



European Network of Public Employment Services

Benchmarking Initiative External Assessment

Norway

2016

Summary report



Written by ICON Institut Public Sector GmbH

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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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¹ DECISION No 573/2014/EU

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1. Introduction

This report outlines the results of the Benchlearning (BL) external assessment of the PES of Norway (Norwegian Labour and Welfare Administration – NAV), conducted between June 6th and 8th, 2016. The team of five external assessors comprised two peer PES staff (Latvian and Slovenian PES), one from the European Commission, and two experts from ICON-Institute (the supporting contractor). The programme of the three day visit included meetings in the NAV's head office with senior management/directorates and a visit to the local office of Drammen (about 41 km from the head office). The time and resources invested in the preparation for the Benchlearning visit by the NAV, and in particular the internal self-assessment, were crucial to its success. The team gratefully acknowledges those efforts.

The NAV is organised as a central government agency under the Ministry of Labour and Welfare. The NAV is responsible for the disbursement of unemployment benefits, sickness benefits, and other relevant social benefits. All recipients of benefits are obliged to register with the NAV. The NAV has a three-level structure with a head office at the national level, 19 territorial (county) offices and at least one office in each of the 428 municipalities (local offices). The organisational structure and the traditionally strong collaboration with the municipalities at the local level are determined in *The Labour and Welfare Administration Act*, which came into force in 2006. With this act and the subsequent reform of 2008, the merger of two former agencies under the umbrella of the new NAV was accomplished. The act also states that the organisation of delivering services has to be organised in partnership with the municipalities. As a consequence there are different organisational patterns at the local level. Thus, the Norwegian Labour and Welfare Administration comprise the Norwegian Labour and Welfare Service and the municipal services that are offered at individual NAV-offices.

The most important objectives of the NAV in 2015 were the following:

- Realising a well-functioning labour market with high employment, low unemployment and inclusive workplaces
- Ensuring financial security
- Securing a stronger social safety net
- Maintaining a user-oriented, efficient and coherent labour and welfare administration

The Directorate of Labour and Welfare in Norway heads the NAV. It is led by a Director General and has eight departments. The director of the Department of Governance and Finances has the role of the Deputy Director General. Three of the eight departments have direct responsibility over the regional level and local units. The other five departments are responsible for coordinating, defining the framework and providing support across departments within the organisation. Social partners are not directly involved in the management, supervision or monitoring of the NAV.

2. STRENGTHS

Ten years after the establishment of the new NAV through a merger of state labour and municipal welfare services, the external assessor team observed that the organisation is on the right track from a strongly benefits-orientated

organisation to one which is primarily concerned with helping people help themselves find (new) employment. In its self-assessment and during the site visit, the NAV provided ample evidence that a transformation process has been triggered that is based on a comprehensible and encompassing corporate strategy complemented by a long-term plan as well as regularly conducted horizon scans and risk assessments. The long-term strategy has ambitious but achievable objectives regarding the organisation itself as well as its clients. Thus, a systematic approach to reforming the organisation has become evident and this is certainly a major strength of the NAV.

This approach aims at establishing a one-stop-shop for the truly integrated provision of benefits and labour market-oriented services to customers, instead of two loosely connected parallel systems. The achievement of this aim is already supported by a well-established mechanism to manage the organisation via balanced scorecards, a solid steering infrastructure and a powerful IT-backbone, which results in an elaborate IT-support structure. These structural strengths of the NAV are certainly an asset that will help the organisation to proceed on its reform path and to finally succeed.

Another strength of the NAV is their attempt to involve customers into process design and amendment as comprehensively as possible. This attempt together with the recently developed Knowledge Strategy to increase the evidence-base for process and service design, contributes to customer-oriented service provision in the NAV-offices. It is complemented by a clear "work first" strategy regarding jobseekers, their segmentation according to jobseekers' proximity to the labour market and a general shift away from the use of sheltered labour market measures. The use of ALMP-measures now focuses more on employers in the primary labour market. Furthermore, the NAV has a clear focus on devoting resources to those jobseekers that are in need of it. Thus, the NAV has implemented a clear strategy for servicing clients who are close to the labour market, primarily via e-channels and those further away from the labour market using "traditional" face-to-face contacts. Hence, the conceptual approach towards job-seeking clients is another asset of the NAV.

