



THE PERFORMANCE MANAGEMENT SYSTEM (PMS) IS A TOOL IN THE STRATEGIC MANAGEMENT OF THE ESTONIAN PES WHICH HELPS TO EVALUATE WHETHER THE ACTIVITIES UNDERTAKEN BY THE ESTONIAN PES ARE RELEVANT, EFFECTIVE AND EFFICIENT.<sup>1</sup>

## Performance Management System (PMS)

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### ESTONIA

The PMS is described in three documents including the Development Plan which sets out the mission, vision, necessary strategic objectives and activities to achieve the general national objectives as well as Key Performance Indicators and their target levels for the next four years. Drawn up on the basis of the latter plan, the Annual Action Plan<sup>2</sup> contains short-term activities for fulfilling strategic objectives, indicators and target levels while the Regional Performance Plans<sup>3</sup> include more detailed and specific outcome indicator target levels reflecting regional labour market situations and forecasts as well as quality indicators. Implementation of a multicriteria evaluation system combined with regression adjustment is planned for 2020.

Name of the PES	Estonian PES (Estonian Unemployment Insurance Fund (EUIF))
Scope of measure	National
When was the practice implemented?	2010 - on-going
What was the driver for introducing the practice? Was it internal or external?	The Performance Management System was introduced on the basis of a management decision within the Estonian PES.
Which organisation was involved in its implementation?	<ul style="list-style-type: none"> <li>▶ Estonian PES senior management including the Management Board, Strategy Manager, Quality Manager, Heads of Departments in Estonian PES Central and Regional Offices;</li> <li>▶ Estonian PES' Supervisory Board;<sup>4</sup></li> <li>▶ Other PES staff in the Department of Labour Market Services, Department of Analysis etc.</li> </ul>
Which groups were targeted by the practice?	Estonian PES Central Office and Regional Offices.
What were the practice's main objectives?	The main objective of the PMS is to enhance the effectiveness and efficiency of the Estonian PES by improving labour market integration of the unemployed, and by improving and ensuring client satisfaction.
What activities were carried out?	<p>Planning of performance indicators (PI) is based on national and international experience, academic research and analyses. The SMART principle is followed. When deciding which indicators to use, the impact and credibility of the indicator's measurement are considered. The aim is to have an optimum number of indicators but no maximum limit has been set for the system. The activities include the following:</p> <ul style="list-style-type: none"> <li>▶ KPI and PI discussions take place every year during the period from August until October. A bottom-up (e.g. output indicators) and top-down (e.g. outcome indicators) approach is used. Discussions take place in smaller groups where everyone must express and defend their opinions and in subsequent meetings summaries and agreements are formulated.</li> </ul>

<sup>1</sup> EU Commission (2013), *Employment, Social Affairs & Inclusion "Peer Review on Performance Management in Public Employment Services (PES)" Peer PES Paper, Estonia*, available at file:///C:/Users/29551/Downloads/20130221%20P2P%20PR1%20PES%20Paper%20FINAL%20Estonia%20Final%20(1).pdf

<sup>2</sup> The Central Office is responsible for its implementation.

<sup>3</sup> The Regional Offices are responsible for implementation of these plans.

<sup>4</sup> According to the EU Commission (2013), the Supervisory Board is a tripartite body consisting of two members from the government, two from employers' confederations and two from trade union confederations.

	<ul style="list-style-type: none"> <li>▶ When setting up the indicators the following factors are taken into consideration: <ul style="list-style-type: none"> <li>▶ Previous result trends;</li> <li>▶ (Local) labour market forecasts;</li> <li>▶ Differences in the local labour markets;</li> <li>▶ Challenge level.</li> </ul> </li> <li>▶ KPIs are divided into three groups and have the same weights: <ul style="list-style-type: none"> <li>▶ 8 outcome indicators e.g. rate of entrance to employment of registered unemployed who receive unemployment insurance benefit (UIB) within 12 months etc.;</li> <li>▶ 3 output indicators e.g. average monthly percentage of unemployed (excl. those with reduced ability for work) participating in labour market services etc.;</li> <li>▶ 3 quality indicators i.e. general satisfaction index of jobseekers, employers and employees.</li> </ul> </li> <li>▶ Besides KPIs, the Annual Action Plan and Regional Performance Plans have more specific indicators, e.g. additional timeframes for outcome. Target levels set for Regional Offices take into consideration regional labour market situation and forecasts. Target levels for customer satisfaction are the same for all regions.</li> <li>▶ The Analysis Department gives its expert opinion to the Management Board on what the target levels for outcome indicators for the next period should be.<sup>5</sup></li> <li>▶ After the Management Board's acceptance, the Analysis Department presents the proposal to the Regional Offices.<sup>6</sup></li> <li>▶ The feasibility of targets and type of activities needed to reach target levels is discussed with the Regional Managers.<sup>7</sup> The proposal is discussed with their employees and figures of service provision adjusted according to the needs of local unemployed and employers.</li> <li>▶ Discussions on the output indicators take place between 15 Regional Offices, the Management Board and responsible persons from the Head Office in 3 smaller groups. Afterwards, a validation meeting is held where the output volumes and proportions are explained and specified for all of the Regional Offices.</li> <li>▶ Since 2018 output indicators in regional performance plans are monitored only, and target fulfilment is not scored.</li> <li>▶ At regional level, different weights are applied to the different sets of indicators – 13 outcome indicators (70 %) vs 4 quality indicators (30 %). All of the individual indicators have the same weight within a group.</li> <li>▶ The achievement of target levels is scored once a year against agreed scoring scales. Each employee agrees their individual tasks and targets with managers twice a year.</li> </ul>
What resources and other relevant organisational aspects were involved?	The Estonian PES Management Board is responsible for the PMS on a daily basis. The Strategy Manager, Quality Manager and the Analysis Department are responsible for the development of the PMS. <sup>8</sup> The Analysis Department is responsible for calculating the results and providing background information for the annual target setting. The Quality Manager is responsible for collecting all the data for the PMS and distributing the results. Regional Managers are responsible for introducing the PMS and results to their offices.
What were the source(s) of funding?	Estonian PES budget

