



# European Network of Public Employment Services

Benchmarking Initiative External Assessment

Finland

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Summary report



*Written by ICON Institut Public Sector GmbH*

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## **EUROPEAN COMMISSION**

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

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<sup>1</sup> DECISION No 573/2014/EU

# **Benchlearning Initiative External Assessment**

Summary report - Finland



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## **PES of Finland – The Finnish Public Employment Service**

### **Summary Report**

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## 1. Introduction

This report outlines the results of the Benchlearning (BL) external assessment of the PES of Finland (The Finnish Public Employment Service) conducted between February 22<sup>nd</sup> and 24<sup>th</sup>, 2016. The team of six external assessors comprised two peer PES staff (German and Irish PES), two from the European Commission and two experts from ICON-Institute (the supporting contractor). The programme of the three day visit included meetings in Ministry of Employment and the Economy (MEE) with senior management/directorates and a visit to a local TE office in Oulu (about 600 km north of Helsinki). The time and resources invested in the preparation for the Benchlearning visit by the MEE and in particular the internal self-assessment were crucial to its success. The team gratefully acknowledges those efforts.

The Finnish Public Employment Service is organized as an executive administration under the MEE. The Finnish PES is not responsible for the disbursement of either unemployment or other social benefits (earnings-related unemployment allowance, basis daily allowance, labour market subsidy). Instead, earnings-related benefits are paid by the unemployment fund to which a jobseeker belongs; basic daily allowance and labour market subsidies are paid by the Social Insurance Institution of Finland. All recipients of unemployment benefits are obliged to register with the PES.

The Finnish PES system has a quite complex structure. On the local level the TE offices are responsible for the provision of services to customers (jobseekers as well as employers). The activities of the TE offices are steered and supervised by 15 regional centres for Economic Development, Transport and the Environment (ELY centres), which in turn operate under the aegis of the MEE. Thus, the "head office" of the PES is part of the Ministry which is not uncommon among the European PES and well covered by the Benchlearning assessment methodology. Since 2013, there have been 15 TE offices nation-wide (instead of the former 74 offices), to which 102 local branches are attached. There are about 30 "one-stop shops", where labour market-related (PES) and benefit-related services are provided under one roof. The MEE allocates resources and performance targets to the ELY centres, which are responsible for developing and coordinating employment services in the country. Furthermore, the ELY centres are supposed to support and supervise the TE offices in their regional roles and ensure that all statutory services are available to all customers of TE offices. Finally, the KEHA centre has recently been established, which is a national agency based on a geographically decentralized and network-based operations model. It is supposed to provide development and administration services for the ELY centres and TE offices. The establishment of the KEHA centre is also expected to change the role of the Ministry, as the KEHA centre is supposed to be in charge of developing operational processes for TE services, whereas the Ministry will be responsible for the strategic development and guidance. However, the precise role of the KEHA centre is not yet fully defined.

## 2. STRENGTHS

From the self-assessment and during the site visit it became evident that the MEE (together with the ELY centres and TE offices) has identified several important development needs by self-assessing the organization using the CAF-model. Furthermore, many activities with the aim to improve service provision have already been started. These comprise among other things the refinement of the tools for monitoring and analysing performance indicators, the development of a communication strategy for performance results and further training of staff to establish a continuous improvement process. Hence, a central strength of the Finnish PES system is the self-

critical view of its own organisation and the awareness of its areas for improvement. It goes without saying that the process of systematic self-reflection should be continued and that the Finnish PES system deserves full support in this endeavour.

In addition, the Finnish PES system stands out due to its strong orientation towards employers and services to support the growth of enterprises. This is first of all reflected in the name of the offices "Employment and Economic Development Office" but also in the two national targets (number of visits to employers per year and creation of start-ups). These targets can be broken down to the individual level and can be monitored on a daily basis by the recently introduced "QlikView" management tool.

