



# Benchlearning Initiative External Assessment

Summary report – SEA Latvia



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### **PES of Latvia-SEA**

### **Summary Report**

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# Benchlearning Initiative External Assessment

## PES of Latvia-SEA

### Summary Report

#### 1. Introduction

This report outlines the results of the Benchlearning (BL) external assessment of the State Employment Agency of Latvia (SEA) – (Nodarbinātības Valsts Aģentūra), conducted on the 3-5 November 2015. The team of five external assessors comprised two peer PES staff (Belgium-Actiris and Danish PES), one 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 SEA Head Office with senior management/directorates and a visit to a local PES office (Ogre), about 35 km from the capital Riga.

The time and resources invested in the preparation for the Benchlearning visit by the SEA and in particular their internal self-assessment, were key to the success of the BL external assessment process.

Registration at SEA is compulsory for all persons applying for unemployment benefits and for job-ready social benefits recipients. Persons who are currently employed and students can register on a voluntary basis and can receive career guidance and self-services such as access to the facilities of the public offices and on-line services. SEA is not responsible for the disbursement of unemployment allowances or other social benefits. These are calculated and paid by the State Social Insurance Agency which is also under the supervision of the Ministry for Welfare (MoW). However, unemployed persons can submit their application for benefits via the SEA local offices.

SEA is an executive state administration institution under the supervision of the MoW that is in turn responsible for drafting public policy and legislation in the areas of labour, social security, rights of children and families, rights of people with disabilities and gender equality. MoW approves the SEA Operational Strategy (midterm), yearly work plan, budget and its allocation (thus influencing the number of staff) and confirms organisational structures /changes and job descriptions, if new positions are being created. Management of the SEA from the MoW appears to be quite top-down.

SEA has the overall national executive responsibility for the delivery of counselling services to registered jobseekers and provision of active labour market services and employer recruitment services. It has a two-level structure with a head office and 28 local offices. The **head office** consists of 5 Departments and 3 separate Divisions under the supervision of the Director. It is responsible for strategic operational planning, management and support functions. The **28 local offices** are directly subordinated to the Deputy Director of the SEA. The local offices are located all across Latvia and provide services to clients such as registering unemployed persons, implementing labour market programmes and provision of career counselling/guidance and training services, as outlined above.

Social partners are not systematically involved in the management, supervision or monitoring of the SEA. Involvement of social partners on local and national levels depends on the particular current situation and needs. For example, workgroups were formed

involving members of cooperation partner organisations, such as the Employers' Confederation of Latvia, Free Trade Union Confederation of Latvia and other non-government organisations in order to prepare the SEA Operational Strategy for 2015-2016.

## 2. Strengths

A particular strength of the SEA is its clear understanding of how a modern PES should ideally function and have clear ambitions to be such a PES. While there is a good amount of work to be done to fully achieve this goal, particularly on the demand side of the labour market, the clear mission and vision statement combined with its strategic approach coupled with a firm foundation in an MBO approach, presents a very solid image of a very well rooted and strongly committed organisation. The very fact that the BL process in itself has pushed the reform process shows the SEA to be an agile, responsive and reflective body.

A professional, systematic and stringent approach to QMS is backed by thorough and elaborate accessible documentation with clear process ownership and design coupled with follow up procedures and practices. Processes are constantly revised. Manuals and guidelines are available to PES-staff and give them guidance for all PES services provided to jobseekers and enterprises. While the ICT system requires development, there is a high technical and professional understanding of such development ideas related to a more elaborate ICT-based channel strategy within SEA and new initiatives are underway in that regard.

Another particular strength of the SEA is the well-developed semi-econometric profiling system in place since 2013. The system is described in detail below in section 4 (good practices) and is very innovative and somewhat unique. This semi-econometric approach is backed up by the facility for case officers to vary the service package (as described further on). Clients are re-profiled every 6 months.

A well-developed and structured Life-long Learning (LLL) approach is a key strength and was initiated during the economic crisis period when lay-offs were common. This allowed clients at work to apply for training vouchers and to do this on-line. The service will be extended from 2016 onwards using ESF. Career guidance is available in the SEA for those already at work<sup>1</sup>. The facility for electronic application for LLL vouchers is worthy of study by other PES. However such LLL should ideally be combined with life-long guidance (LLG) to ensure proper targeting of training to clients' proper career development.

