

PES-Performance, Indicators, Good Practice

A starting point

WP 01
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The first meeting of the Participating Partners takes place in Vienna, 26 - 27 January 2006. This meeting has to accomplish several tasks. A shared understanding on how to look at the various dimensions of PES performance is among them.

The following paper is an input for a discussion on the issues at hand.

As a draft it is subject to revisions in the light of the discussions and the decisions taken by the Participating Partners. Such revisions might be substantial.

For the team of consultants:
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Vienna, 19 January 2006

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1 Exchanging standardized performance information

Labour market imbalances elicit policy responses

Virtually all Member States of the European Union have to cope with the adverse economic and social effects of major labour market imbalances. Thus policies designed to address the causes and consequences of such imbalances assume a special role. This is clearly reflected in policy platforms on the level of individual Member States and on the level of the European Union. The European Employment Strategy and, now, the Lisbon Reform Programme have made labour market policies one of the main planks of overall economic and social policies.

Substantial public spending is involved

The resources deployed are substantial. In 2003 spending on labour market policies amounted to more than 2 percent of GDP of the EU-15.

Public Employment Services take a center stage position

Public Employment Services take a center stage position in this context. They are considered to be the main institutional actors when it comes to implementing labour market policies. This involves: stimulating labour market participation; activating the unemployed; enhancing the skill profile of the work force; facilitating efficient matching of demand and supply on labour markets.

Sizeable service organization

In order to take on these tasks, Public Employment Services have become sizeable service organizations with large segments of the population as clients. This raises questions of strategy, core processes, implementation and impact.

Performance monitoring is indispensable

To answer such questions the management of PES has to monitor the key areas of its performance within its management information system. This serves the purpose to check whether and where there is room for improvement.

Gaining a broader outlook for improvement

This search for improvement gains a broader outlook, when it is extended beyond the organizational limits of a single PES. In particular one would think that a regular exchange with other PES would provide a continuous stimulus to do better.

Regular exchange within existing framework

To establish such a regular exchange, it is not necessary to set up a new organizational framework. To the contrary, it makes more sense to put existing structures to good use. These include the »World Association of Public Employment Services« or the »[Network of the European Heads of Public](#)

[Employment Services](#)» and, of course, the platforms provided by the Lisbon Reform Programme. The European Commission considers the exchange of standardized information on the performance of PES an important step towards monitoring the improvement of governance in the field of labour market policies.

*Funding by the
European Commission*

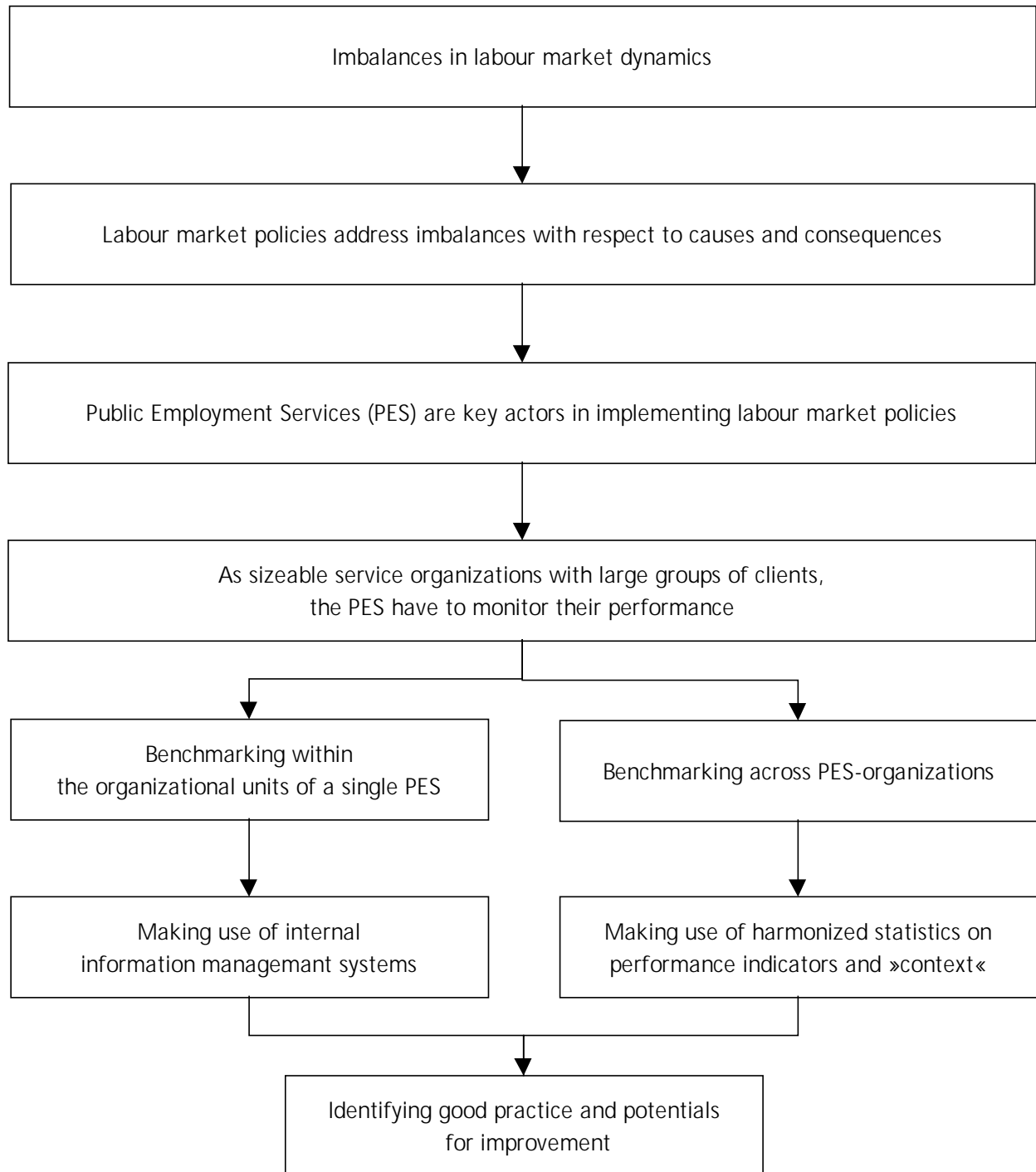
This is the reason why the European Commission has provided funding for the »Working Group« (Performance Indicator/Benchmarking/Exchange of Good Practice) of the PES-Network since 2002.

