



European Network of Public Employment Services

Benchlearning Initiative External Assessment

Cyprus

2016

Summary report



Written by ICON-INSTITUT Public Sector GmbH

June 2016



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 2014¹. 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>.

This activity has received financial support from the European Union Programme for Employment and Social Innovation "EaSI" (2014-2020). For further information please consult: <http://ec.europa.eu/social/easi>.

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¹ DECISION No 573/2014/EU

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PES of Cyprus

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1. Introduction

This report outlines the results of the Benchlearning (BL) external assessment of the PES of Cyprus, which is integrated into the structures of the Department of Labour of the Ministry of Labour, Welfare and Social Insurance. The BL external assessment was conducted between 18 and 20 April 2016. The team of seven external assessors comprised two peer PES staff (Wallonian and Norwegian PES), three PES experts from the European Commission, and two experts from ICON-Institute (the supporting contractor). The programme of the 2.5-day visit included meetings at the Department of Labour of the Ministry of Labour, Welfare and Social Insurance with senior management/directorates and a visit to a district and local PES office in Limassol.

The time and resources invested in preparation for the Benchlearning visit by the Department of Labour of the Ministry of Labour, Welfare and Social Insurance, in particular their internal self-assessment as well as their answers to the guiding questions, were key to the success of the BL external assessment process.

Within the Department of Labour of the Ministry of Labour, Welfare and Social Insurance, the PES of Cyprus is organised as a network of four district offices and ten local employment offices (apart from the head office in Nicosia). The Director of the Department of Labour of the Ministry of Labour, Welfare and Social Insurance carries complete responsibility for the management of the PES office network. A PES Coordinator (Senior Employment Officer) appointed by the Director, assists in the coordination of the PES network through the operation of a central coordination unit at the head office of the department, which exercises monitoring and controlling of PES activities at the district and local levels. The manager of each district labour office (District Labour Officer) is responsible for the operation of the district labour office as well as the local labour offices of his/her district and regularly reports to the Director of the Department with the assistance of the PES-Coordinator. Elements of the organisational structure, like staffing and PES Network organisation, cannot be determined autonomously by the PES or the Department of Labour. An approval by the Ministry and/or the Council of Ministers is required.

The PES is not responsible for the disbursement of unemployment allowances or other relevant social benefits. Unemployment benefits are disbursed by the Social Insurance Department. In addition, the Welfare Benefit Management Service is responsible for the payment of all other relevant social benefits. All recipients of unemployment benefits are obliged to register with the PES. Unemployment and social benefits require recipients to be actively engaged in seeking employment. Social partners are not directly involved in any management or monitoring of the PES, though they are consulted from time to time.

The mission and central objective of the PES is to:

- promote full, productive, and quality employment by encouraging more participation in employment and providing placement services and vocational guidance;
- promote rational utilisation of human resources, including administrative and coordinating work in the fields of vocational training and education;

- protect specific groups, including securing equal treatment and equal opportunities for men and women in employment, the protection of children and young people, as well as pregnant women and new mothers; and
- guarantee conditions of proper employment of foreign workers within the labour market.

2. STRENGTHS

One of the major strengths of the PES of Cyprus is the richness of data collected about the registered jobseekers and the services offered to them as well as the possibility of connecting PES data with individual information from other systems (unemployment benefits, social welfare, etc.). Due to this, the PES of Cyprus was able to supply coherent and high quality information on the level of EU PES performance indicators for 2015. Furthermore, a couple of relevant performance indicators can be broken down to local and individual levels, which offers the great opportunity for sound results-oriented and evidence-based management. In this context, the new monitoring system announced can be seen as an additional step toward the further improvement of the performance information basis of the PES of Cyprus.

The IT-system which Employment Officers and Employment Advisors can use to assist the counselling process is well-designed and above the European average in terms of functionality and structure.

Another very important strength is the clear customer orientation that external assessors observed during their visit to the local office. In terms of service provision, this approach allows the structuring of counselling and other services of the PES of Cyprus around the labour market potential of unemployed jobseekers and the real needs of employers.

