



Benchlearning Initiative External Assessment

Summary report 2nd cycle –Cyprus



Written by ICON Institut Public Sector GmbH

2018



EUROPEAN COMMISSION

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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:
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Department of Labour/PES of Cyprus
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1. Introduction

This report outlines the results of the second Benchlearning (BL) external assessment of the PES of Cyprus (ΔΗΜΟΣΙΕΣ ΥΠΗΡΕΣΙΕΣ ΑΠΑΣΧΟΛΗΣΗΣ / the Public Employment Services of the Department of Labour), conducted between July 16th and 18th, 2018. The team of seven external assessors comprised three peer PES staff (from the British, Maltese and Portuguese PES), two representatives from the European Commission and two experts from ICON-Institute (the supporting contractor). The programme of the three-day visit included meetings with senior management from the PES of Cyprus, and a visit to two local offices (in Larnaca and Limassol). The time and resources the Cypriot PES invested in the preparation for the Benchlearning visit, particularly its internal self-assessment and the additional information it provided on the content and outcomes of the mutual assistance project carried out between May 2018 and April 2018, were crucial to the visit's success.

The PES of Cyprus operates under the supervision of the Department of Labour, which is attached to the Cypriot Ministry of Labour, Welfare and Social Insurance. It cooperates with the Ministry of Education and Culture, other government departments and various autonomous government bodies (e.g. the Human Resource Development Authority) and also other research centres. Working together, they design human resource development activities centred on education and training for the labour market. It also actively supports the free movement of European workers through activities that foster the recognition of professional qualifications, through counselling, through EURES services and through participation in the EURES network. The Director of the Department of Labour within the Ministry of Labour, Welfare and Social Insurance has overall responsibility for the management of the PES office network. The PES of Cyprus is not responsible for the disbursement of any social security benefits, but all recipients of unemployment benefits are obliged to register with the PES.

The PES of Cyprus has its Head Office in Nicosia, and four district employment offices and ten local employment offices. As central coordinator and policy regulator in the fields of Active Labour Market Policies (ALMPs) and PES services, the *Head office* also monitors and controls the district and local offices' activities. The *district employment offices* are responsible for the activity in their separate districts and the supervision of their *local offices*. Their responsibility is to provide services to jobseekers and employers at the local level.

The main objective of the PES of Cyprus is to promote full employment and quality jobs through providing

- work placement opportunities,
- career guidance and referrals for vocational education and training, and
- the efficient utilisation of human resources and equal opportunities for all workers, particularly vulnerable groups (such as women, migrants etc.)

The key responsibilities of the PES of Cyprus are to

- effectively bring together jobseekers with employers who are searching for workers,
- prioritise support for jobseekers who are 'distant' from the labour market, and
- contribute to a stable long-term increase in employment.

2. SHORT SUMMARY OF THE CHANGE AGENDA

Country Specific Recommendations (CSRs) for Cyprus in both 2016 and 2017 concerned the effective implementation of services and ALMPs provided by the PES. In response to these CSRs, Cyprus requested technical support in five major reform areas as follows -

1. Customer segmentation and the functionalisation of services
2. The expanded use of IT for self-service provision
3. Services for employers
4. Evidence-based design and delivery of ALMP services
5. Performance management

A key driver running through all reform strands is a desire to enhance PES capacity with a win/win strategy that puts its customers (both employers and jobseekers) at the centre of its organisational strategy. One important objective of the mutual assistance project was to develop an Action Plan for the improvement of performance and the delivery of services in the five reform areas mentioned above. In addition, the Action Plan has served as the basis for the Change Agenda, which all PES developed after the first PES Benchlearning cycle. Referring to the five reform areas, the Change Agenda describes in detail the activities which the PES of Cyprus intends to take to achieve substantial improvements in its performance.