*Bearing an interface
with harmonized
monitoring systems
in mind*

Quite apart from funding, it makes sense for the »Working Group« to choose a design of its performance indicators bearing the interface with established harmonized monitoring systems in mind. Such an interface facilitates the interpretation of the comparative results of measuring PES performance. Existing harmonized monitoring systems (as they are used for the Lisbon Reform Programme) provide important comparative insight into the Member State »context« under which each of the PES is operating.

Chart 1

Why is regular exchange of information on PES performance useful?



2

PES: customers and services provided

<i>Diversity of missions</i>	A survey among the Participating Partners about their missions and main areas of activities documents a considerable degree of diversity. Nevertheless there seem to be certain features characteristic of each of the Participating Partners.
<i>Service organizations to employers and job seekers</i>	All of them consider themselves primarily as service organizations which have to deliver to customers. Most of them define employers and residents of working age as their two large groups of potential customers.
<i>Market share matters</i>	Most Participating Partners care about their »market share« which seems natural for a service organization. The »market share« mirrors the proportion between the actual customers and the potential customers. Though the Participating Partners do not aim at a market share of a 100%, some of them think that an increase in market shares might be beneficial for the organization and its clients.
<i>Focus of services provided</i>	It seems useful to distinguish four types of areas on which the services of the Participating Partners focus: <ul style="list-style-type: none">– Information;– Activation;– Skills;– Miscellaneous services.
<i>Information</i>	The dissemination of information usually covers all aspects of labour market activities. Particular attention is paid to vacancies and job seekers; the information service is structured such that it should facilitate the matching of demand and supply.
<i>Activation</i>	Activation of actual and potential customers is a service that the Participating Partners wish to deliver even if it is not sought after by the clients themselves. This is in particular true for those clients who draw benefits. Activation might include the preparatory stages of getting job-ready; or is focused on the insertion into employment only.

