



# Benchlearning Initiative External Assessment

Summary report – ESS Croatia



*Written by ICON Institut Public Sector GmbH*

*2015*



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This publication 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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### **PES of Croatia- ESS**

#### **Summary Report**

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## **Benchlearning Initiative External Assessment**

### **Public Employment Service of Croatia (CES)**

#### **Summary Report**

#### **1. Introduction**

This report outlines the results of the Benchlearning (BL) external assessment of the Croatian Employment Service (CES), conducted on the 23-25 September 2015. The team of five external assessors comprised two peer PES staff (Portuguese and Slovenian PES), a PES expert from the European Commission and two experts from ICON-Institute (the supporting contractor). The programme of the 2.5 day visit included meetings in CES Head Office with senior management/Directorates and a visit to the co-located Regional and local PES offices in Križevci (about 57 Km east of Zagreb). The time and resources invested in the preparation for the Benchlearning visit by the CES and in particular their internal self-assessment, were crucial to its success.

The CES is a separate legal entity with its own budget. It is responsible for the disbursement of unemployment benefits and all recipients are obliged to register with CES. Despite being an independent body it has in effect limited scope for independent decision making on issues such as budgets and personnel. It has a multi-level structure comprising one central office, 5 main regional centres, 17 regional offices and 99 local offices. The new decentralised organizational structure was set up at the beginning of summer 2015.

The central office is responsible for CES activities including technical and operational procedures, contributes to the development of national employment policies and their implementation, and provides guidelines to the regional and local offices. Policy decisions made at the national level and regional/local levels are responsible for their implementation and for the delivery of employment services.

Social partners are represented in the governing council of CES consisting of seven members representing public institutions, trade unions, employers, workers and associations of the unemployed. Tripartite social dialogue at the national level is well developed and its influence on policy making via regular consultations within the Economic and Social Council appears to be considerable.

The main stated strategic objectives of the CES are to:

- develop the services of the CES in order to increase the competitiveness of the labour force and to meet the needs of the labour market;
- develop human resources and building administrative capacity of the CES in order to create and provide new services in the labour market;
- take the lead role in the labour market by establishing partnerships and having greater influence in the area of adopting and implementing public policies.

Specific objectives are to provide effective labour market intermediation, to develop clients' competencies, knowledge and skills, to promote partnerships with labour market stakeholders and to develop high quality services according to clients' needs.

## **2. Strengths**

In common with many Central and Eastern European countries in the period prior to accession, the CES has a significant history of continuous modernisation and improvement and has also benefited from technical assistance, funded partly through the Instrument for Pre-Accession (IPA), its predecessor EU transitional support funds and from the World Bank. This has inter-alia given the CES a firm foundation upon which to build a modern and inclusive PES. It is a forward-looking organisation (for example it is involved in the reform of the VET system in Croatia and in the development of Life-Long Guidance initiatives), and has a clear understanding of the need to modernise European PES in general and in particular the need for change in the CES, as evidenced by its comprehensive restructuring plan.

A specific feature of strength in the 'extended' PES Croatian system is the local employment development approach in which the CES plays an important role, and that was initiated through funding from the EC. These Local Partnerships for Employment (LPEs) actively support co-operation within local labour market actors, where local stakeholders buy into a common mission, based on an agreed joint vision of local labour market development. LPEs are established in the Croatian counties and act inter-alia as advisory structures responsible for co-ordinating activities of different stakeholders and determining strategic directions within local labour markets. The LPEs monitor the local labour market, and develop /implement local human resource development strategies. This activity of the LPEs includes identification and meeting the needs of employers in the local labour market. That highlights another key strength of the CES, which is its focus on the demand side of the labour market locally and nationally.

A strong development strategy and restructuring plan (2014-17) clearly sets out the CES future vision and is underscored by a high level of knowledge and awareness of the issues and challenges to be met. It is clear from this plan and from past initiatives that the CES places a great emphasis on internal and external capacity building. This is further demonstrated by a strong focus on improving client services, particularly in the areas of front-office services, life-long guidance resources and centres, youth centres, self-employment and the planning of a general client contact centre. This sharp focus on delivering and improving client services is one of the key strengths of the CES. This includes a number of service channels for clients such as well-developed ICT tool-set that includes social networking, online support, a job bank (BURZA RADA), E-Guidance tools/self assessment (the latter are incorporated into a special website). Blended services training for staff is in place and a new project for E-Counselling is in train.