Customer segmentation is a crucial enabler for the PES to offer more targeted services to vulnerable groups through utilising its resources in a more effective way. The idea behind this is to identify those jobseekers that need intensive support and the jobseekers that are capable of self-organising search and integration activities or with only minimal assistance from the PES. A well-functioning segmentation model would therefore enable the PES to identify different customer groups which have varying degrees of need for support. In response, they could provide differentiated service packages, thereby concentrating on the customers most needing “hands-on” support. A segmentation project has therefore been established that includes (a) the segmentation of all jobseekers according to their distance from the labour market, (b) the development of extensive assistance packages for those in need and (c) the development and implementation of digital services for jobseekers who have been assessed as ‘job-ready’. Furthermore, re-registration will be made available online, so that resources at the local offices are less constrained by administrative procedures, thereby freeing up resources for the provision of personalised support.

The expanded use of IT for self-service provision is another major component of Cyprus’s PES change process. It includes the establishment of an online platform for employers so that they can investigate jobseekers’ profiles themselves for matching to their vacancies, an online tool enabling jobseekers to renew their PES registrations and a general upgrading of the existing IT system, facilitating faster procedures, more accurate matching and more effective reporting of PES performance.

In addition, new *services for employers* have been defined which aim firstly to establish a greater degree of cooperation between the PES of Cyprus and employers and secondly to encourage employers to place more vacancies with the PES. Before this initiative, the PES of Cyprus did not have a dedicated employer strategy or specific employer units. The introduction of specialised units is currently planned for the district level, so that the PES can react to requests from employers in a

coherent and holistic way, and offer targeted support according to their needs. This system is being rolled out following a pilot project where customised services for larger employers were offered in the Limassol area. An important step towards modern employer services is also the development and implementation of the digital matching tool, as mentioned earlier. Employers with vacancies are offered online access to jobseekers' profiles so that they can search for the best candidate by themselves. In order to understand whether the services offered correspond to employers' expectations, regular employer surveys are planned.

A fourth field of intervention is the *evidence-based design and enhanced delivery of ALMPs*. Actions recently started include the regular monitoring of results of ALMP projects. This monitoring is intended to help the PES gain evidence about the ALMPs and the projects that are the most effective, thus allowing for a more effective allocation of funds. So far, the PES of Cyprus with the support of its own IT team, has completed the development of an electronic system for the monitoring and evaluation of the ALMPs. In addition, performance indicators and quantified targets in respect of ALMPs have been developed. The next step will be to design more effective policies and ALMPs on the basis of the results it has monitored.

Specific procedures, aimed at improved levels of activation of the long-term unemployed and other vulnerable groups, have also been developed and implemented. This particularly affects the recipients of the Guaranteed Minimum Income (GMI), where the number has increased steadily over the last years. Young GMI recipients in particular, as well as recipients without significant barriers to integrating or re-integrating into the labour market, receive personal attention and enhanced placement efforts through an increase in their job referrals and a closer monitoring of their job-search activities. An improved cooperation between the PES and the GMI department will in future also help to better identify registered jobseekers involved in undeclared work.

Finally, the Mutual Assistance Project addressed the lack of an *integrated performance management system*. A large body of information is collected by the PES. However, this information tends to record process outputs rather than the actual outcomes of the applied activities. It can therefore be of limited use for monitoring the results of PES activities. No formal performance management system exists. Consequently, it is not possible to assess whether and to what extent the PES manages to achieve strategic objectives, and whether it is performing its services in an efficient way. In contrast to the above-mentioned areas of activity, the identified need for the introduction of a coherent Performance Management System has not yet been addressed in the PES Change Agenda.

3. RELEVANCE, COHERENCE AND CONSISTENCY OF THE REFORM AGENDA

As stated above, the PES of Cyprus requested specific assistance from the PES network to improve its services in response to Country Specific Recommendations. The five areas of activity, described in the previous section (see page 6), took the results, the findings and the recommendations from the first external PES BL assessment (2016) into consideration. The external assessment team that visited the Cypriot PES in 2018 appreciates the strong desire within their top and senior management to improve structures, organisation and services.