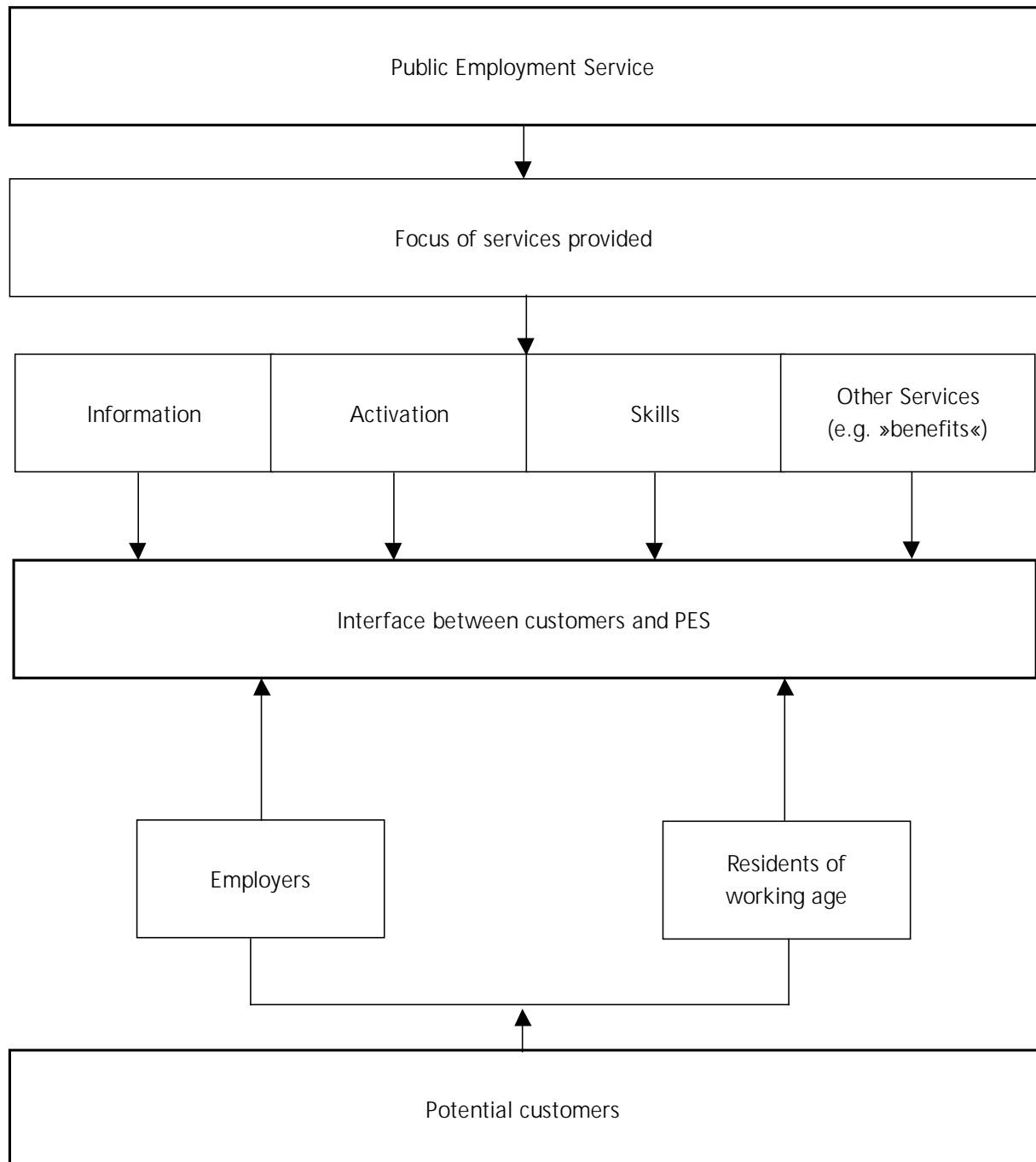
Skills

The services related to skills are sometimes provided to employers and job seekers alike; in some Member States they are primarily focused on preparatory stages of getting the unemployed again job-ready.

*Miscellaneous services
(benefits, e.g.)*

Finally there are miscellaneous services which some Participating Partners do deliver and other Partners do not. There is e.g. the administration of benefits; some Participating Partners have to provide all the services related to unemployment benefits whereas other Participating Partners just consider themselves as »gate keepers« for the benefit system.