<sup>5</sup> This takes into consideration the results so far and labour market forecasts (employment rate, number of employed, number of unemployed, economic growth etc.).

<sup>6</sup> As Estonia is a rather small country, clustering has not been a very feasible solution. Thus, the Estonian PES have tried to implement a technique that would be as transparent and simple as possible, but would make the target levels equally achievable and fair for the Regional Offices. What has worked well is making the target levels for labour market integration dependent on the rate of registered unemployment. The rates of entrance to employment after 4, 6 and 12 months tend to be logarithmic functions of the level of registered unemployment.

<sup>7</sup> When setting the target levels for output indicators, the Estonian PES send the overall expectation of the Supervisory Board (the share of unemployed participating in ALMP measures) first to the Regional Offices. In addition, the Analysis Department presents the forecast of the local labour market situation to the Regional Offices: the forecast of the number of unemployed and the statistical background of the unemployed (education, age, vulnerable groups).

<sup>8</sup> EU Commission (2013) op cit.

<p>What were the outputs of the practice: people reached and products?</p>	<ul style="list-style-type: none"> <li>▶ The results are monitored either monthly (output), semi-annually (outcome, quality) or once a year (quality).</li> <li>▶ Quarterly reports and the annual report are reviewed by the Management Board and approved by the Supervisory Board.</li> <li>▶ The performance of Regional Offices is discussed during monthly meetings with the Regional Managers involving additional relevant staff members.</li> <li>▶ Regional Managers are responsible for communicating information about the performance results during departmental meetings and/or via e-mails.</li> <li>▶ Every employee has quality and performance interviews with their managers twice a year.<sup>9</sup></li> <li>▶ Summer tours: each summer the Strategy Manager and Management Board visit each Regional Offices to discuss the results of the indicators and other related issues with the staff, and also to hear feedback on the PMS.</li> </ul>
<p>What outcomes have been identified?</p>	<ul style="list-style-type: none"> <li>▶ The results of the indicators enable the Estonian PES to determine which Regional Offices are performing well, and to share best practices between different Regional Offices and managers. The results also provide information on those regions and areas that need to improve.</li> <li>▶ Improvement in data quality: the Estonian PES uses data from its own internal Information System (IS) to monitor the results of performance targets. With the implementation of the PMS, staff became aware that the quality of data affects performance results, and thus data quality improved.</li> <li>▶ There has been improved monitoring of the achievement of the Estonian PES' goals and objectives concerning labour market integration and quality of services provided.</li> <li>▶ As a result of the need for an automated system for managing and calculating the results of the PMS, a new data warehouse has been developed with the first reports already available to employees.</li> </ul>
<p>What are the lessons learnt and success factors?</p>	<p>The lessons learnt and success factors include the following:</p> <ul style="list-style-type: none"> <li>▶ The PMS helps to define the most important priorities and enhances awareness among Estonian PES employees of the expectations concerning their work;</li> <li>▶ The more structured, simple and visual the PMS is, the easier it is for all employees to understand;</li> <li>▶ Adding quality indicators to the PMS enhances more multifaceted and consistent development;</li> <li>▶ Providing interim overviews of results increases the awareness of employees and motivates sustained focus on the right activities;</li> <li>▶ Regional Offices benefit by comparing their target results with those of other regions, enabling them to identify where their performance needs to be improved and to introduce changes to improve performance in those areas;</li> <li>▶ Results should be calculated more often than twice a year, and the calculation and visualisation of results should be automated to prevent mistakes and reduce work load;</li> <li>▶ In 2018 the Estonian PES commissioned an expert evaluation of the Estonian PES performance indicator system and constructing aggregate performance measure, from the University of Tartu. The objective was to analyse the current performance indicators, their relevance to the aims of the Estonian PES and Estonian labour policy and to construct an aggregate performance measure that reflects labour market developments, allows regional comparison and could be automated. Implementation of a multicriteria evaluation system combined with regression adjustment is now planned for 2020;</li> </ul>

<sup>9</sup> However, additional performance talks are arranged whenever it is needed. The managers make an overview of the conclusions of the interviews once a year that are also presented to the HR Department and discussed during monthly meetings.



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