



# European Network of Public Employment Services

Benchlearning Initiative External Assessment

Estonia

2016

Summary report



*Written by ICON-INSTITUT Public Sector GmbH*

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## **EUROPEAN COMMISSION**

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The European Network of Public Employment Services was created following a Decision of the European Parliament and Council in June 2014<sup>1</sup>. Its objective is to reinforce PES capacity, effectiveness and efficiency. This activity has been developed within the work programme of the European PES Network. For further information: <http://ec.europa.eu/social/PESNetwork>.

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

# **Benchlearning Initiative External Assessment**

Summary report - Estonia



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## **PES of Estonia**

### **Summary Report**

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## 1. Introduction

This report outlines the results of the Benchlearning (BL) external assessment of the PES of Estonia (The Estonian Unemployment Insurance Fund – EUIF), conducted between April 4<sup>th</sup> and 6<sup>th</sup>, 2016. The team of seven external assessors comprised two peer PES staff (Lithuanian and Luxembourgian PES), three from the European Commission, and two experts from ICON-Institute (the supporting contractor). The programme of the three day visit included meetings in the EUIF's Head Office with senior management/directorates and a visit to a local office of the Regional Office for the Tallinn and Harjumaa County. The time and resources invested in the preparation for the Benchlearning visit by the EUIF and in particular the internal self-assessment were crucial to its success. The team gratefully acknowledges those efforts.

The EUIF is a quasi-governmental organisation and a legal entity in public law. The EUIF is responsible for the disbursement of unemployment insurance benefits and unemployment allowance as well as the provision of employment services. All recipients of unemployment insurance benefits and unemployment allowances are obliged to register with the EUIF. Other relevant social benefits are disbursed by other institutions, e.g. social assistance benefits are disbursed by municipalities. However, municipalities often request social assistance claimants who are able to work to register with the EUIF and to actively look for a job. The EUIF provides employment services and ALMP-measures for all registered jobseekers (also for people with retirement pension) regardless of their benefit status, career counselling for working or non-registered jobseekers and labour market workshops for schoolchildren.

The EUIF has a two-level structure with one Head Office and 15 Regional Offices (with total 26 client service points). The Regional Offices have the status of a department of the EUIF and are managed by Regional Managers, who are subordinate to the Chairman of the Management Board of the EUIF. The Management Board is composed of four members (Chairman of the Board, Member of the Board in charge of benefits, allowances, IT and IS development, Member of the Board in charge of labour market services and work ability assessment as well as Member of the Board in charge of labour market analysis and preventive measures) and supervised by the tripartite Supervisory Board with equal representation of trade unions, employers and the government. The Supervisory Board is responsible for approving the EUIF's Development Plan, Annual Action Plan, and budget, and affirming the Employment Programme that is passed by the government (see also below).

The EUIF has three core business areas: Benefits, Services and Work Ability Assessment. Benefits cover unemployment benefits and from 1<sup>st</sup> of July 2016 also work ability allowances. Services include employment counselling and ALMP-measures, also special disability employment measures. Work Ability Assessment is a new task from 1<sup>st</sup> of July.

## 2. STRENGTHS

In its Development Plan 2016-2019, the EUIF formulates a vision statement which is summarised by "We are the best and most inspiring labour market organisation in Estonia and Europe." (p. 5). This impressively documents the general mindset of the EUIF, which is characterised by a healthy combination of self-confidence and ambition. From the evidence provided in the self-assessment and during the site visit, the external assessor team came to the conclusion that

the EUIF can indeed provide a lot of inspiration for many other European labour market organisations and especially public employment services.

The EUIF is not only a very mature organisation but also pro-active, innovative and constantly looking for improvements. In this endeavour, organisational development follows the PDCA-cycle. It is anchored in an elaborate performance management and supported by a sound quality management system. All relevant actors and stakeholders are involved in this process for which the innovative approach of regularly conducted "Strategy Days" is used. Constant improvement is diffused through all levels of the organisation with a high degree of commitment and the clear objective to improve performance results. The model of the EUIF offers wide room to manoeuvre at the level of practical service provision and simultaneously orientation by strong leadership. With this balanced approach, the EUIF combines flexibility, ownership, and accountability: The ability and creativity of all staff at all levels is utilised and the common responsibility of all actors for the most optimal performance results is ensured. Trust, cooperation, and innovation are the core values shared by the EUIF staff.