Chart 2
PES: customers and services provided

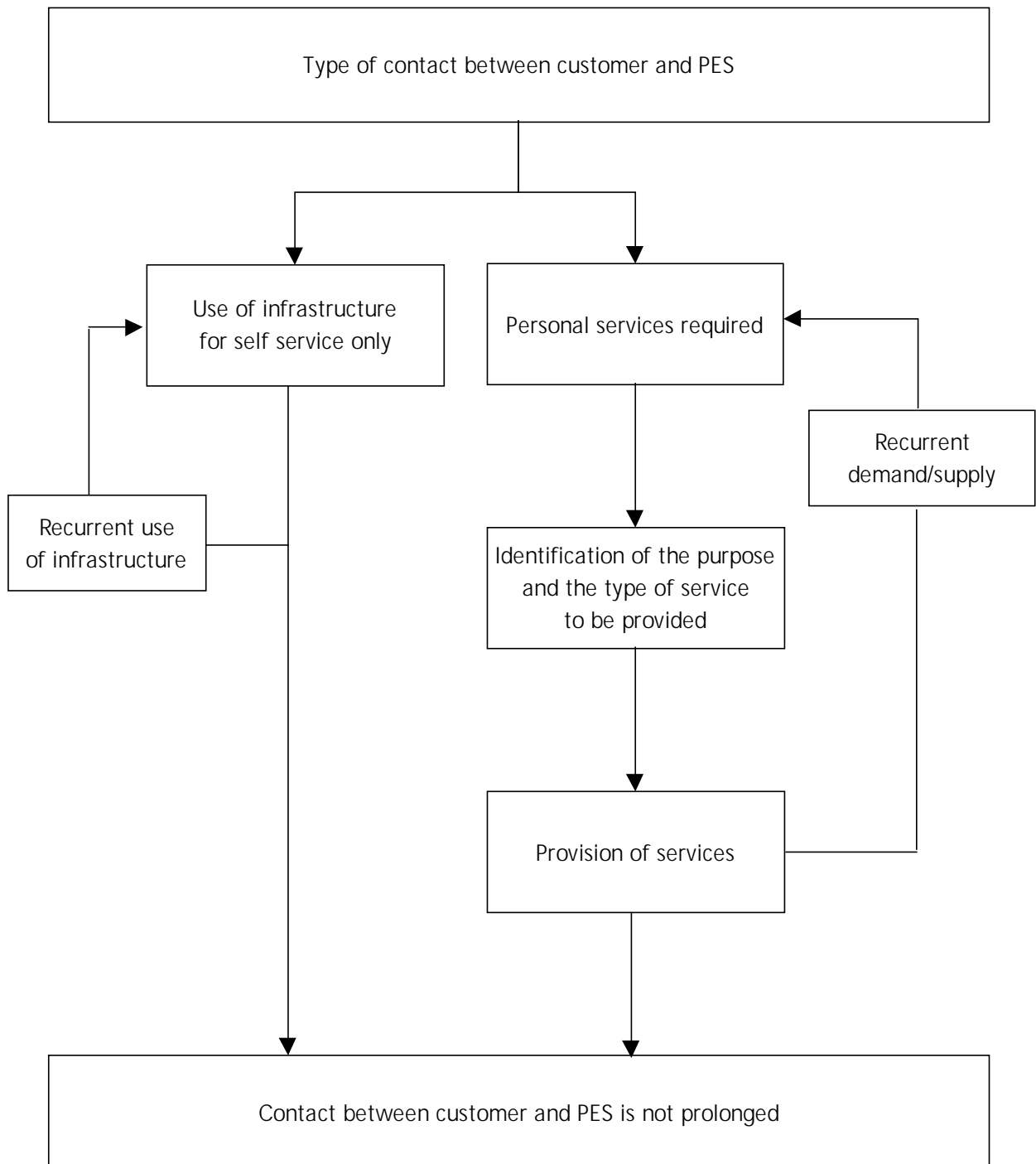


3

Types of contacts with customers

<i>Personal and self service</i>	Traditionally a PES has distinguished between self service of customers and service provided personally by PES staff. This distinction still holds. What has changed is the relative importance of self service. The rapid development and diffusion of the internet has made it likely that the self service component will be dominant in many areas of PES activities.
<i>PES as provider of the infrastructure</i>	In all areas of self service, the PES has become the provider of an infrastructure of which the customers make use when accessing information, signaling interests and needs, or are making claims.
<i>Input of utmost significance</i>	Designing, establishing and running efficient systems on the internet will perhaps become the most important input on which PES management has to decide. This is true even for those PES which operate today in an environment where still a sizeable fraction of their clients are not used to internet based self service.
<i>Personal services will not become obsolete</i>	Personal services, though, will not become obsolete; partly, because some clients will always insist on personal services; partly, because the nature of a service is such that the face to face contact is indispensable for effective service.
<i>Activation often needs face to face contact</i>	In particular, when it comes to stimulating activation through motivation, talking face to face (rather than messaging) still proves its worth.
<i>High costs of personal services</i>	Personal services are, of course, more difficult and costly to organize such that customers can be serviced at short notice with considerable input of human resources.
