



Benchlearning Initiative External Assessment

Summary report – VSZ Czech Republic



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PES of Czech Republic- Labour Office of the Czech Republic (VSZ)

Summary Report

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Benchlearning Initiative External Assessment
Public Employment Service of Czech Republic (VSZ)
Summary Report

1. Introduction

This report outlines the results of the Benchlearning (BL) external assessment of the Czech Public Employment Service (VSZ), conducted on the 20-22 October 2015. The team of five external assessors comprised two peer PES staff (Slovak and Danish 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 VSZ Head Office with senior management/Directorates, Heads of Units and a visit to the Local Office - Mělník (about 48 Km north of Prague, with good transport links to the capital). The VSZ staff invested a considerable amount of time, resources and effort in the preparations for the Benchlearning (BL) visit, including their comprehensive internal self-assessment. These efforts and activities were crucial to the success of the external BL exercise. The team gratefully acknowledges those efforts.

VSZ is an executive institution under direct control of the Ministry of Labour and Social Affairs and alongside its PES functions are also responsible for the calculation and disbursement of unemployment and social benefits. The recent changes in VSZ with the addition of new responsibilities (previously undertaken by the municipalities) means that social allowances disbursement is now a major part of its work, and a large part of staff resources are tied up with the disbursement of social benefits for those in poverty and/or on the margins of society. The focus is therefore not solely on PES work, rather the VSZ has a wide brief with many customers and stakeholders in the social services milieu.

VSZ Head Office is responsible for 14 regional and 242 local offices. The Director General is assisted by regional/local directors in the respective regional and local offices. The Ministry of Labour and Social Affairs supervises VSZ in quite an hierarchical manner and also monitors current and future skills needs, financial resources and develops ALMP strategies and programs in cooperation with VSZ and other stakeholders. The local offices serve as the contact points of the regional offices. As indicated, they also manage social benefits, formerly disbursed by municipalities. Additionally, they provide comprehensive employment services, such as jobseeker registration, counselling and referral to ALMP-measures, re-training, placement and job subsidies. They also provide wide services for employers.

The specific objectives of labour market policy according to the Employment Act 2004 (that is historically the overarching legislation on PES policy) are:

- Promoting employment
- Fostering flexibility of the labour market (flexible organisation of work, motivation of employers to enhance skills of employees)

- Support enterprises and employers (improved conditions for SMEs and revitalization of several large firms, fair competition and attraction of investors)
- Removing discrimination

The current 2020 Strategy places PES at the centre of National labour market policy and includes ambitions to:

- Improve access to employment, especially for groups of people in a disadvantaged position at the labour market,
- Support equality of women and men at the labour market,
- Encourage adaptation of businesses and employees to any changes and needs of the labour market,
- Develop public employment services.

2. Strengths

Clear strengths of VSZ include the following:

1. It is actively engaged in partnership building,
2. It is actively contributing to make the Czech Republic an attractive location for international investors,
3. It clearly recognises that resources need to be devoted to those who really need them (particularly the long-term unemployed cohort)

These factors are a good foundation for the further development of the organisation.

In common with many Central and Eastern European countries in the period prior to accession, VSZ has a significant history of technical assistance to support its modernisation and improvement, funded partly through PHARE initially, then the Instrument for Pre-Accession (IPA) and through the World Bank in the early years post 1990 and also in more recent years to do with reforming the benefits system. ESF funds have also been available since EU accession in 2004. This has inter-alia given the VSZ a strong technical foundation upon which to build a modern and inclusive PES into the future. In that regard pilot projects are extensively used to test new services and revise process designs and this must be regarded as key strength of the VSZ. A clearly elaborated holistic PES approach to jobseekers in the shape of "Methodological guidelines for counselling provided to jobseekers at the Labour Office of the Czech Republic" has been developed¹.