A further strength is the multi-channel service delivery strategy which has existed since 2010. Elaborated e-services are available for jobseekers who are guided to specific channels based on customer segments and these channels are advertised accordingly. The use of the channels is regularly monitored and assessed to identify improvement actions.

A particular strength of the MEE is its willingness to adapt to new approaches in the delivery of jobseeker services. There are currently two on-going pilot projects on the new initiative to augment the current Finnish PES "in-house" activation service by the contracting out of jobseekers to external for-profit providers, who will be paid on the basis of placing clients into sustainable employment. Furthermore, the availability of job-search coaching as well as post-placement on-the-job support and the pro-active approach to implementing the Youth Guarantee are worth mentioning here.

Finally, one of the major strengths of the Finnish PES system is its experienced and dedicated staff with methodological knowledge on how to cope with operational challenges entailed by different reforms in the past. Together with the high degree of flexibility on the level of the TE offices this provides a unique opportunity for organisational learning. As a result, evidence-based service standards can emerge in a bottom-up process by systematically analysing tried-and-tested practices in the TE offices. However, such systematic analyses currently only exist in rudimentary forms (see also section 4 below).

### **3. CONTEXTUAL INFLUENCES**

#### *Institutional context*

Employment legislation is drafted on a tripartite basis, in collaboration with organisations representing the interests of employers and employees. All programmes are designed and contents are defined centrally through national legislation and the Ministry's "user manuals". The ELY centres and TE offices are, however, allowed to set priorities regarding target groups (as part of the annual strategy plans) and the TE offices choose what type of service is offered to what customer. In addition, ELY centres/TE offices can tailor the contents of education and training measures – within the definitions of the law – such that regionally or group specific needs can be met. In some regions, the annual strategy plan includes an item for "innovations" which then allows TE offices to create their own tenders for additional measures put forward at the local level.

Social partners are involved at the ministerial level in the work of the Council for Labour, Training and Economic Development which deals with a range of national policies on working life, employment, education, training and economic development. Social partners are often involved in other temporary and informal working groups. The role of social partners is advisory at all levels and in all groups.

According to the current Government Programme a reform package is planned with the aim to transfer the organisation of healthcare and social services and other regional services to autonomous regions as of January 1<sup>st</sup>, 2019. The principles underlying the regional administration reform which are expected to have a considerable impact for the public employment services in Finland should be determined in early 2016. Therefore, the Finnish PES system is currently awaiting the decision on a reform which in all likelihood will have a substantial impact on their future organisation.

#### *Economic context*

The economic background in which the Finnish PES system operates is characterized by negative GDP growth rates since 2012 which are accompanied by declining employment in 2013 and 2014. Unemployment moderately decreased between 2010 and 2012 and increased again thereafter. In 2015, the unemployment rate was 9.4% and therefore more than one percentage point higher than in 2009. This development is mirrored by the LTU rate and the youth unemployment rate. According to the forecasts of the European Commission, Finland is expected to experience moderate GDP growth rates of 0.5% and 0.9% in 2016 and 2017, respectively. For the same period the unemployment rate is forecasted to increase further.

## **4. CURRENT AND POTENTIAL GOOD PRACTICES IDENTIFIED DURING THE ASSESSMENT**

The strengths of TEM outlined above are supported by a number of potentially transferable good practices. These include the following:

- The recently established “Multi Sectorial Joint Service” targeted at long-term unemployed who require intensive support which involves inter-agency cooperation from PES, Social Health and Rehabilitative services working together with the participation of the job seeking client to collectively evaluate and identify his/her service needs, draft an employment plan and oversee its implementation on the path to secure employment.
- The “Change Security Model” established in 2005 which is a dedicated unit that provides support and advice to those employees who have received notice of redundancy. This service includes in-depth supporting of individuals by early and active job search promoting jobseeker self-sufficiency by utilising PES e-services, where possible. A further objective of this unit is to assist those who have recently been made redundant to reintegrate into employment quickly.
- The multi-disciplinary One-Stop-Guidance Centres located in the community centres and preferred/chosen by young people which are a central element of the very good implementation of the Youth Guarantee.
- The integrated provision of job mediation and employer services which contributes to increasing the quality of matching.
- The road show events to explain new legislation to employees in the TE offices together with demo/training videos on the provision of certain services to customers which contribute to the further qualification of staff.
- The recently established “QlikView” system which appears to be a promising and powerful performance monitoring tool that contributes to the creation of transparency.