From the externally validated scores (see below), it is apparent that the EUIF exhibits no major area for improvement (all scores are at least 4, many of them higher) and there are only a few issues for which small refinements can contribute to further improve the already excellent organisation. The EUIF has developed a sophisticated and balanced system of performance management with ambitious targets, systematic monitoring, and fair benchmarking. All processes are fully defined and standardised. An impressive and continuously improved IT-support structure is available and a full-fledged quality management system (incl. CAF-based self-assessment every two years) has been established. The latter is considered by staff as supportive and as providing orientation instead of a control mechanism. As a consequence, a distinct communication and cooperation culture within and across all levels of the organisation has evolved.

Furthermore, the design of processes and services is clearly evidence-based and an elaborate system of evidence generation is in place. Services for jobseekers follow a strictly individualised approach which centres around jobseekers' proximity/distance to the labour market. There are no specific target groups which contradict this approach. Moreover, a reasonable and convincing system of partnerships with different actors and stakeholders has been established and is continuously nourished. Finally, monetary as well as human resources are managed in a consistent and conducive manner.

As a result, the EUIF has established an excellent reputation among stakeholders and the public during the last years, based on transparency and service orientation. Hence, the Estonian PES clearly has a conductor role for labour market related issues and is apparently considered as the primary address if major problems related to the labour market need to be solved. This manifests itself in the fact that the EUIF is responsible for implementing the Estonian work ability reform. The preparatory steps conducted by the EUIF to take over this new responsibility and the first experiences with implementing the reform justify the expectation that the EUIF will be able to cope with this challenge by consistently integrating the new tasks into the existing services structure.

Finally, there is no reason to expect that the EUIF will rest on its laurels since the Development Plan 2016-2019 formulates two clear development goals: (i) enhance the impact, improve the quality, and ensure the accessibility of services and (ii) developing the Unemployment Insurance Fund as a centre of competence. Thus, together not only with its vision statement (see above), the EUIF has set a benchmark for European PES.

### 3. CONTEXTUAL INFLUENCES

#### ***Institutional context***

The legal mandate of the EUIF comprises the implementation of labour market policy and the organisation of unemployment insurance with the overall objective to achieve high levels of employment, minimise the duration of unemployment, provide unemployed income replacement for the period of job-search, compensate employees for loss of employment due to redundancy, and secure employees outstanding claims in the event of employer's insolvency. These overall objectives translate into strategic objectives to enhance the impact, improve the quality, and ensure the accessibility of services and to develop the Unemployment Insurance Fund as a centre of competence. The legal mandate of the EUIF explicitly comprises the analysis of the impact and effectiveness of the labour market actions applied (in cooperation with the Ministry of Social Affairs). Furthermore, the Unemployment Insurance Act states that – in order to achieve its objectives – the EUIF has the right to receive the necessary information from all state and local government agencies and the databases maintained by them, and from insured persons, employers, persons seeking work, unemployed persons or applicants for benefits unless the receipt of information is restricted by law.

According to the Labour Market Services and Benefits Act, the EUIF in cooperation with the Ministry of Social Affairs drafts an Employment Programme (valid for two years) which has to be approved by the Supervisory Board of the EUIF and passed by the government. Approval is only possible if the Minister of Health and Labour (as a member of the Supervisory Board) is in favour of the Employment Programme. For the drafting of the Employment Programme, state strategies and development plans, the labour market situation, the need to develop labour market measures as well as analyses of the effects of the provision of labour market services, and payment of labour market benefits should be taken into account.

The Labour Market Services and Benefits Act states that the Employment Programme should establish at least the following:

1. general and sub-objectives of the programme;
2. duration of the programme;
3. financial volume of the programme;
4. activities carried out in the framework of the programme, including the classes and volume of the labour market services provided;
5. organisation of the provision of labour market services specified in the employment programme;
6. volume, bases, and procedure for the calculation of the labour market benefits paid in the framework of the programme and the rates of the labour market benefits;
7. terms and procedure for submission of information and reports related to the implementation of the programme.