<i>Two step procedures</i>	Today it seems a well established procedure to organize personal service with at least a two step procedure. The first step involves the identification of the purpose and the type of service to be provided. This is usually done through a call center and the internet. The second step is the provision of the service itself.

Chart 3
Types of contacts with customers



4

Provision of personal services

Resource intensive services ...

Though benchmarking and maintaining an efficient infrastructure for self service will become the main field of PES-activities, the personal provision of services is still by far the most resource intensive area for the Participating Partners.

...demanded by employers ...

Employers personally contact the PES usually for one of three purposes:

- to gain information they have not been able to retrieve by self service;
- to ask for help in their recruitment activities (which may go far beyond the mere posting of a vacancy);
- to ask for support in enhancing the skill base of employees already on their payroll (which is not equally common among the Participating Partners).

The task of the PES is to respond to these requests (demand) by the provision of services (supply). The way a PES organizes these activities creates an »employer related demand/supply interface«.

... and by residents of working age

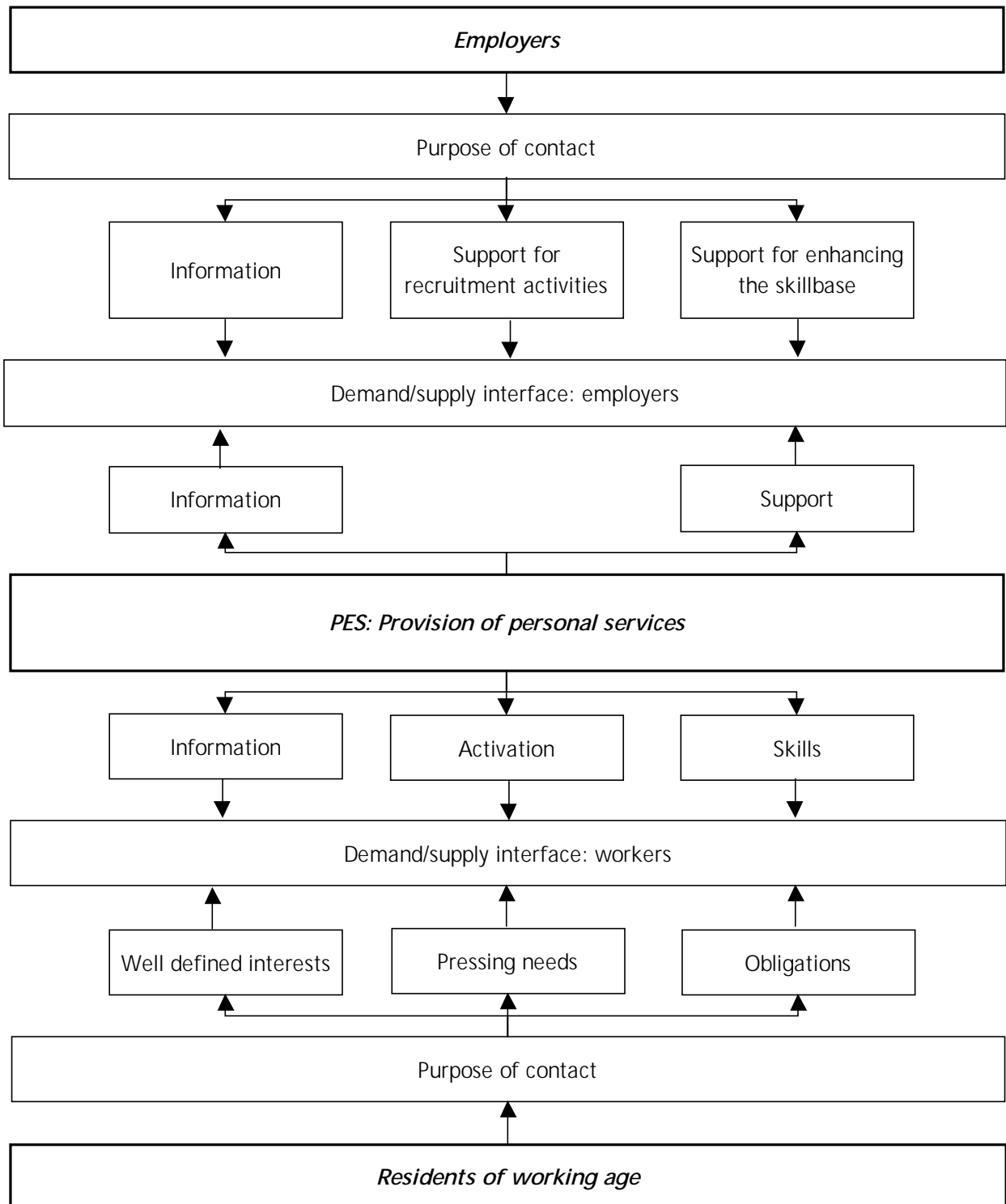
Quite a different demand/supply interface defines the relationship of the PES with respect to residents of working age. As potential of customers, these residents get into personal contact with the PES mainly for three reasons:

