored results are then related to performance management and how they affect the strategic decision-making process. It also remained unclear the extent to which the monitored information helps local and regional offices in their performance management activities.

In order to achieve progress and to improve the performance management system in the PES of Cyprus, the following aspects presented by the BA were considered as helpful elements:

- A “target system” with KPIs and assigned weights for measuring performance;
- Systematic connection between quantified inputs, outputs and outcomes and their periodic revision;
- Linkage between performance indicators and the targets that have been set;
- The definition of quantified targets for each local office;

- A clustering of local offices;
- Linkage between performance achievement and incentives;
- A target-setting process combining top-down and bottom-up dialogue between local offices, regional directorates and head office and effective communication structures between these three levels;
- Flexibility for the adjustment of performance targets due to major or unforeseen external effects that may influence the achievement of targets.

UPCR (Urad Prace České Republiky) – Czech Republic

In the Czech PES, targets have traditionally been defined by the Ministry. They are influenced by political priorities, labour market developments and suggestions from the social partners and the European Union. External assessors found that a systematic approach for defining Key Performance Indicators on the basis of strategic PES objectives – i.e. referring to outputs, results and impacts that can directly be influenced by the PES – has not been the focus of the PES. They also felt that the PES had not set targets at the national, regional and local levels.

The targets defined for the PES offer important information on general labour market trends and on the evolution of different ALMPs. While the general targets such as unemployment cannot be directly influenced by the PES, the more specific ones are often output-oriented. In addition, they are not embedded in a comprehensive performance management system and often do not match the clearly defined strategic objectives. The ambition of the Czech PES is to implement this form of performance management as part of its change process. This should include consistent and relevant Key Performance Indicators that would serve for internal benchmarking purposes, support an informed target-setting process and help to improve the effectiveness and efficiency of services delivered to customers.

The Irish PES at the Department for Employment Affairs and Social Protection (DEASP), Ireland

The Irish PES, which is run by the Department for Employment Affairs and Social Protection (DEASP), assesses success and performance by monitoring indicators closely related to its Pathway to Work (PTW) strategy. The PTW strategy is a series of actions to bring the unemployed, especially long-term unemployed, back into the primary labour market. The defined targets are the result of a consultation process and they give a lead in the development and the operational work of sixty-four nationwide PES offices (called INTREO Centres). The DEASP's strategy statement contains strategic objectives, actions and targets for each business area, together with timeframes within which these targets must be met. The Performance Management and Development System (PMDS) informs staff members of their roles and responsibilities in attaining those objectives and targets. In addition to the broader PTW targets, the PES operates with a variety of internal, mostly process-oriented targets, such as the “time to claim” decisions, the number of activation interviews per case officer per week etc. Between the first and the second external assessment, some additional targets were implemented relating to an Activation and Case Management (ACM) Model.

Also, contracted partners exist within the Irish PES who also have KPIs and these are provided for within the contracts which are based around the achievement of these KPIs

and targets. These partners include the “JobPath” providers³ and the local employment services who provide support primarily for the long-term unemployed.

The challenge in the Irish context is certainly not a gap of adequate information on performance, but selecting meaningful and credible information and integrating it in a coherent performance management system which is clearly focused on outcomes and efficiency. Participation in the TLD was also aimed at supporting the Irish PES representatives in working out a performance management system that allows for fair comparisons between local INTREO Centres, teams and staff members, and developing strategies for promoting staff ownership, accountability, good performance and a customer-centric approach.

3.2 Second working session: adaptation

The objective of the second working session was to build on the first session, this time with concrete ideas for activities supporting the effective implementation of a coherent KPI system and/or concrete ideas for the elements necessary for this sort of a KPI system. Assisted by supporting peers and experts from the Host PES, all the Participating PES except the Czech PES, managed to elaborate an outline of change with milestones in line with their identified needs, and they pointed out potential activities and sub-tasks, potential deadlines, responsibilities and relevant stakeholders that need to be included in further steps. The results of this second working session are presented separately in Chapter 5 of the Individual Feedback Reports.

4. General conclusions from the TLD

Despite the relatively heterogeneous context in which Participating PES operate, and the diverging framework for implementing KPI systems, some important elements of the evidence-based strategy in the German PES were thought to be crucial for all the Participating PES. These elements include:

- a) A clear linkage between strategic objectives, quantified targets and Key Performance Indicators;
- b) A combined top-down and bottom-up process of target setting;
- c) A grouping of employment agencies into clusters of similar economic and labour market structures for facilitating fair benchmarking among local offices;
- d) A clear communication strategy between the head office, the regional directorates and the local offices;
- e) A commonly accepted and functioning IT backbone used by all relevant stakeholders at national and regional level for gathering and processing data and for monitoring and analysing performance;
- f) A KPI and target system combining indicators for efficiency, effectiveness and quality.

In general, participants were very satisfied with the presentations made by the German PES. They said the presentations were of high quality: all six participants who participated in the post-event survey rated both the general and the in-depth presentations as “very good”. Working in teams was also highly appreciated by the participants: in the post-event survey this form of exchange was rated “very good” by six of the nine participants (75%)

³ “JobPath” is an approach to employment activation which caters mainly for people who are long-term unemployed to assist them to secure and sustain full-time paid employment or self-employment. Following the completion of a public procurement process, external companies were contracted to deliver “JobPath” services (for further information see: <https://www.welfare.ie/en/Pages/JobPath.aspx>).

and “good” by two of the nine participants (13%). The only potential for improvement, however, was in also integrating the local offices in the presentations of the Host PES in order to understand better how the target and KPI system is perceived at that level of the organisation. One suggestion from participants, which was discussed at the closing session of the TLD, related to the working group sessions: it was pointed out that the approach of working in teams with the support of an expert from a well-advanced PES should be kept for future TLDs. Furthermore, an intensified cooperation between PES from major cities, such as Vienna and Brussels, was suggested in order to discuss the specific challenges of PES in metropolitan areas.