This strength is further supported by a sophisticated channel management concept with a strong focus on e-channels, especially for "simple cases". All other channels, including social media, act as complements. Moreover, an integrated CRM-system has been implemented for all customer contacts that ensures that all important information is available when needed, across all channels. It is worth noting here that the NAV is among a few European PES that managed to direct the majority of registrations to its online channel.

Furthermore, the NAV provides target-oriented services to employers and has developed a plan on how to further strengthen them. As a part of employer services, the NAV has developed an innovative attempt to increasing presence at work, preventing and reducing sick leave as well as preventing exclusion and withdrawal from the labour market through the introduction of Inclusive Workplace Support Centres in all 19 regional offices.

Finally, the dedicated and motivated staff is another clear strength of the NAV. The NAV's employees have demonstrated not only a critical self-perception of their own work, but also a positive attitude towards change and continuous improvement. This attitude manifested itself exemplarily in the following statement of a NAV-employee during the site visit: "The coolest thing about working for the NAV is that there is always room for improvement." If this mindset can be preserved and utilised productively, there is no reason for the NAV to be afraid of the future.

3. CONTEXTUAL INFLUENCES

Institutional context

The legal mandate of the NAV comprises to provide social and economic security, while encouraging a transition to activity and employment. The NAV should facilitate an inclusive working life through a well-functioning labour market with high levels of employment and low unemployment.

From the ministry, the NAV receives the main directions and policy guidelines as targets, KPIs and priorities, and the allocation of resources in an Annual Allocation Letter. There is close cooperation between the Ministry and the Directorate during the whole process of facilitation, preparation, elaboration, checking and testing of targets, KPIs and assignments, including civil servants and managers. The letter is the formal assignment from the Minister to the Director General of NAV. Based on these documents, NAV's Long Term Plan, the NAV Horizon Scan and risk assessment in the NAV, every department in the Directorate is given the Letter of Targets and Allocation. The operative units in the NAV then receive an equivalent letter concerning their field of responsibility. In the process of elaborating these letters, there is extended participation from the receiving parties/units.

Economic context

The economic background in which the NAV operates has been characterised by constant positive GDP growth rates since 2010, after a decline in economic activity in 2009 by -1.6%. On average, GDP growth amounted to around 1.5% per annum in the 2010-2015 period. According to Eurostat data, this was accompanied by an increase in employment rates since 2011, but fairly stable unemployment rates of around 3%-3.5% until 2014. In 2015, the unemployment rate increased substantially by about one percentage point to 4.4%, most likely due to the sharp decline in oil prices during that year. The increase in the overall unemployment rate in 2015 is mirrored by a rise in the LTU rate and youth unemployment. According to the forecasts of the OECD, Norway is expected to experience positive GDP growth rates of 0.6% in 2016 and 1.3% in 2017. For the same period, the unemployment rate is forecasted to slightly increase to 4.7% and 4.5%, respectively.

4. CURRENT AND POTENTIAL GOOD PRACTICES IDENTIFIED DURING THE ASSESSMENT

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

- The well-established mechanism to manage the organisation via balanced scorecards. This is a well-arranged tool which enables a concise overview of the achievements of the organisation as a whole as well as its different units. However, the scorecards as they are at the moment need some elaboration and amendments in order to fully unfold their potential.
- The use of customers for process review and (re-)design. Taking into account the customer perspective can deliver valuable insights into process designs and their shortcomings and, thus, contributes to higher customer orientation in service provision. This is especially true if it is embedded into systematic lessons learnt processes.