External assessors would also like to highlight the enormous potential of staff at district and local offices for critically analysing processes, identifying weaknesses, and proposing suitable measures to overcome existing inefficiencies in the organisation, structure, and management of processes. This offers an excellent basis for systematic organisational change management.

3. CONTEXTUAL INFLUENCES

Being an integral part of the Department of Labour within the Ministry of Labour, Welfare and Social Insurance, the PES of Cyprus implements all PES services defined by appropriate laws appointed to it by the Council of Ministers. This includes the registration of jobseekers and the renewal of unemployment status, counselling, profiling, and matching to appropriate job offers, as well as services for employers, including the implementation of wage subsidy schemes, and the close cooperation with other departmental services in ALMP and external stakeholders.

Furthermore, the PES of Cyprus has been allocated additional administrative tasks, such as the pre-selection of candidates for primarily manual posts in government departments and some other public institutions, as “government hourly-paid workers”.

The contextual frame in which the PES of Cyprus operates can be characterised as follows:

Budget

The funding of the PES of Cyprus nearly doubled between 2009 and 2011, from EUR 5.5 million to EUR 10.3, whilst being affected by considerable cuts in the following years, finally reaching EUR 6.1 million in 2016. Around 11% of the total budget in 2016 came from external sources (ESF, EURES, and other European Funds).

In the aforementioned period, the staff of the PES of Cyprus slightly increased between 2009 (with 117 employees in total) and 2013, reaching a peak of 133 employees, but then reducing to 123 in 2015. During the period observed, the direct front line staff diminished both in absolute and relative figures (from 61% in 2009 to 54% in 2012) before increasing again until 2015 (to 59%). In other words, the considerable increase of registered unemployed (see below), was not accompanied by a similar increase in PES-staff. As one consequence of this, the volume of purely administrative tasks, such as registration and renewal of the unemployment status, led to a reduction in time and resources available for direct consulting and counselling of jobseekers and employer clients, and matching activities.

Economic Context

Like many other countries, the economy of Cyprus was negatively affected by the financial and economic crises. After the initial slump in 2009, with a GDP-growth of -2.0%, accompanied by a cut in employment of -0.2% and a moderate recovery in 2010 and 2011, the peak of economic decline followed between 2012 and 2014: GDP decreased by -2.4% (2012), -5.9% (2013), and -2.5% (2014). The loss of jobs in the same years was 3.2% (2012), 6.0% (2013), and 1.1% (2014). The other side of this development was a substantial and continuous growth in unemployment. Between 2009 and 2014, the number of registered unemployed dramatically increased from 17,505 in 2009 to 47,197 in 2014 (+269.6%), and the unemployment rate increased from 5.4% (2009) to 16.1% (2015).

In addition, the integration of young people into the labour market is becoming more and more problematic. An indicator of this is the substantial growth of the youth unemployment rate from 9.0% in 2008 to 38.9% in 2013, as well as the increasing proportion of NEET among young people.

The statistical indicators available for 2015 reflect a modest recovery of the economy with a slight increase of GDP-growth (+1.6%) and a slight decrease of the unemployment rate (to 15.6%) and of the youth unemployment rate (to 33.2%), though these remaining at a considerably high level.

Beside these general trends, it is difficult to assess the potential for the placement of clients by the PES of Cyprus from these labour market developments. Representatives from the PES of Cyprus reported that a considerable number of vacancies are only communicated by employers who have a legal obligation to advertise jobs in Cyprus before applying for permits to recruit third-country nationals to fill their vacancies. These vacancies tend to require either specialised skills and competences

(including e.g. a specific language) or are characterised by rather low pay and difficult working conditions. PES staff said that they believed employers were not interested in recruiting people from the PES register to these posts even if they were available.

4. CURRENT AND POTENTIAL GOOD PRACTICES IDENTIFIED DURING THE ASSESSMENT

The strengths of the PES of Cyprus mentioned above (see section 2) can be considered to have potential for the development of transferable good practices. For the time being, no additional specific examples of good practice are highlighted. However, the collection of individualised data of jobseekers and information concerning the provision of PES services as well as the possibility to merge this data with those of other systems can be mentioned, since this offers a high potential for sound evidence based management.