There is a high awareness of the need to conduct ex-ante and ex-post evaluations in the SEA. While evaluation is mainly done by the Ministry, it was made clear during the visit that there are significant local inputs to evaluations, such as in the context of the implementation of an LTU pilot. That pilot was undertaken by the SEA and they used administrative data as a control group for the evaluation. The very extensive QMS System comprehensively describes the evaluation approach. The MoW also conducted an evaluation of ALMPs in 2013, with the help of the World Bank. Evaluation results were used for reshaping ALMP and especially training programmes.

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<sup>1</sup> Many PES restrict such services to those who are unemployed jobseekers

SEA describe themselves as welcoming change and this ambition appeared to be borne out during our visit. The SEA has a good self-image as an agile organisation, and for example used the Benchlearning approach as a learning exercise and for self-reflection.

A very professionally functioning personnel and recruitment administration with clear recruitment and personnel guidelines is in place. Staff needs at the local level are adequately taken into consideration in the recruitment process, and continuous training is organised for PES officers and other staff members. Yearly follow up on individual staff performance is a key element in the Human Resources developmental approach.

As is the case with many PES, a key strength of SEA observed during the assessment visit is that the PES staff are clearly motivated and dedicated to making things better for their jobseeker clients and are clearly customer-service focused. (While the needs of employer clients are serviced locally and by a central unit in Riga, a clear elaborated employer strategy is not yet in place).

### 3. Contextual influences

The strengths of SEA in evidence during the assessment outlined above and current challenges, have developed within the particular **institutional context** in which SEA operates. SEA is an executive state administration institution under the top-down supervision of the MoW, as already outlined above. The MoW cooperates with several other Ministries and social partners in terms of drafting and implementing particular programmes such as those that are funded through the ESF. With regard to the Youth Guarantee Programme, the Ministry of Welfare cooperates with the Ministry of Science and Education, the State Education Development Agency, municipalities, and youth organisations.

The budget available from ESF provides the main source of financing for SEA's implementation of ALMP, representing almost 60% of the total PES budget for 2015. This is a potential weak point of the budgetary environment. Government budget and social security contributions are the other two main sources of funding. The total PES budget has fallen considerably in 2015, compared to the 2014. This decrease is primarily linked to a 60% drop in ESF funds, as SEA is no longer an Intermediary Body in the ESF programming period 2014-2020. The implementation of ESF projects (administered by SEA as beneficiary) programmed for 2014-2020 is starting gradually in 2015. Thus, additional resources could be allocated in the second half of 2015 following project selection procedures.

The SEA has been operating in a difficult **economic context**. Following a slowdown in 2014, Latvia's economic growth is expected to pick up again<sup>2</sup>, reaching 2.9% in 2015 and 3.6% in 2016. Unemployment is estimated to fall from around 11% in 2014 to 9.2% in 2016. Latvia's key challenges include a weak social security system and a shrinking labour force. Low coverage and adequacy of unemployment and social assistance benefits prevents effective action on reducing poverty, social exclusion risks and the high degree of inequality. Social assistance reforms are still at an early stage.

The main labour market indicators continue to improve, against the backdrop of a shrinking labour force. At 70.6%, Latvia's employment rate for the people aged 20-64 is slightly above the EU average. The unemployment rate has fallen sharply, but remains above 10% in early 2015. In the last ten years Latvia's population has decreased by 12%, which is the second highest decrease in the EU after Lithuania's, as a result of low birth rates, high death rates,

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<sup>2</sup> This section sourced from the Country Report Latvia 2015-European Commission Staff Working Paper

and strong emigration. There is scope for increasing employment for elderly, people with disabilities and people living in disadvantaged areas.

That national economic background presents challenges to SEA in its endeavours to improve the functioning of the labour market and getting jobseekers back to work, particularly the young, but also the unskilled, the disabled and the long-term unemployed. This is partly reflected in the current observation in the Recommendation<sup>3</sup> from the Council on the 2015 National Reform Programme of Latvia that 'notwithstanding the progress made to tackle unemployment, further action is needed to prevent youth unemployment and its negative long-term consequences, given the shrinking labour force'. It also recommends that Latvia needs to 'take concrete steps to reform social assistance, ensuring adequacy of benefits, and take measures to increase employability. Reduce the high tax wedge for low-income earners by shifting the tax burden to other sources less detrimental to growth'.