Based on the Employment Programme and the Act, the EUIF is free to decide on the details of service design and delivery. For this, a 4-year Development Plan

and an Annual Action Plan is developed by the EUIF, which contains the main development activities and targets at the national level. Regional targets are defined in performance plans agreed with each Regional Office.

### ***Economic context***

The economic background in which the EUIF operates is characterised by positive and considerable GDP growth rates since 2010, which are accompanied by increasing employment rates since 2011. The unemployment rate reached its peak with 16.7% in 2010, and has been steadily decreasing since then. In 2014 the unemployment rate was 7.6%, and for 2015 it was 6.2%. This pattern is mirrored by the LTU rate and the youth unemployment rate, though on different levels. According to the forecasts of the European Commission, Estonia is expected to experience significant GDP growth rates of 2.1% and 2.3% in 2016 and 2017, respectively. For the same period, the unemployment rate is forecasted to increase by about one percentage point due to the inflow of work ability reform clients.

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

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

- The performance management model as such with ambitious but realistic targets, which are broken down to the level of Regional Offices, taking their context into account, and are systematically monitored in an elaborate system of performance dialogues.
- The innovative instrument of "Strategy Days" to systematically exploit the expertise of the whole organisation for the planning of organisational development and the creation of commitment.
- The non-financial award for teams, which fosters competition and cooperation simultaneously.
- The sophisticated IT-system with real-time data exchange between around 40 databases, which is continuously improved in cooperation between the IT- and core-business departments. Retrospective assessments of all changes are conducted regularly and the results of these assessments are summarised and published as "RetroNews".
- The regular use of the CAF-model for self-assessment, which contributes to the identification of development needs and ensures a self-critical reflection of the whole organisation by its actors. This is supported by the introduction of an "ideas bank" to systematically collect the ideas of individual employees.
- The individual needs-based counselling approach with a clear work-first strategy using a model of jobseeker segmentation, which is solely based on proximity/distance to the labour market and which abstains from any target groups counteracting this approach.



- The elaborate system of checking the quality of individual action plans (incl. profiling) with a comprehensive feedback to counsellors to support their work. This is complemented by regular visits of Regional Offices by internal trainers from the head office who perform “job shadowing” and give feedback to counsellors. Based on this, active learning groups are organised to further develop the skills of counsellors.
- The model of evidence generation as such, but especially the randomised controlled trial on counselling frequency. The generation of highly substantive evidence of “what works and for whom” is a central element of the EUIF’s backbone.
- The composition (incl. a representative from the Ministry of Finance) and involvement of the Supervisory Board, which contributes to a consistent and continuous organisational development process. The long-term partnership with the Estonian Public TV, which regularly broadcasts a prime-time TV-show introducing the EUIF’s activities.
- The competence tests for employees conducted immediately after the probation period and once per year, which contribute to the identification of the needs for further individual training.

Finally, it is worth highlighting here that the way in which the EUIF presented the results of their self-assessment to the external assessor team using the filled-in template is exemplary and a good practice in itself. The information provided is intuitive, precise as well as concise and, thus, enabled highly constructive and productive discussions during the site visit.

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

The EUIF has a consistent and convincing approach to support jobseekers in finding employment and to help employers find suitable candidates. Thus, in a nutshell, the EUIF is very strong in “reacting” as soon as a jobseeker has registered and/or an employer has notified a vacancy. A larger development area of the EUIF, which already has been identified by the organisation itself, is the extension and refinement of the available services to prevent unemployment. Thus, the assessor team highly welcomes this development goal and encourages the EUIF to intensify and concentrate their efforts in this respect. This might be combined with extended services to support employers in identifying their future demand for labour. Maybe the ideas outlined below can provide some inspiration to the EUIF on how to tackle this challenge.

Stripped down to its basics, the “target group” for preventive actions can be divided into the following three subgroups:

1. Persons taking a new job after having been unemployed. Within this subgroup there is certainly a large heterogeneity of the risk of losing the new job rather quickly.
2. Employed persons at risk of becoming unemployed who are aware of this, e.g. because they already have received their notice of termination or hold a fixed-term contract.