- they have well defined interests (e.g. looking for a job with a specific profile; wanting to acquire additional qualifications) which they expect the PES to meet;
- they feel a pressing need (e.g. for financial reasons) to do something about finding a job, without having a clear sense of direction;
- they are obliged to contact personally the PES as a prerequisite of being eligible for benefits (with or without a strong interest in taking up formal employment).

A clear view on the reasons for personal contact

To provide personal service efficiently the PES has to gain a clear view on the dominant reason for the personnel contact and act accordingly by forwarding information, by setting incentives for activation, and by providing a route towards the acquisition of additional skills.

Chart 4
Provision of personal services



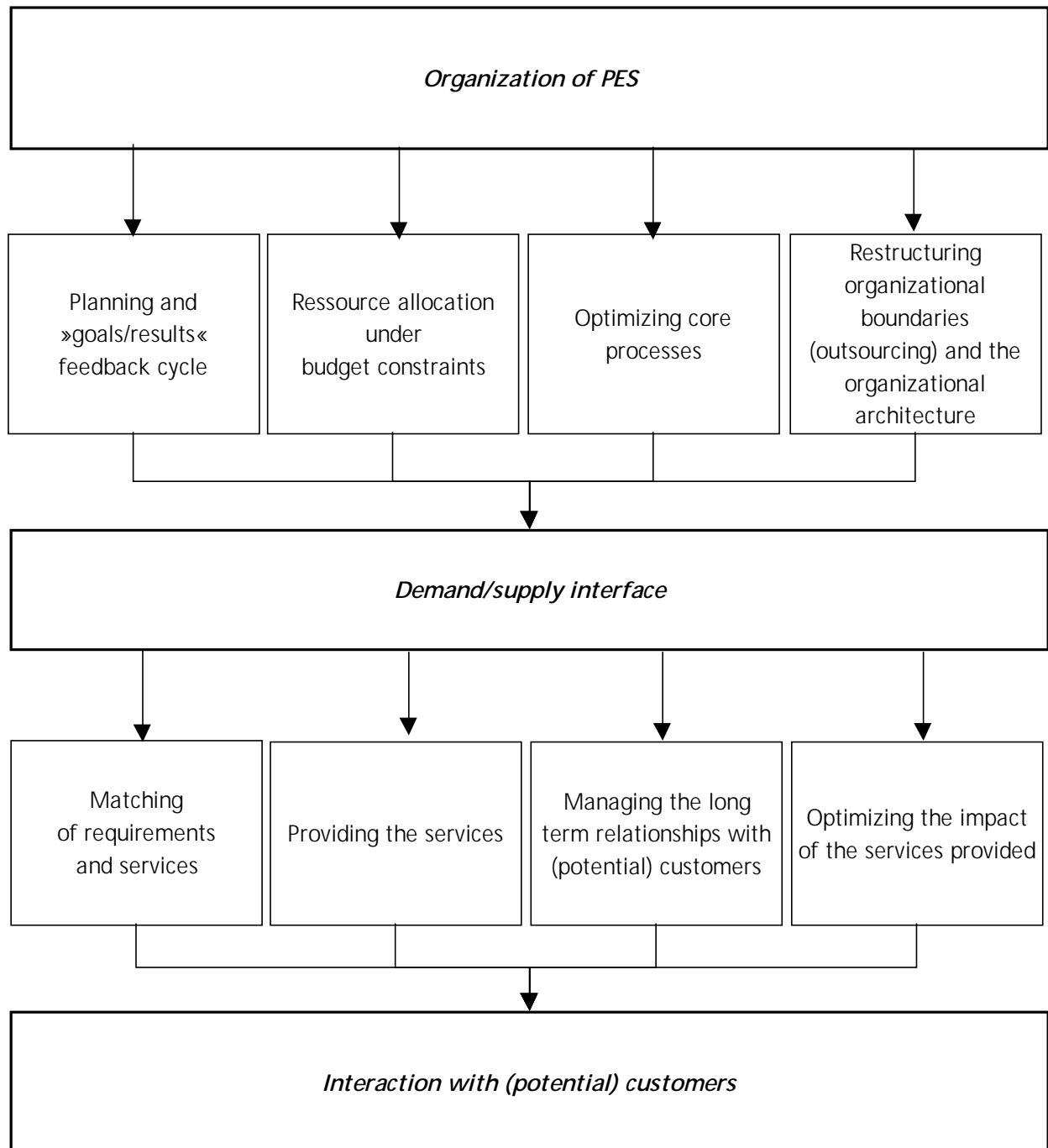
5 *The demand/supply interface*

<i>Structure follows strategy</i>	Organization building is well advised to observe the seasoned principle »structure follows strategy«. This implies for PES to start with the basics of their interaction with (potential) customers and then to work their way back to structuring and running their organization.
<i>Matching requirements and services</i>	The first basic task in the interaction with customers is to match the requirements of clients with services offered. This deserves close attention. It usually involves segmenting customers into groups (as indicated in chart 4).
<i>Providing services and managing long term relationships</i>	Once a decision on the type of service has been made, the service has to be provided. This usually asks for »controlling for quality«. The matching of services and requirements and the actual provision services has to be shaped in a way that fits a (hopefully well defined) strategy of managing the long term relationship with customers.
<i>Optimizing impacts</i>	Finally one would wish to optimize the impact of the services provided. The impact depends on how well the output of the organization is geared towards the environment in which the service is provided. Management cannot, of course, have total control over impacts since these partly reflect »environment« and only partly »organization«.
<i>Interaction with customers</i>	These four dimensions (»matching«, »providing«, »long term relationship«, »impact«) characterize the »interaction side« of the demand/supply interface.
<i>Structuring and running the PES organization</i>	There is as well an »organization side« to the demand/supply interface. On this side there are four basic activities which are indispensable for structuring and running an organization: <ul style="list-style-type: none">– the feedback cycle between goals set and result achieved– the allocation of resources within the organization under binding constraints (most of them, though not all of them have to do with budgeting)– optimizing core processes of the organization– restructuring organizational boundaries and the organizational architecture (which is a particular pressing issue when it comes to outsourcing and the creation of »quasi-markets« for services to be provided)

Frequency of tasks

These four basic challenges are taken on with different frequencies.; whereas results are benchmarked against goals at least every month, do restructuring issues usually involve a time span of several years.

Chart 5
Demand/supply interface



6

Performance: four areas of monitoring

<i>Pragmatic consensus as a response to diversity</i>	The diversity of PES missions among the Participating Partners implies that no single set of performance indicators can meet the priorities of each PES involved in an ideal way. In order to make a comparison feasible in the face of diversity, it is necessary to achieve a kind of pragmatic consensus.
<i>Areas of performance monitoring</i>	A survey carried out among the Participating Partners would suggest that all of them take an interest in comparing performance in three areas <ul style="list-style-type: none">– Inputs of PES;– Outputs of PES;– Impact of PES action.
<i>Inputs, outputs, outcomes ...</i>	Inputs attract attention, not least for planning purposes. Outputs tend to be important in most management information systems; this is in particular true for organizations which follow a »management by objectives approach«. Outcomes finally are likely to be paramount in the dealing of the PES with its political environment.
<i>... and efficiency?</i>	The European Commission has added a fourth dimension to dealt with in the comparative issue: The ratio of outcome to input as a kind of efficiency indicator.
<i>Eight indicators ...</i>	Since the number of indicators has been set at eight (a number as arbitrarily as any other number), it might serve the purpose to assign two indicators to each of the four dimensions: input, output, outcomes; ratio input to outcomes (efficiency). An option worthwhile to be discussed by the Participating Partners who take anyway the final decision is the following:
<i>... for input ...</i>	<ul style="list-style-type: none">• Input of PES:<ul style="list-style-type: none">– Time allocated to case workers for drawing up a (first) action plan jointly with an unemployed person eligible for benefits– Share of PES services executed through self service channels

...for output ...

- Output of PES:
 - Customer satisfaction of job seekers
 - Customer satisfaction of employers

... for outcomes ...