The assessment team also strongly welcomes the initiatives taken by the PES, taking advantage of the support of peer PES through the external technical assistance project, to overcome both the existing barriers to reform and its organisational and delivery problems and inefficiencies. Both the Change Agenda and the Action Plan describe intervention areas and activities that are considered of high relevance for

PES modernisation. They complement each other so they can therefore be regarded as coherent and consistent.

Nevertheless, it is important to note three major issues arising from the governance structures for the reform agenda. Firstly, the reform process has been structured around the five different projects. This allows for support through the Mutual Assistance Project to be targeted and to cover those areas most in need of revision. However, the milestones could be more clearly defined, as could the interdependencies between the different strands. This will enable the development of an overarching 'change strategy' which is needed to avoid fragmentation in its activities. The external experts would therefore encourage top management and senior management to develop a change strategy that defines strategic objectives, and translates these objectives into operational targets. Management should set priorities and create further milestone planning on the basis of the current milestone planning.

Secondly, the Action Plan developed within the Mutual Assistance Project should be synchronised with the Change Agenda. As already noted, the establishment of a coherent performance management system is part of the Mutual Assistance Project, but it has not yet been incorporated into the Action Plan.

A third observation made by the external assessors during the 2nd PES BL assessment is that, as for the other comparably small PES in Europe, it could be useful for the PES of Cyprus to focus its change activities and resources on a reduced number (perhaps one or two) of reform areas and/or projects instead of working on all of them simultaneously. A prioritisation exercise could help to identify those areas with the most pressing issues that need to be tackled first since they are the building block for the success of the other activities.

4. Assessment of change management

The change process within the PES has clearly benefited from the Mutual Assistance Project, especially in helping to start a cultural change process at all organisational levels. The top and senior management is clearly supportive and determined to proceed with the change process, transforming the PES of Cyprus into a modern, customer-oriented effective organisation. Different reform activities have therefore been launched simultaneously to achieve organisational progress. The PES of Cyprus actively uses the experiences introduced by peer PES through the Mutual Assistance Project transferring established practices and new ideas from other European PES into their organisation, and then adapting them to its specific organisational and labour market context. External experts consider its willingness to change and its openness to learning from the experiences of other European PES as supportive and decisive factors in the future development of the PES of Cyprus.

It is a great success, that change activities launched have already manifested themselves in a change of the service concept and in a more customer-oriented approach of officers towards jobseekers. The new focus among operational staff and management towards the activation of their customers has replaced their former orientation which was almost entirely focussed on administrative tasks. External assessors saw a client-oriented and supportive attitude from employees towards their customers, and a more effective provision of information to jobseekers about their rights and obligations. The PES now focuses on a clear 'work first' approach, which has the potential of activating registered jobseekers. An improved and much strengthened approach to communication from the head office through to the district offices and the local level has helped achieve a much clearer service orientation among the PES employees towards their customers.

Another concrete effect of the initiated change process is the implementation of different pilot projects, such as the introduction of a dedicated employers' team in the Limassol area, and initial work towards the implementation of a basic segmentation model.

Apart from the introduction of specific employer services and the basic segmentation model, other promising projects connected to the change process are the development of a monitoring tool for assessing the performance of ALMP-initiatives and projects, especially the implementation of group interviews. These contribute to offering improved services to a larger number of employers in a resource-effective way, requiring fewer PES employees for delivery than the traditional one-to-one approach.

The external assessment team sees these results as encouraging, they provide a solid basis for achieving further PES modernisation. Overall success, however, will mean that the initiated change activities are more strategically coordinated through the application of a systematic approach. In this context, defining a change strategy with overarching objectives for the reform process would be very helpful. This would translate these strategic objectives into a small set of relevant key performance indicators and appropriate measurable targets. This would connect the change activities initiated into the overarching strategic objectives. The plan for process reform should be linked to the wider change strategy. It is currently being developed with a structure encompassing individual elements that enable single change steps at the operational level. This is essential for avoiding problems managing the interface between the different strands of the change programme as it risks having gaps, duplication and overlaps.