A key strength of VSZ is as outlined above, its strong partnership focus. At the local level, labour offices maintain relationships with other stakeholders through Advisory Committees

¹ This PES approach to jobseekers is however at present not sufficiently supported by an IT based caseworker support system that replicates and tracks the structure of the counselling guidelines.

established in each regional or local office. They bring together representatives of local employers, trade unions, municipalities, NGOs, churches and other local interest groups. Advisory Committees are consulted inter-alia on priorities in terms of active labour market policies in a particular district or region. Although they have no decision-making powers, they can bring in valuable inputs in terms of information, contacts, and ideas, and may initiate local employment partnerships².

A specific feature of strength in the area of partnerships is the development of Territorial Employment Pacts (TEPs). TEPs are contracted at the regional level to improve linkages between employment policy and other policies and are thus designed to improve the local and regional employment situation. The specific aims of the TEPs are to identify problems, ideas and objectives of all regional actors engaged in the field of employment, to allocate funds for an integrated strategy, to co-ordinate and better integrate employment measures and to implement these measures. They focus on integrating target groups which are distant from the labour market into employment through innovative measures and projects and improved co-operation of public and private players. They have a key role in providing support to the cohort of LTU jobseekers that also includes a significant representation of Roma jobseekers.

It goes without saying that a fundamental key strength of VSZ is its cohort of dedicated staff. This was clearly evidenced during the team's visit to the local office. The clear customer focus on the jobseekers is obvious to any peer PES observer. The range of services provided by the staff includes the provision of dedicated information and guidance centres that also bring a strong client orientation into play. The provision of dedicated VSZ staff training centres also underlines this focus of customer service and comprises centres in 3 regions, and a central one in Prague. The centres have well developed training programs and dedicated internal training staff and are designed inter-alia to enhance and encourage the core customer focus of VSZ.

3. Contextual influences

There is some rigidity in the **institutional context** in which the VSZ operates. As set out above, VSZ is a directly controlled governmental organisation, under the Ministry. For example, staffing, budgeting and allocation of financial resources are heavily influenced by that structural rigidity. The VSZ budget is part of governmental budget and its preparation and management is subject to approval by the Ministry of Labour, Ministry of Finance and Government of the Czech Republic. Management of financial operations is strictly governed by the rules of the State Treasury.

That general budget allocation is prepared on the basis of the needs of regional offices (14 regional offices serve as 'economic administrative bodies'). The Head Office has the power

² Main Features of the Public Employment Service in the Czech Republic-OECD 2008

to reallocate financial means between regional offices. The budget for ALMPs is prepared on the basis of prediction of future labour market development, mainly focused on the expected unemployed numbers and the concomitant demand for the respective measures to be funded. There is however some local flexibility as regional offices have the power to reallocate financial resources between their respective local offices and between different ALMP measures according to actual needs. There also appears to be local flexibility as to target groups for ALMPs and their implementation. This is partly a legacy of the past position where regional offices had much more autonomy in how programmes were implemented. ICT systems and their procurement are also controlled from the centre (which on balance is more effective in ensuring consistent delivery of nationally unified ICT systems).

The **economic context** in which the VSZ currently operates is quite favourable. The Czech³ economy returned to growth in 2014, following two years of contraction, and unemployment has been declining. GDP growth has picked up to 2 % in 2014 (from negative annual rates from 2008-13) and is expected to increase somewhat further in 2015 and 2016. This represents an outperformance compared to the EU average and may give rise to further income convergence, a process that had stalled since the onset of global financial crisis. The general government deficit has improved significantly in recent years. The debt-to-GDP ratio remains well below 60 % of GDP.

There is an overall high level of employment but certain disadvantaged groups remain under-represented in the labour market. Currently, the main challenge of the Czech labour market is long term unemployment (LTU). The number of people who are registered longer than one or two years is significantly increasing. These include parents with young children, low-skilled workers, people with disabilities. These groups have always presented a considerable challenge to the public employment services, while a persistent lack of affordable and quality childcare services and the limited use of flexible working-time arrangements limit the ability of mothers with young children to remain in the labour market.