- The collection of non-cognitive (soft) skills and information about the social environment of the jobseeker during profiling. Such skills are transversal to formal educational attainment levels and occupations, but are especially important in a modern economy like the Norwegian one, and will in all likelihood become even more important in the future. Together with the fact that segmentation is based on clients' proximity to the labour market only (and not contaminated by special "target groups"), and the clear "work first" strategy, the complete conceptual approach for activation and integration of jobseekers is worth studying by peer PES.
- The Inclusive Workplace Support Centres, which are located in all of the 19 counties and provide services as a one-stop-shop for employers by individual contact persons. These centres contribute to the improvement of the working environment, the prevention and reduction of sick leave as well as the prevention of exclusion and withdrawal from working life. Hence, they can be seen as an innovative attempt to prevent unemployment.
- The Knowledge Strategy and the consequence with which it is implemented as such, but especially the extensive use of randomised controlled trials as a tool to generate reliable evidence on what works. This will contribute to a strong evidence-base for the future design of services and processes.
- The structured and common agreement model applied in all partnerships. This ensures that partnerships follow a consistent approach that is comparable across participating units.
- The individual development plans for all employees, the inclusive workplace policy plans in regional units and the regularly conducted employee satisfaction surveys. These are central building blocks for the development of a comprehensive and modern human resource management system.

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

As outlined above, the NAV is on the right track towards the transformation from an executive body into a conductor on the labour market. However, from the perspective of the assessor team, necessary improvements remain and will require tackling some major challenges along the way. Taking on the role of a conductor first implies a stronger shift in the general orientation of the organisation, from activity towards effect/impact. Furthermore, it requires the generation of a societal agreement on the expected added value of the PES and the use of stakeholders to generate support for the NAV's plans. The balance between the interests of the NAV and municipalities needs to be readjusted in the management model to fully exploit the potential of the merger. The cooperation model with the municipalities is perceived as demanding, and also to a considerable extent as dependent on the personal traits of the individual actors involved.

Furthermore, the added value of the county level in the current set-up of responsibilities is not transparent. Due to the (excessively) large number of local offices, the role of the county offices requires clearer definition. This refers to the major challenge of the NAV from the perspective of the assessor team: the very

large number of local offices² with a high degree of discretion, even on the level of individual employees, and with a limited amount of accountability.

Thus, the fundamental step forward consists of ensuring that all regional/local offices are willing and obliged to accept accountability and responsibility for their activities, and disclose the results of them. It is indispensable to ensure transparency with regard to which regional/local offices really perform well and which simply profit from their favourable economic context. Hence, the NAV head office needs to be able to formulate an expected value for good performance of each regional/local office given its economic context. Only with such an expected value, will the NAV be able to assess the true achievement of all regional/local offices in a manner commonly accepted by all actors within the organisation. Based on expected values that take the context of the office into account, the regional/local offices can be compared on a fair basis and the scorecard can become a really useful tool for identifying good performers. These units can then serve as a role model for mutual learning to further develop the organisation as a whole.

However, fair performance comparisons alone will be not enough. They need to be embedded into a holistic quality management system and an overarching process model which ensure an ongoing support structure for all offices and every employee. Therefore, there is a need for systematic mutual support, e.g. via regular job shadowing, supervision or (external) on-the-job trainers. Such a support – i.e. not control – system can create commitment and a culture of systematic learning from mistakes among all employees of the NAV.

Finally, the establishment of a strong evidence-base for learning is decisive. Only if there is convincing evidence that specific services, approaches and process designs really work, will it be able to convince the employees in the regional and local offices to adapt them and continuously strive for new and improved solutions. Hence, it is essential that the NAV fully implements its Knowledge Strategy.

In short, the reasonable combination of meaningful performance comparisons (i.e. fair benchmarking) with a full-fledged process model, a holistic quality management system and the generation of convincing evidence on what works, are the central elements for a fully accountable organisation that is able to encourage constant improvement and establish an organisational development process that is purely internally driven. From the discussions during the site visit, the assessor team understood that the NAV is explicitly aiming at such an organisation: one in which advancement is triggered intrinsically and continuously by all employees and that does not need top-down or external impulses.