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

As indicated above, a professional, systematic and stringent approach to QMS is in place. Process development is executed under the guidance of process owners and relevant staff contribute, including in local offices. Process review is initiated by various criteria, legal changes, suggestions by staff and responses to weak results. Quality measurement is carried out every quarter and quality assessment is done every year. Local offices assess each process and make recommendations for adjustment. The QMS itself is also assessed in order to see if support measures are effective. This QMS approach is worthy of study by other peer PES.

The already referenced well developed econometric based profiling system has been in place since 2013. The profiling method is based on data about registered unemployed for the last 24 months. This takes into account 6 factors as follows: Education, Previous Employment/Profession, Desired Profession, Place of Residence, Age, Disabilities, Official Language Skills, and Gender. The client's likelihood of finding a job is determined by comparing sociodemographic information about the client with the average length of unemployment status of the demographic group to which the client belongs. The second aspect of the profiling is designed to measure the client's motivation to cooperate with SEA, motivation to search for a job and skills (formal and non-formal) self-assessment. This self-assessment takes place during the registration process, by asking the jobseeker a series of pre-determined questions. The computer then generates one of 39 profiles and their related service packages. The service package, depending on the profile, is basically a list of services and ALMP-measures that may be offered to the jobseeker for structuring the integration process. This semi-econometric approach is backed up by the facility for case officers to vary the service package depending on the judgement of the officer. Thus the holistic element comes into play due to intervention of officer. Clients are re-profiled every 6 months or earlier if needed. The system was reviewed in 2014 and some adjustments have been made to the weighting of the profiling factors within the semi-econometric model.

The SEA has made good use of piloting, most recently in the areas of LTU and training. The pilot project for LTU was entirely designed and implemented by the SEA. The participants

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<sup>3</sup> [http://ec.europa.eu/europe2020/pdf/csr2015/csr2015\\_council\\_latvia\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2015/csr2015_council_latvia_en.pdf)



were monitored on a quarterly basis and ex-ante/ex-post evaluations were conducted. As a result of the ongoing monitoring of the pilot, the target group for the LTU pilot and eligibility were changed after the first year and a new initiative provided for the inclusion of clients sourced through the social services.

Finally, the motivational reward system for staff which provided non-monetary bonuses in the form of extra holidays and is directly linked to their performance, is worthy of note.

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

Suggestions for improvements are as follows:

1. Evolve from the current 'administration' approach to become an employment service enterprise with an entrepreneurial and leadership approach. Build on the existing performance management systems and base it more on outcome and efficiency oriented indicators, also allowing for a fair benchmarking among the 28 local offices. The efficiency of operational performance outcomes should be discussed on a regular basis focusing on the defined targets. The onus on the local offices should be to explain to central management how they intend to solve the operational challenges in their regions.
2. The QMS is very detailed and comprehensive. Its transparency could be improved. There is a risk that the approach to clients and employers could become too mechanical and inflexible. A simplification of the system may be worth considering with a view to making the QMS more operational. This could leave room for professional labour market thinking and judgement of individual staff in relation to needs of the clients. This would also leave more space for staff creativity.
3. The life-long-learning (LLL) initiative is quite innovative. To complete the circle and complement the LLL, it may be worthwhile to consider initiating more Life-long Guidance (LLG) in next ESF round in collaboration with the Ministry of Education and employers organisations.
4. It is notable that there is no mention of employers in the mission statement of SEA. It would appear that SEA puts less weight on the employers (demand) side of the labour market. The development of a new central and local strategic approach to employers would greatly enhance the SEA operations and outcomes. With the goal of improving the employer services, it might be useful to consider the creation of a 'Contact Centre' targeted at employers in order to meet their needs in a very straightforward and cost-effective way.
5. Partnerships need to be enhanced and further developed. In order to do this it is suggested that an analysis of partners and stakeholders be initiated, taking also the regional context into account. (It is notable that currently social partners do not appear to play a key role in the SEA). For each stakeholder the (potential) contribution to SEA's objectives and mission as well as SEA's actions towards increasing stakeholder's participation, on central and local levels, should be defined.