This economic context in the Czech Republic supports the general positive trends on the labour market. This is a favourable situation for PES structural change, in order to align the VSZ major parameters related to the performance of a PES in accordance with the reference model jointly agreed by the EU Network of PES 3rd Board meeting in Riga⁴.

³ Country Report Czech Republic 2015 European Commission

⁴ http://www.pesboard.eu/EN/pesboard/Service/Events/events_node.html

4. Current and potential Good Practices identified during the assessment

VSZ strengths outlined above are supported by good practices. These include the following:

- The availability of statistical data at all levels of the organisation has been facilitated by good local networks and dedicated units focused on the demand side of the labour market. These units are one of the key sources of statistical data. The application of such intelligence to the allocation of ALMP resources is commendable.
- The use of pilot projects to test new services and revise process designs is a notable feature of how VSZ addresses current and future operations. The potential could be further enhanced by the development of a clear methodology for the implementation and evaluation of pilots.
- A significant good practice is the development of Territorial employment Pacts (TEPs) to deal with local labour market issues in collaboration with the social partners and NGOs for example in relation to LTU, People with Disabilities, Roma employment et al. In relation to Roma, this TEP innovative approach has the potential to improve their employment prospects is a good advance on the situation at the time of a 2008 report,⁵ where there appeared to be resource deficits vis-à-vis dealing with Roma, apparently resulting in ineffective services toward Roma LTU. The current tight labour market also means that there are potentially more employers willing to take on LTU. It is interesting to note that newly established foreign owned companies have proven willing to employ Roma (some through temporary work agencies)⁶, but this is on a small scale compared to the overall unemployment rate for that cohort. The multi-faceted and complex combination of interdependent variables related to addressing the employment needs of LTU Roma makes it difficult for the PES by themselves to achieve the kind of placement results required. This is not unique to the Czech Republic. The development of the TEPs is therefore a welcome example of good practice in this area of LTU and disadvantaged group engagement.
- Staff Training is a key focus of the VSZ. The concept of having 3 regional training centres and 1 central all with well developed training programs and dedicated internal staff, is worthy of examination by partner VSZ.

⁵ Contributed to by one of the current BL team members who reviewed the PES response to the issue at that time – ‘Czech Republic: Improving Employment Chances of the Roma’ World Bank 2008

⁶ Op cit above

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

In common with some other PES, there is a need for VSZ to become more results-oriented. Currently, VSZ is very throughput and activity orientated. That approach is unlikely to unleash the full performance potential of the organisation. For this it is critically important to fundamentally readjust the orientation towards performance and its management. The current economic environment provides a window of opportunity, as in times of economic growth it is much easier to implement organizational changes. Such changes can allow the VSZ the opportunity to fully exploit its own potential, in the context of the current favourable economic climate.

In order to further modernise the VSZ the following measures/actions are suggested:

1. Develop a manageable set of results-oriented targets which can be directly influenced by the VSZ instead of focusing on the unemployment rate which is largely out of PES control.
2. Set ambitious target values for each and every target based on forecasts of the economic environment and the performance of the past (“become better”).
3. Break them down to the level of RO/LO and translate the results-targets to “personal missions to be accomplished” by individual employees.
4. Link the distribution of resources to the regional and local level to target values.
5. Establish a fair benchmarking system of local offices, which facilitates results-comparisons.
6. Link benchmarking with incentives (financial and/or non-financial) to foster performance-orientation of employees at the local level.
7. Establish performance dialogues with all staff at all levels.

To ensure that all improvement actions fit together coherently, it will be helpful to bring together all improvement actions/measures into one strategic document like a **“restructuring master plan”** or “development vision” for which the contributions and expertise of all levels of the PES needs to be taken into account.

Such a document will help VSZ to gain momentum in the process of organisational change and to keep up momentum over time, since it makes the change process transparent, binding and demonstrates the corporate ambition to improve the organisation. The key for such sustainable improvement is to change from an administration to a management focus, to look at the VSZ like an enterprise and run it accordingly, within the context and framework of the Czech Republic legal, social and cultural backgrounds.