- The regular use of the CAF-model for self-assessment in all 15 TE-offices which contributes to the identification of development needs in the Finnish PES system and ensures a self-critical reflection of the whole organisation by its actors.

## **5. AREAS WHERE IMPROVEMENTS MAY FURTHER ENHANCE PES OPERATIONS AND OUTCOMES**

As outlined above, key strengths of the Finnish PES system are the high flexibility at the level of TE offices, the experienced and dedicated staff and its high awareness of development needs. At the same time a key characteristic of the PES system is the rather complex governance structure with the MEE at the central level, the TE offices at the local level and the KEHA centre as well as the ELY centres in between. From this specific combination of key strengths and characteristics arises the primary challenge of the Finnish PES system: achieving higher accountability, i.e. to ensure the *common* responsibility of all actors of the Finnish PES system for the most optimal performance results. This challenge has to be tackled primarily by the MEE since the ultimate responsibility for the success of public employment services in Finland lies with the Ministry.

In the recent past, several important development needs have been identified by central actors of the Finnish PES and many activities with the aim to improve service provision have already been started. Consequently, many construction sites are currently open simultaneously in almost all areas of the organisation. At the same time, there is an uncertain situation regarding future reform plans of the government. To cope with this situation it seems advisable that the MEE (supported by the KEHA centre) becomes more systematic and more pro-active to achieve higher accountability.

In general, there seems to be a lack of systematics in developing corrective actions, i.e. of systematically assessing alternative solutions and implementing the most promising one. Far-reaching operational decisions, like the outsourcing of relatively easy-to-place jobseekers, seem to be rather based on political assessment than on a strategic decision making process. Thus, a kind of priority list seems to be necessary in order to avoid conflicts between activities which are followed simultaneously. Such a priority list might be summarized under the heading "restructuring masterplan to foster accountability". To draft such a plan it is advisable to establish an internal "reform team" with the task of concentrating on the future design of the Finnish PES system including roles and responsibilities on the different organisational levels (MEE, KEHA centre, ELY centres and TE offices). This plan can also help to present the options and associated consequences to governance stakeholders when deciding about the concrete design of their reform plans.

More pro-activity is certainly also necessary to remedy the intolerable situation that the PES does not have reliable information on the status of their (former) clients when they leave the register since data exchange with other institutions is strictly limited. The formulation of options to solve the data protection problems should be done by MEE. The PES needs reliable information on the labour market status of their clients to efficiently allocate limited resources and to be able to assess the impact of services and measures. The latter is a central pre-requisite to foster accountability across TE offices. From the perspective of the external assessors, any attempt of the MEE to resolve this problem deserves full support, also from governance stakeholders.

Furthermore, during the visit the assessor team got the impression, that the PES department within the MEE is still developing its role in the design of future PES service provision. There also seems to be no convincing steering model and overall



organisational culture/identity for the 15 TE offices. In this respect, it appears promising to augment the current performance *monitoring* model into a performance *management* model by adding region-specific expected target values for the 15 TE offices and to confront them with their actual achievement in regular (monthly or quarterly) performance dialogues. Such an approach can also increase the acceptance of target values if expected performance is derived by rigorous labour market analyses and does not purely reflect political intentions. This again can contribute to a stronger commitment of TE offices and their staff and, thus, increase accountability of the complete PES system.

Finally, it is worth mentioning that the assessors see a clear risk for the implementation of the currently well-functioning provision of the Youth Guarantee due to the reduction and shift of the available resources. Along the same lines, the planned ALMP-budget cuts pose a risk for the future provision of active labour market measures.