3. Employed persons at risk of becoming unemployed who are not aware of this.

From the perspective of the core business of a PES, prevention certainly starts with sustainable integration. Thus, the implementation of additional services to ensure that persons who leave the registers for a job do not come back, can be seen as a first – and relatively easy to implement – preventive action, since the first subgroup of the “target group” for preventive measures is much easier to reach than the other two subgroups. Given the rich and informative database of the EUIF, it is relatively straightforward to identify the risk factors within the first subgroup by analysing past transitions into work and quick re-entries. For the identified risk group, post-placement services can be offered (also to the employer). These could comprise the installation of a contact person for newly established matches if there are questions/problems (a proactive approach of these contact persons would be preferable) and on-the-job coaching activities (incl. further training). Examples for such services can be found in Denmark (especially for youth). Currently, Germany is testing “post-placement coaching” for (formerly) long-term unemployed.

The second subgroup has to be identified and motivated/activated to initiate contact with the EUIF. If it is not possible to establish the legal obligation to contact the PES as soon as a person receives the information that his/her job ends, this can only be done by a “marketing campaign” to convince these persons to get in contact with the EUIF as soon as possible. This appears to be especially relevant for the group entering unemployment because their fixed-term work contract ends (about 20-22% of all entries in 2014 and 2015). Finally, the third subgroup is even more difficult to reach because it is even more difficult to identify these persons. For both subgroups, the use of linked employer-employee data combined with survey data (on attitudes towards further training, possible obstacles to education etc.) for duration analyses can help uncover persons in need of special attention.

For these persons, it appears reasonable to extend the career counselling services for employed, i.e. to pro-actively convince workers that investment in their human capital pays off, preferably in close cooperation with employers. If career counselling is extended towards a “life-long learning and skills development” service, this might – as a positive side effect – also help employers to get a clearer understanding of their future labour demand. Finally, on the EUIF’s website, there is currently no section for “employees/workers”. Hence, as soon as further concrete services/actions have been identified, the new focus on the group of working persons should also be made visible on the website.

## 6. RECOMMENDATIONS

The EUIF has clearly proven to be a very mature organisation without major areas for improvement. For this reason, the assessor team will not provide recommendations, but rather suggestions. These suggestions primarily comprise a series of small refinements which might help to further improve the already excellent organisation. For clarity, we present our main suggestions as a series of bullet points as follows:

- Consider investing in the presentation of performance results to illustrate the added value of the EUIF. A possible formulation could be the visualisation of the results compared to the pre-defined target levels for the most important indicators to create an "eagle view" on the EUIF's performance status.
- Consider creating and testing new IT-services for clients, e.g. text messages (SMS) to remind of appointments.
- Consider testing "accompanied customer journeys" (like e.g. in Austria) to identify aspects that can further improve services and processes.
- Consider collecting information more systematically on non-cognitive (soft) skills during profiling. This could be done by analysing the job ads to identify the, say, 10 most often mentioned soft skills. In the IT-system, a battery of questions could then be implemented which have to be asked by the mediation counsellors during the first interview and which require the jobseeker to assess himself/herself (e.g. on a five level scale) according to these soft skills. The aggregate of the self-assessments into 0/1-indicators could then also be used for (automated) matching.
- Consider making the CVs of jobseekers centrally searchable documents to identify specific competences. This can help if, for instance, an employer is interested in recruiting a person with a specific knowledge of a programming language, to identify all potential candidates.
- Consider further engagement in developing the employers' strategy as a stand-alone document and to add services for employers as a core process to the general process model. Furthermore, the employer satisfaction survey could be extended to allow the disaggregation of results on the level of the Regional Offices.
- Consider improving automatic IT-based matching by allowing also matches with less than 100% fit.
- Consider establishing an international network of labour market researchers to exploit their expertise. For this, the provision of individual-level data (preferably in the format of a Research Data Centre) can help very much. Helpful experiences in setting up such a Research Data Centre can be found e.g. in Germany.
- Consider implementing an external evaluation of partnerships.
- Consider extending the performance-based pay approach for external service providers.