The demand side of the labour market is also very much in the focus of the VSZ and as set out above, that approach is one of its strengths. Like most other EU PES, 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. Information is also available via a contact centre (but that however does not take vacancies from employers).

However in common with a minority of other EU PES, there is no well-defined multi-annual employer strategy in place in the VSZ and its development is warranted not just to plan and structure the demand-side approach, but also to acknowledge and underscore the existing investment of the VSZ in employer services.

6. Specific Recommendations

1. Establish a performance management system as outlined above.
2. Establish a bottom-up/top-down performance dialogue focusing on performance. The result of the dialogue should be concrete measurable tailored actions to be initiated by the local or regional office ('entrepreneurial' approach). Flexibility to readjust operational responses should be available within the model.
3. In order to support the current and future operational guidelines, aim at a full description and standardization of all operational process by identifying core processes, distinguish between support and management processes and define the process interfaces. Define process owners and make this process model transparent for all employees. This can help very much to assure a common standard of service provision to customers all over the country and to assess the potential consequences of organisational changes for the different services. Furthermore, this provides a good basis for the development of a useful quality management (QM) system.
4. Develop a systematic approach towards service quality and its management. This implies inter-alia relating VSZ quality assurance tools to clearly defined quality objectives, and then on to a systematic process of translating quality objectives into measurable targets and indicators. The development of such a QM system should be done in a bottom-up-top-down process and take into account the expertise of all levels of the organization (e.g. by using self-assessments in all RO/LO). A QM system can help very much to improve the quality of service provision at the "front end" and to increase performance.
5. Increase effectiveness of staff by integration of e-services and thus free up personnel for quality customer service delivery. This would include the development of a clear strategy as to which ICT channel has which priority for which (sub-) group of customers. In this regard, it might be worthwhile to think about the implementation of an e-account for jobseekers when the IT-system is redesigned. It would also be crucial to build into the IT-based support system, tools that reflect/follow the registration of clients consistent with the counselling guidelines and that makes it possible to systematically follow up on action plans, outcomes, and ultimately the performance of counsellors and local PES offices.

6. With regard to ALMPs targeted at those most distant from the labour market present particular challenges, as outlined above. Specific skills training for LTU should be based on the potential of the trainees rather than based on their generally low education level⁷. The general experience of Roma as previously reported to one of the team members who conducted already referenced work in this area in the past, is that their education level excludes them from the type of economically useful courses available such as welding and any of the trades. Specialist literacy and preparatory modules and/or mentoring should be built into all training measures for LTU (if not already in place). Contract and performance payments to external course providers should be governed by this requirement (avoid creaming based on education level) and on placement outcomes.
7. Develop a national employer strategy as outlined earlier and build on the existing marketing material. A tight labour market means an open door to employers, so capitalise on it now. In that context develop performance indicators for vacancies acquisition and placements. Set national and regional targets. Refocus and reinforce the contact/call centre to enhance services for employers, e.g. posting of job vacancies.
8. Intensify the use of counterfactual impact analysis (particularly on ALMPs) by exploiting external expertise and use this expertise for internal capacity building (e.g. by strategic partnerships with universities like in the PES of Denmark or Germany). Make more out of the rich individual-level database which can be deliver valuable information for strategic decision making and process design (e.g. analyse the determinants of the risk of losing a newly found job quickly, identify the risk groups and decide whether the provision of post-placement services for the risk groups makes sense).
9. Develop a systematic strategy to communicate results of analyses and evaluations to all employees by using different channels like the intranet, newsletters, presentations and team meetings.
10. Examine the internal efficiency of human resources allocation. Put more focus on front line staff and enhance its capacity by shifting more people from back-office operations to directly servicing clients and increase the share of front line staff from 39% currently, to at least 50%.

⁷ Op cit as above