## 6. RECOMMENDATIONS

Before presenting our recommendations, we would like to highlight again that we are convinced that the Finnish PES system needs support in resolving the problem of having no reliable information on the status of the clients when they leave the register. Furthermore, we would like to confirm that the development needs identified by the MEE in their self-assessment are steps in the right direction. As outlined above, they however need a clearer structure. Another point worth mentioning is the fact the external assessors got the impression (see also the summary of the external scoring in section 7 below) that the Finnish PES system is doing quite well in some areas although the planning for this areas could be improved. This should be seen as an opportunity: by systematically analysing the prevailing practices it should be relatively easy to improve planning and by that then further on also future “doing”.

For clarity, we present our main recommendations as a series of bullet points as follows:

- As already mentioned above, refine the performance monitoring model by adding expected region-specific target values for the TE offices based on labour market analyses and thereby develop a true performance management model which creates commitment of the individual staff on all levels. Develop a corporate identity over all units and levels of the PES system and promote competition based on fair benchmarking. Consider illustrating the added value of the PES to the public.
- To ensure a common standard of service provision across all offices a refinement of process definition and further standardization appears to be necessary. This should be accomplished by systematically analysing the concrete design of core processes and process interfaces in the 15 TE offices so that a standard solution can emerge bottom-up. The same holds for the introduction of regular and systematic process reviews by dedicated process teams (like the “line development days” at TE office in Oulu). Based on this, the implementation of service-standard agreements between the MEE and the 15 TE offices might be an option to certify service-quality for jobseekers, employers and partners.
- The results of the profiling are a key element for the distribution of customers to the three service lines. The quality of the profiling is of high importance throughout the organisation and across all regions. Therefore it is recommended to consider using the profiling tool across the organisation as a fundamental and clearly defined operational activation process. Its use and value should be maximised in order to facilitate the assessment, segmentation and intervention decisions based on the client’s employment potential. Consider the inclusion of skills/competencies in that

profiling and its periodic revision and updating. Consider the use of clearly defined criteria supported by operational guidelines for staff to segment and determine to which service lines a client is referred. Systematically monitor the Individual Employment Plan to ensure that the correct progression between counsellor and client on a path to employment is being pursued and that there is effective targeting of ALMP-measures to meet the jobseeker's needs in that objective.

- Introduce a target for the number of collected vacancies, taking regional labour market situations into account. Develop a clear strategy towards (different groups of) employers, including transparent operational guidelines and targets. Increase cooperation between jobseeker and employer counsellors. Consider to develop a competency based matching system.
- Establish a national "evaluation and research plan" to systematically steer the process of evidence generation with limited resources and try to establish a strategic partnership with academia for impact evaluation. The latter will be easier if reliable information on the destination of jobseekers after having left the registers is available (see above). Systematically analyse the experiences of past pilot projects and transfer them into a "manual" for future pilots. Ensure a systematic experimentation of the most promising ideas and not just an ad-hoc piloting of "the most recent idea". Consider the implementation of a randomized controlled trial (RCT).
- In order to better exploit the creativity of TE offices, a more systematic exchange between MEE and TE offices as well as across TE offices combined with a competition for innovative solutions is recommendable. This could comprise the establishment of a good practices database, awards for good ideas and/or the fixed-term exchange of personnel across the different levels of the organisation (e.g. as a voluntary "job rotation scheme"). Design a system of non-financial incentives to foster ambition of staff and to promote continuous improvement within the whole PES system.
- For the PES department in the MEE, the development of a clearer understanding of its role within the Ministry and a more pro-active role based on its broad experience and huge competence appears to be advisable.
- Extend the "QlikView" tool to include a financial component which allows the real-time monitoring of the resources for ALMP-measures (i.e. money already spent and still available). This should also include a clear link to participant numbers and, ideally, to the labour market status of participants after the measure.