6. In relation to the Youth Guarantee, appropriate actions for targeting NEET have not yet been put on SEA's agenda. Its involvement in counselling children before leaving school and offering appropriate guidance services to young people as well as providing information on SEA's services to teachers could contribute to other actions within the Youth Guarantee for preventing NEET.

## 6. Recommendations

The main general recommendation must be for the SEA, like many other PES, to continue with the current path of change and innovation. As already mentioned, the SEA is well informed about the possibilities and potential for improving all aspects of performance management and operational excellence in a modern PES. The key systems already in place in the SEA, coupled with those already in the planning phase have the potential to make the Latvian PES the key national labour market institution in terms of labour market and economic development. The recommendations in detail are as follows:

1. A balance between responsibility, power and resources needs to be established. In that regard it would appear that the local level is mainly engaged with the execution of given tasks. The relatively rigid top-down system does little to encourage initiative, effort and ambition, particularly at local level. Coupled with this, the performance target system does not appear to be sufficiently transparent and the local offices do not appear to fully engage with the system. In order to address this the local level needs to be made more responsible for operational achievement. The focus should shift from discussion on lack of resources, to effort, ambition and operational creativity. Each staff member needs to have a joint SEA vision and a personal mission.
2. The lack of a clear statement of strategy for employer services needs to be addressed. The strategy formulation should be both a bottom-up and top-down collaboration and include local offices and partner stakeholders. Partnership with employers can be more successful if better structured and a stronger result-oriented approach to delivery of a quality employer service put in place.
3. Following on from the above recommendation on employer services, it may be useful to consider how ICT systems can be harnessed to ensure that the SEA jobs portal is the first port of call for jobseekers and employers when seeking jobs or jobseeker candidates. During the current redevelopment of the ICT system consider using HRXML<sup>4</sup> to link seamlessly in real time to private agency jobs sites so that the SEA jobs portal becomes the main national jobs portal. This can be done relatively easily technically, and would need to be supported by the development by the SEA of memoranda of understanding with such private sector partners.
4. A simplification of the QMS should be seriously considered, in order to make it more operational and that leaves room for professional labour market thinking and

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<sup>4</sup> <http://www.hropenstandards.org>

judgement of staff in relation to needs of the clients. In short, leave more space in the system for staff flexibility and creativity.

5. Although the development of new ICT services are underway, no specific channel management strategy has been developed. Such a channel strategy should be part of a larger elaborated and stratified customer service strategy. This can also positively impact on the effective use and allocation of staff resources.
6. The profiling system is a very innovative feature of SEA operations. Continue the periodical review of the profiling system and further develop it to encompass more factors in the first stage profiling (e.g. the Australian model has circa 13-14 factors as does the Irish econometric model). Put more effort into explaining the system to staff and remove the 'black box' aspect where staff do not fully understand how the system selects each of the 39 profiles and accompanying service packages.
7. Consider jobseeker client segmentation based on their distance from labour market and divide up caseloads accordingly, with less LTU for some and more job-ready clients for other officers. The caseloads have already been altered in the context of an LTU pilot where the ratio was 1:10 clients. Extend that approach.
8. One of the more notable features of the SEA developmental approach has been the use of pilots to introduce new services and business models. Continue with that good practice of using pilots.
9. Partnerships can be further improved by developing and implementing a strategy for stakeholder's identification including the definition of strategic objectives and mechanisms of follow-up and assessment of achievement of results. Develop a strategy for activating Social Partners, defining their role and cooperation structures, both on central and local levels. In the context of the need to reduce the number of NEETs, the SEA needs to develop strategic partnerships at local level with schools and other relevant partners. This partnership approach should include regular joint information and workshop activities in schools in order to improve the guidance and counselling of young people.
10. Strengthen the emphasis on Human Resource Management through focusing further on strategic approaches related to staff competence gaps and SEA's future needs for staff qualifications. Staff training - both internally and externally - should be given higher priority in practice. The ideal would be to 'professionalise' the adviser staff role by investing in the development of long-term professional training of staff at third (degree) level in collaboration with a national university. (Such part-time and distance training over the period of a one or two years has been successfully undertaken in some PES). This could also contribute to addressing the high staff turnover and skewed gender distribution. Salary levels could also be brought in line with general civil service rates and thus make the post of 'professionalised' adviser a more attractive career prospect. Investing in staff qualifications through attractive and relevant training opportunities should be considered as an alternative in addition to holidays as a staff performance incentive.