Staff are the fundamental core strength of the CES. The CES has a clear and well-defined HR strategy with many of the elements one would expect in a modern PES (albeit with the glaring absence of any staff incentive/reward system). Most staff are university graduates

and staff training is well designed and organised, and includes initial and continuing training. Key competencies frameworks are in place for staff. Four staff are designated as full-time staff trainers and a further network of 30 trained trainers are available on-call when the need arises. It is planned to increase the number of trainers in the next two years. A new on-line staff training system is now in place where staff can access training resources. Counsellors are regularly involved in additional education and training. On the demand side for example, training focuses on the working with employers organised through projects and business cooperation with the key participants in the labour market, such as the Croatian Employers' Association, Croatian Chamber of Commerce, Croatian Chamber of Trades and Crafts at regional and national level in order to get a broader picture of the national or local labour market. This underscores further the pragmatic orientation of the CES.

### 3. Contextual influences

There is a certain rigidity in the **institutional context** in which the CES operates. As set out above, CES is a separate legal entity with its own budget but has limited scope for spending outside of the Ministry defined directives (5% flexibility). The annual ALMP plan is agreed with the Ministry and there is little scope for adaptation or adjustment during the year. One understandable aim is to ensure that the budget is spent in order to protect the funding for the subsequent year (this means in practice that CES head-office does not in turn allow much flexibility to regional management in relation to ALMP spending). Partnerships are well developed, with the CES taking the leading role in most, such as the local partnerships for employment mentioned above. That particular LPEs aspect of the active partnership building approach has to some extent allowed the CES to take advantage of the significant operational flexibility available within the LPEs structures, to initiate some extra labour market programmes.

The **economic context** in which the CES has operated in recent years has been problematic with high unemployment and low growth (GDP rate negative since 2009). Subdued growth<sup>1</sup>, and delayed restructuring of firms has had a negative effect on the labour market. Low national employment levels are a key issue and the difficult inflexible business environment is a major drag on the adjustment capacity of the economy. Croatia has one of the lowest labour market participation rates in the EU, particularly for young people, the low-skilled, older workers and women. Low activity rates amongst older workers reflect relatively generous exit paths from the labour market (current employment rate of 46% for men and 27% for women aged 54-64). Low female participation is affected also by limited access to child-care facilities. This economic context creates major challenges to an already overstretched PES. ALMP expenditure is low and for 2015 is predicted to have an outturn at year-end of 0.3 % of GDP (including training allowances), or 0.5 % of GDP when the ESF Youth Employment Initiatives are taken into account.

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<sup>1</sup> Commission Country Report 2015

#### **4. Current and potential Good Practices identified during the assessment**

CES strengths outlined above are supported by some potentially transferable good practices. These include the following:

- The CES has developed a public e-counselling Guidance Portal that includes career guidance tools, careers advice and information. A bank of self-administered psychometric tests is available in the system. This builds on a good deal of work done by the CES in the area of youth and adult vocational guidance over the past few years and that extends now into the current development of Life-long Guidance Centres (two of which are currently established and more are in the pipeline). The CES links with the education and skill development systems, via this career guidance focus, is worthy of study and/or emulation by other PES.
- A 'Knowledge Base' for staff has been established on the CES Intranet and is accessible to the various staff levels. Subjects include job placement, dealing with employers, guidance approaches and other common aspects of the work of a PES.
- Staff training continues to be a main focus of the CES. This is supported by full and part-time staff trainers. As well as the normal range of training expected in a forward looking PES, the CES is currently actively pursuing the development of a one-year duration professionalisation training course for advisers, in collaboration with Zagreb University. The current adviser/counsellor staff are already at a high level of education as a pre-requisite for entry into the job, but the idea now is to develop a modular part-time university diploma that will give a professional qualification in vocational guidance and counselling to all adviser staff. This is designed to both provide new skills but also to establish the PES adviser role on a professional footing, in the context of the Croatian National Qualification Framework.
- For companies that are undergoing restructuring, the CES offers services by so-called mobile teams. These teams are composed of employment counsellors, legal advisers, career guidance counsellors and other experts and aim at supporting employees at risk of losing their job in a seamless transition into new employment.