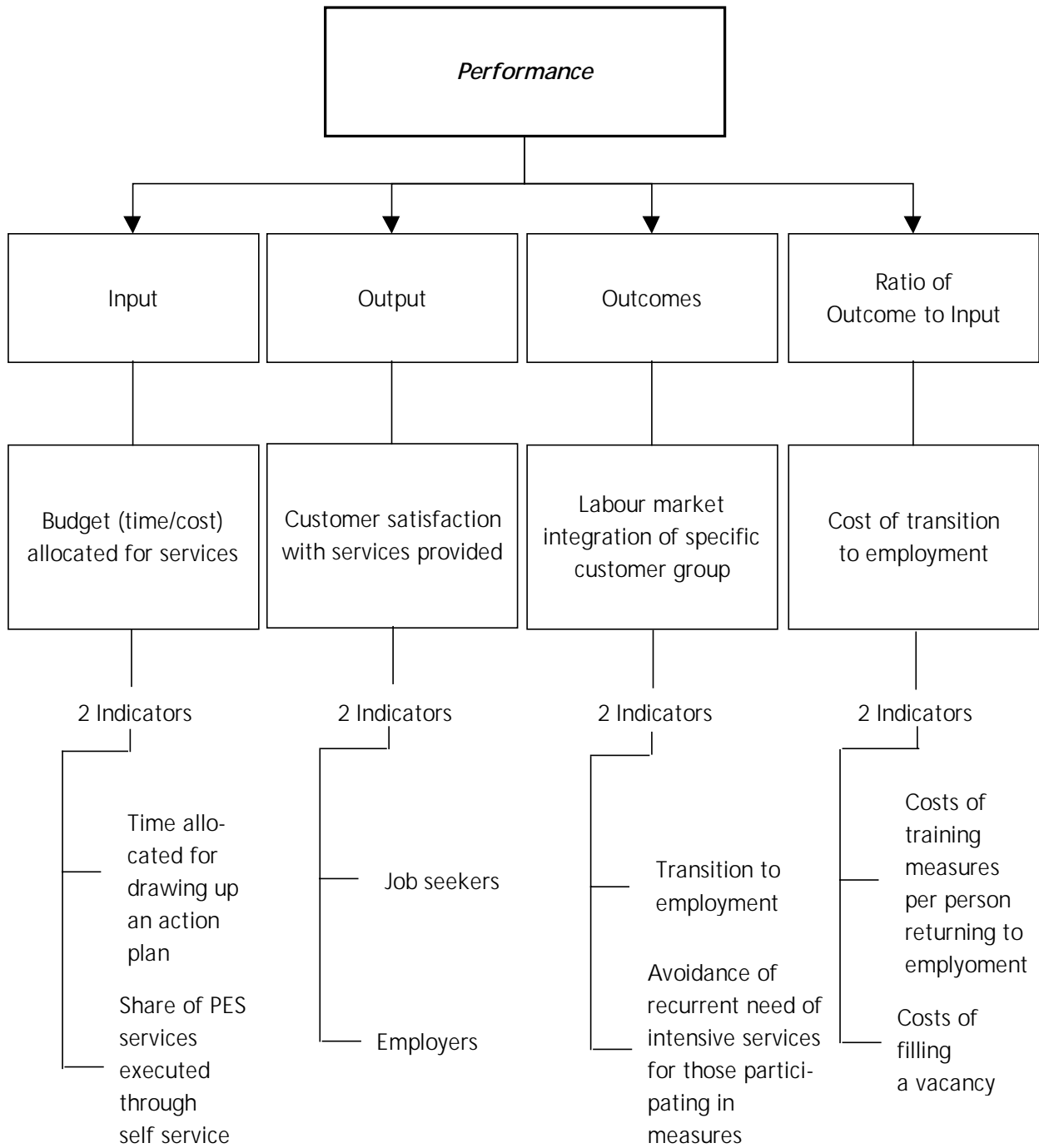
- Outcomes of PES action:
 - Transition to employment of unemployed persons eligible for benefits
 - Reducing the medium term risk of unemployment for those persons who had taken part in training measures while previously unemployed

... for efficiency

- Ratio of outcomes to inputs (efficiency):
 - Cost of training measures per person successfully returning to employment
 - Cost of filling a vacancy (explicitly placed with the PES from an employer operating in the manufacturing sector) by a successful referral of an unemployed person to the vacancy.

A more detailed description of these indicators will be given in one to the papers of the Blue Paper series.

Chart 6
Performance: four areas of monitoring



7

Good practice: where to look at?

Selecting good practices

Once the data on all of the eight performance indicators (yet to be decided upon) are collected, they will be used for comparative exercises.

Four steps

The most important of those exercises is the search for good practice. This search will proceed as follows:

- For any given indicator there will be four Participating Partners whose favorable indicator values indicate that they do well in the dimension captured by the indicator.
- These four Participating Partners will be asked to explain how they think the favorable indicator value is brought about. They are expected to make references to functional relationships between the core processes in their PES and the observed performance.
- These explanations will be discussed among all Participating Partners before one of the »Top Four« will be asked to present a good practice. These discussions will be an important part of the exchange of concepts (What works? What does not work?) among the Participating Partners.
- Finally, there will be a presentation of the good practice. The presentation is expected to discuss the weak points of a good practice as much as its strong points.

Several Participating Partners will be involved

Since there are eight indicators and four top performers for each of them, there is a certain likelihood that the presentation of good practices will be (not necessarily evenly) distributed among the various Participating Partners.