Given the structural strengths of the NAV and the mindset of its employees outlined above, the fundament to achieve such an organisational development goal already exists. Thus, there is a need for some customising and assembling work in order to properly fuse and extend the existing good elements. From the impressions collected during the site visit, the assessor team is convinced that the NAV will succeed in this endeavour.

² The currently discussed municipality reform might be a good opportunity to restructure the geographical distribution of NAV-offices and to avoid the existence of “micro-offices”.

6. RECOMMENDATIONS

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

- Use business cases to show the ministry what the options available and what the consequences of organisational changes are in terms of cost and operational impact. Translate strategic objectives into outcome and efficiency indicators. Revitalise the existing scorecard tool by making the indicators meaningful for the different levels of the organisation. To this end, a complementary development of the set of indicators bottom-up and top-down might be helpful. Develop a transparent way to define expected values of good performance for each regional and local office individually. Define a common set of indicators (minimum requirement) for the local NAV offices reflecting PES and municipal targets.
- Clearly define all business processes in accordance with ISO 9001: management, core operational and supporting processes, preferably as end-to-end processes. Develop a concept for the management of process interfaces and introduce regular process reviews. Furthermore, lessons learnt processes and good practice transfers should be conducted in a more systematic manner.
- Implement a quality management system that combines the existing quality management tools (allowing the on-going actively progressive monitoring of predefined quality standards) with the enablement of a culture of informed risk-taking. The quality management system should support a systematic (rather than just a purely instrumental) approach to quality, and should stimulate continuous improvement and learning.
- Establish a full-fledged and systematic mutual support system for all offices and each individual employee (like e.g. in Estonia). This can be done by promoting internal and external job shadowing on a regular basis, through visits from (external) on-the-job-trainers or by supervision. It should be emphasised that this does not mean control or controlling. It means the establishment of helping hands which act as a feedback mechanism for all staff. Such a feedback mechanism, however, should be organised centrally and its implementation should be checked regularly.
- Analyse the extent to which inflows into unemployment are due to the expiration of fixed-term contracts. If there is a substantial share of persons entering the registers as a result of this, then this group can be addressed more directly, especially those jobseekers who (re-)enter the labour market with a fixed-term contract.
- Utilise the cooperation with the Ministry of Education to improve the Norwegian apprenticeship model. The assessor team got the impression that young people having to choose a profession without really knowing it and without having a practical training place from the beginning is one of the primary reasons for the high drop-out rate in Norway. A possible solution is to involve employers earlier, comparable to other models of apprenticeship, like e.g. in Austria.
- Continue the development of services for employers using a comprehensive strategic planning approach and different channels of communication. The operation of a separate unit or team, responsible for pooling all contacts with employer customers within all local offices of the NAV could promote better

results. The quality of the matching process should be reviewed regularly and systematically, taking employer feedback into account.

- Establish advisory boards for major research/evaluation projects using external expertise. These boards can also be used for accompanying quality assurance of research projects if researchers (internal as well as external) have to report to them in the course of their projects and receive feedback for further research. This can also help to identify relevant results early and to translate them into comprehensible formats for different targets groups (especially for employees at the front-end).
- Establish a fixed format for the collection of new ideas and good practices and store them in an easily accessible database for all employees. Consider the introduction of a job rotation program between the different levels of the NAV, at least for staff aiming at promotion within the organisation. This could help facilitate the exchange of perspectives and ideas between the head office and the regional/local offices and broaden the minds of involved employees.
- Develop a strategy for partnerships and a systematic mapping of them. Reduce the high variation in agreements with the municipalities and strengthen the system for monitoring partnerships.
- Extend the budget planning cycle to cover a longer period (transferable appropriations) in order to give flexibility and security for planning. Increase flexibility inside the ALMP budget line. Change the approach of budgeting from delivering activities to delivering effects.