## 5. Areas where improvements may further enhance PES operations and outcomes

On a strategic level there is a need to become more results-oriented. Currently, CES is very throughput and activity orientated. That approach is unlikely to unleash the full performance potential of the organisation. To achieve an improved results orientation the following enhancements and improvements are suggested:

1. Reduction of the number of process targets and the application of results-oriented targets broken down to the levels of Regional and Local Offices and to then condense the new results-orientated targets down to “personal missions to be accomplished” by individual employees.
2. Ensure that regional and local targets are linked to the allocation of budgets.
3. Establish an easy to understand benchmarking system of local offices which allows results-comparisons and present them in a positive, encouraging manner to staff.
4. Link this office/team benchmarking with non-financial incentives to foster performance-orientation of employees at the local level.
5. Establish performance dialogues with all staff on all levels, through for example an annual review linked to the identification of training needs for each staff member for the following year (thus helping to ensure that the performance dialogue is regarded as a positive experience)

On the operational levels, the slowness of the national procurement processes delays inter-alia the implementation of existing and new ALMPs. This would need to be addressed both at Ministerial and National level so that procurement rules are more agile and responsive to the demands of a modernised PES.

A Quality Management (QM) system (ISO 9001) has been in operation since 2008 in relation to two processes - Unemployment Benefits payments and Vocational Guidance. Risk Management is established for core operational processes. Since not all core processes are covered by the QM system, there is some way to go in this area of the CES operations. The high workload due to the unfavourable staff/client ratio puts extra pressure on staff and can affect quality in the best of organisations with such a ratio. An improvement of the staffing situation will thus give more scope for extending the QM system further.

Front-line staff seem to be overloaded and to be confronted with practical obstacles that prevent them from providing an optimal service provision to clients. Improvements in this core operational area could be made by implementing the following:

1. Reduction of caseloads of counsellors by increasing the number of staff and/or redistributing tasks across staff.
2. Support this further by rescheduling workflows, for example as follows:
  - a. shift employer contacts to specialised counsellors and thus allow activation counsellors to focus on the supply side,
  - b. provide immediate job offers at the front registration desk

- c. introduce e-registration and an e-account for contacts with jobseekers.
- 3. Establishment of a call or contact centre for both employers and jobseekers to help counsellors to do their work without being disturbed constantly and to provide a more efficient service to all clients.
- 4. Explore options 2 and 3 above firstly through pilot projects, where appropriate, before rolling out fully.

The demand side of the labour market is very much in the focus of the CES and as set out above, that approach is one of its strengths. Operational guidelines for working with employers are in place and are used by staff. Staff can be and are mobilised for special employer-focused initiatives from time to time such as job fairs, recruitment campaigns and also when outplacement needs arise. There is however no well-defined multi-annual employer strategy in place and its development is warranted not just to plan and structure the demand-side approach, but also to acknowledge and underscore the existing deep investment of the CES in employer services.

## **6. Specific Recommendations**

1. Establish a system to ensure that targets are results-orientated and ambitious. Add efficiency indicators (for example calculations of amount of money saved by the CES activities reducing the average duration of unemployment). Take local labour market characteristics into account when target setting and the allocation of budgets for target achievement.
2. Develop a system of non-financial incentives focussing on individual or team performance, in order to support good motivation and ambition of operational units.
3. Use the current pilot counterfactual impact (control group) analysis of ALMP for internal capacity building and make such evaluations on a regular basis. In that regard make more out of the rich individual-level CES database, with a view to using it in strategic decision-making.
4. There is scope for the improving the interfacing of processes through the harnessing of existing resources within the ICT systems. Flow charts of the processes could also be enhanced and thus made more accessible to staff.
5. Extend the Quality system to all operational processes and overall organisational management and consider looking at other QA systems and approaches. Specifically, establish a systematic approach to assure the quality of profiling, segmentation and individual action planning e.g. by randomized checking of the content of IAPs or supervised counselling interviews.
6. Revisit the opportunity for local flexibility and control of ALMPs as it was in the past, through devising a more effective control system that could identify regional

underspends at mid-year and reallocate those budgets immediately to other regions. This would allow local flexibility in ALMP provision and would also assist in protecting the overall PES budget (currently based on the previous year spend).

7. Allied to the above, governance stakeholders should adjust the "lowest price" criterion for procurement to a "highest expected value for money" criterion. Actual procurement procedures also need to be streamlined.
8. Extend the set of skills/competences assessed during profiling and link these competences with the jobs on offer and thus develop competency-based matching of jobseekers to jobs.
9. Consider extending existing CES guidance and placement service delivery for LTU to the Local Partnerships for Employment with a view to the CES harnessing more (flexibly ESF-funded) staff resources within the LPEs, while maintaining management control of the extended PES-e.g. a 'local employment service' arm of the CES. This approach has been tried successfully by some other PES who had access to ESF. This would also potentially provide extended budgetary flexibility.