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

The results of the self-assessment, which was carried out by the PES of Cyprus, provide a very realistic view of its capacities, potential, and weaknesses. Compared to the excellence model, which forms the basis for the assessment, substantial improvements seem possible in all enabler sections, which have received a rather low score by the representatives of the PES of Cyprus. In addition, the self-assessment also reflects a very strong preparedness of the staff to engage in the improvement of performance and functioning.

After careful analysis of the self-assessment, additional background information, and of the discussion rounds and interviews conducted with representatives of the PES of Cyprus at central, district, and local levels, there was a very strong impression that the PES of Cyprus can be characterised as a rather reactive organisation, both in its internal and external relations. In general, the PES of Cyprus can be characterised as a somewhat static organisation. It lacks a clear mission and a strategic action plan of its own which elaborates the overall strategic goals defined at the legislative and governmental level.

In addition, the PES of Cyprus, especially when considering the organisation of the services it offers to jobseekers, focuses more on problems than on solutions within its own area of responsibility and decision making competence. In this context, seeking to increase financial resources and staff tends to be the only option pursued at top-management level to overcome organisational, structural, conceptual, service- and quality related weaknesses of the PES. It is therefore necessary to widen the discussion to also explore the potential to increase efficiency within the current framework and budgetary resources. This may offer considerable potential for improving service provision and PES performance.

Particular attention should therefore be paid to the use of the additional staff capacity that will be available from mid of 2016 for the duration of three years. Their potential should be used for the specialisation and functionalisation of PES services,

e.g. the collection of vacancies, the development, implementation and monitoring of innovative solutions to meet the existing operational challenges in the different districts.

In order to achieve such improvements, it is not only necessary to revise the portfolio of services offered, but also the way in which these are implemented. One example of this is the time and resource-consuming administrative task of renewing the registration of unemployed jobseekers. This is requested by the unemployment and the social welfare scheme and could be modified in a way enabling existing resources to be redirected for counselling or outreach activities related to employers and vacancies.

Though in theory referrals from first front line advisors for more intensive counsellor support should be determined by customer needs the assessors observed that in practice these were frequently decided by the customers' preferences. Consequently resources were often poorly utilised, with jobseekers most needing, but possibly reluctant to accept, in-depth help not receiving this, whilst other jobseekers were able to access this when their needs were less of a priority. Introduction of a clear segmentation system, or a profiling system to assess labour market proximity, could assist in addressing this.

In general, it may be appropriate to focus on those areas of service provision where the PES of Cyprus can make a real difference (e.g. in relation to private employment services) and achieve real added value in assisting the balancing of the labour market. In addition, there is a need to design lean processes and to optimise the use of E-services to reduce the burden on staff.

Hence, one crucial challenge is to change the focus within its supervising authorities and its management representatives of the PES. Considering a move from a traditional, top-down-related, management approach towards a greater culture of leadership, which encourages and enables staff empowerment, could be beneficial.

The external assessors noted the motivation, and readiness at district and local level to support such an agenda. In order to transform and modernise the PES of Cyprus, such a programme lead by top-management could embrace each single PES-officer at each organisational level. This would enable the organisation to make better use of the potential of the staff through introducing a system that encourages innovation at the district and the local level and that helps to develop, implement, and monitor solutions to operational challenges. At present, the role of managers does not include any "hands on" support for counselling staff through observation and coaching. Introducing such a system as part of performance review would identify staff strengths and learning needs. Already existing platforms for exchange between management and PES-employees, as the monthly meetings between the management team and the District Labour Officers and every day communication on issues faced during every day work between management at central level and District Labour Officers should be used effectively for starting the reform process.