Organization

The good practices will come under one of the headings as depicted in chart 5:

- Organization of PES:
 - Planning/feedback
 - Resource allocation
 - Optimizing core processes
 - Restructuring

Interaction

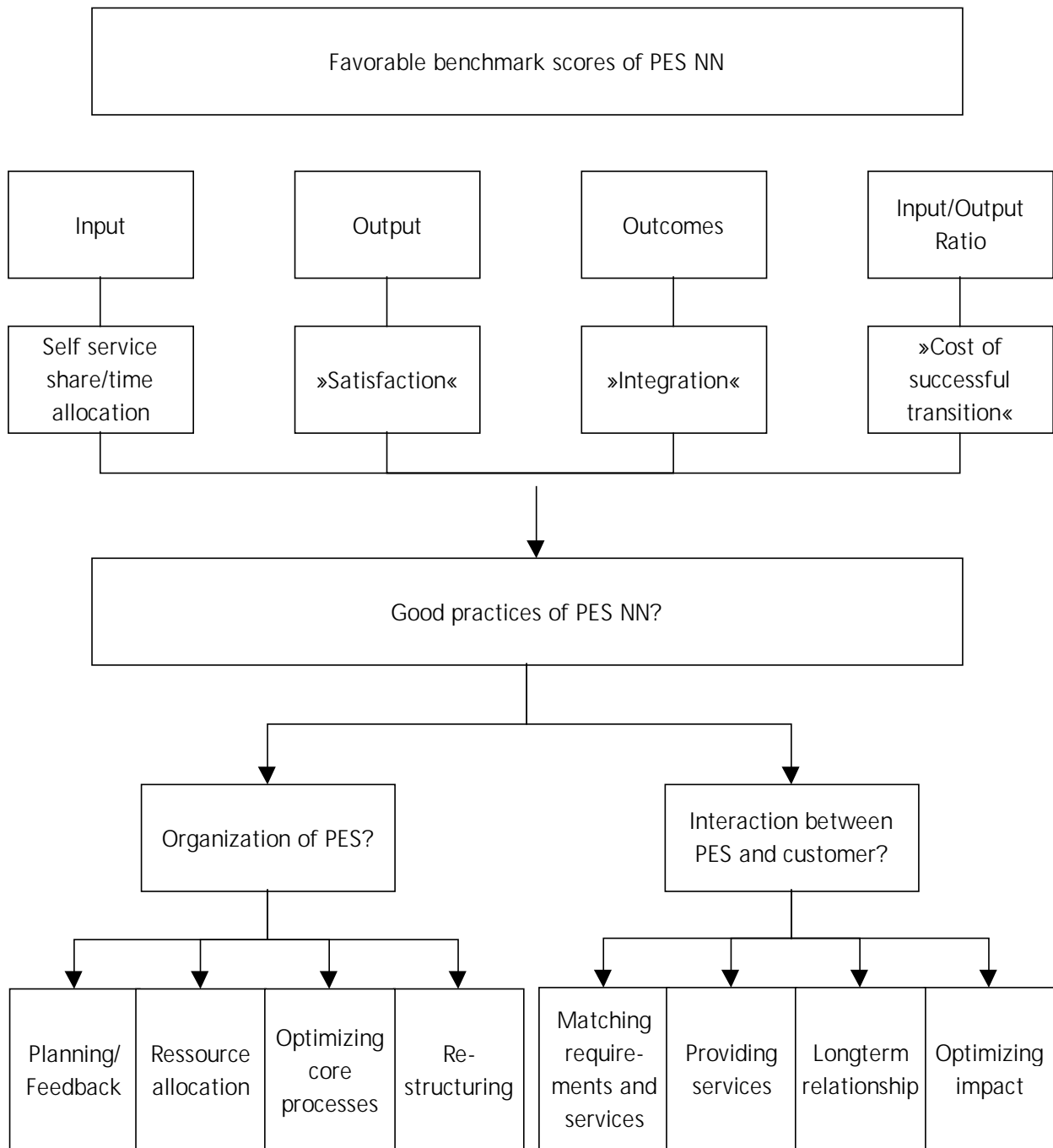
- Interaction between PES and customers:
 - Matching requirements and services
 - Providing services
 - Long term relationships
 - Optimizing the impacts of PES activities

The good practices of Participating partners will indicate where and to what extent there is room for improvement.

Chart 7

Good practice: where to look at?

Blindtext



List of papers of the Working Group

All papers of the Working Group will be distributed by the group of consultants to each of the Participating Partner:

There are several series of papers. Some of them can be used for general circulation, some of them are for internal use only; none of the papers are strictly confidential.

- White Papers* – White Papers deal with general topics and cover the topics of the final report of the Working Group (unrestricted circulation)
- Blue Papers* – Blue Papers list performance indicators and discuss their strong and weak points (unrestricted circulation)
- Red Papers* – Red Papers report on harmonized data forwarded by the Members of the Working Group (circulation only with permission of the Members who provided data)
- Yellow Papers* – Yellow Papers contain only information which serves to organize the work in progress (of no use to outsiders of the Working Group)
- Green Papers* – Green Papers cover issues related to the choice of good practices and their presentations (unrestricted circulation)

List of Papers

<i>Type of paper</i>	<i>Reference</i>	<i>Title</i>	<i>Date</i>
White Papers	WP 01	PES-Performance, Indicators, Good Practice	19/01/06
Blue Papers	BP 01	Supporting Flowcharts	23/01/06
Red Papers			
Yellow Papers	YP 01	Public Employment Services in Europe: a large spectrum of missions	11/01/06
	YP 02	Performance Indicators: A first survey on data availability and ranking	12/01/06
	YP 03	Mutual Learning-Benchmarking among Public Employment Services (PES): A schedule	20/01/06
Green Papers			

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