Improvements can also be achieved by shifting from the current customer service strategy. This focuses almost exclusively on seeking to meet the aspirations and wishes of individual registered unemployed people irrespective of how realistic they are (in terms of the current state of the labour market and fostering re-integration). A more successful approach would seek to focus on both individuals' potentials and aspiration and the requests and needs of employers. In this context, PES services should be more strongly and closely linked with results from sound labour market and employers' needs analysis. The PES of Cyprus should therefore enhance the activation of jobseekers, and motivate them to access available jobs. This would require the development of a culture of "rights and responsibilities" altering the existing approach which tends to prioritise meeting customer wishes at the expense of wider considerations. Where a jobseeker is identified as being in a good position to help themselves they could be strongly encouraged to do so, this could create space to provide more counsellor support for jobseekers with more barriers.

6. RECOMMENDATIONS

Starting from the weaknesses identified in the self-assessment and the results of the external assessment, the first recommendation of the assessor's team is to change the existing reactive culture of the organisation to a more proactive approach. The first step after settling on an appropriate strategy should be to define appropriate performance indicators and quantified targets to drive an approach to meet general, political, and strategic objectives. The results should be constantly monitored against clear quantified targets. In addition, a systematic discussion with representatives from the central, district, and local levels should take place on how to optimise the structures of the PES of Cyprus to better achieve the set targets and to improve services for jobseekers and employers.

In this context, the PES of Cyprus should make proper use of already existing data for the analysis of its performance and for the identification of operational consequences for all levels of the organisation. The introduction of an evidence based management system would also support necessary organisational and structural reforms. This could allow systematic use to be made of the results of specific pilot projects with evaluation properly described in appropriate planning documents (e.g. evaluation plan). The introduction of a change management programme could start a review of PES culture. A re-evaluation of the role of managers, with a transition from a traditional management control to a leadership coaching function could be a key component of a reform programme.

As far as the above mentioned pilot projects are concerned, the team of assessors suggests that a regional pilot project (i.e. on district level) is started, in which registration of jobseekers, profiling, renewal of registration, counselling, and other PES services are structured differently than in the procedures currently in place. The pilot project should be monitored and evaluated on a scientific basis in order to provide solid evidence for the reform process of the PES of Cyprus.

The second step involves the definition of strategic intervention fields for the PES of Cyprus, i.e. the concentration of its activities on those fields where the PES can offer and achieve a real added value in the labour market and where it can set appropriate standards.

Another general recommendation relates to the current orientation of services provided by the PES of Cyprus. These should be designed from the customer (rather than the legal/administrative process) perspective, with a clear orientation towards a fast integration into the labour market. An important starting point is the assessment of jobseekers' potentials (rather than their weaknesses) and a concentration on attracting vacancies that can be filled by the PES. A customer segmentation approach could support the introduction of a clear activation strategy, steering advisors to concentrate time and efforts on those most in need of their assistance. Developing a profiling system to assess labour market proximity could also be considered, though until a menu of various service offerings were developed this would not add value. Jobseekers' appointments should be used as opportunities to assess progress with re-integration rather than only to renew their unemployment status. Employment and labour officers have gained extensive knowledge on strengths and weaknesses of the internal processes and structures of the PES of Cyprus. The renewal and modernisation of processes and services should take advantage of this rich knowledge and the high level of staff motivation to support a changing organisation.

In addition, external assessors recommend clearly defining the interfaces between the services of the PES of Cyprus and other activities and external stakeholders outside the PES. So far, the systems of PES-service provision, education, and ALMP are fragmented and not sufficiently interlinked with each other. In order to achieve functioning interfaces, a close link between counselling, training, and other ALMP should be established. It is important that Employment Officers and Employment Advisors can access services and support structures necessary to bridge the gap between unemployment and labour market integration. As such, ALMP need to be designed on the basis of the real re-integration needs of the unemployed and not because of the availability of funds at a given time.

The PES of Cyprus will experience a substantial increase of employees within 2016. In this context, the team of assessors recommends that these staff are utilised to improve the services by introducing dedicated specialised teams, e.g. for the employers' service. Part of the additional staffing should also be tasked with designing, implementing, and monitoring the reform process.

The team of assessors would also finally like to encourage the establishment of a reform partnership with a PES, which has successfully implemented reforms in the last years or are comparable in their structure, size, and organisation to the PES of Cyprus. The PES of Malta and Norway could for example offer relevant and important experience for the reform of the PES of Cyprus.