A successful change management strategy relies heavily on well-functioning and effective implementation structures. The technical committees, which have been set up for implementing a customer segmentation model and for IT changes, offer a good basis for backing up the reform process with adequate know-how and resources. However, it could be more beneficial for the change process if a permanent change team, exclusively focusing on the change process, was established. The change team would have four tasks - firstly the elaboration of an integrated reform strategy, secondly the definition of key performance indicators and appropriate measurable targets, thirdly the internal and external communication of the change activities, and fourthly the coordination of different technical working groups to secure effective management of the change process without interface problems. The benefits of this would more than compensate for the staff resource needed to set the team up.

5. SUGGESTIONS AND RECOMMENDATIONS

As already described in the previous sections, the elaboration of a *coherent reform strategy* would be the first suggestion proposed by the team of external assessors. A clear *mission statement* from the top management should demonstrate that reforming the PES of Cyprus has become the most important challenge the PES is facing over the next few years. In addition, it should give a clear indication of the direction of the reform process by defining strategic objectives and ambitions of the PES. The Italian and the French PES both offer good examples of mission statements that work as documents that can be presented to the different stakeholders – the PES staff, external policy makers, the relevant labour market partners and stakeholders, and, finally, the general public.

Together with the Slovenian PES, the French PES also offers a very good example of an integrated and holistic change strategy with its "2015-2020 Strategic Project" (*Projet stratégique pour la période 2015-2020*). In Slovenia, the PES Strategy 2020

includes a specific *communication strategy* which serves both as a guideline and as a support for planning and implementing communication methods and other activities. It involves both internal and external communication activities, including staff notifications and workshops, social media, e-services, a public call centre, news media, engagement with employers and job fairs. The French PES also may serve as a reference for its very coherent internal and external communication of its reform agenda.

Strategy papers produced by PES in France and Slovenia also incorporate management strategies. These focus more on solutions and opportunities than on difficulties and problems, and they provide a clear orientation towards results and efficiency, with a commitment to continuous improvement. These approaches should be studied by the PES of Cyprus and be taken into consideration for future change activities.

The Dutch PES presents a good example of a *solution focused approach*. It is worth mentioning that the reform process of the Dutch PES began under very difficult circumstances. The considerable increase in registered jobseekers could not be met by an appropriate increase in staff. On the contrary, because of austerity measures, the Dutch PES was affected by significant staff losses at the time. The solution was to rationalise administrative processes as far as possible by making the best use of digitalised services and concentrating on face-to-face contact with those jobseekers who could not be helped through digital channels. The difficult situation within which the Dutch PES had to operate was treated as an opportunity for modernisation rather than as a threat.

Other relevant examples of a *strong orientation within PES linking performance results and efficiency* are offered by the Estonian, the German and the Italian PES. In Italy, the PES has developed statistical profiling of jobseekers according to their relative distance from the labour market. The individual score is used for defining a bonus – the so called “*dote*” – paid to the public (or private) employment services when a jobseeker is placed on the labour market for a minimum period of six months. The lower the statistical likelihood of integration, the higher the bonus for a successful match. Empirical evidence is taken into account to assist in the most efficient distribution of available ALMP resources.

Empirical evidence is also used in the German PES to assist employment officers in deciding whether to direct a jobseeker to a specific ALMP, such as training, counselling, work exposure schemes and so on. The so-called “TrEffeR”-system (Treatment Effects and Prediction) builds on available information on the labour market outcomes resulting from the different ALMPs and it allows for differentiated results according to sex, age, region, educational attainment and other variables. Before referring an individual jobseeker to a specific measure, relevant labour market results for people with the same socio-demographic characteristics is studied, so that the referral is based on clear evidence.

In regard to *continuous improvement*, the Austrian PES offers an important reference which could help the PES of Cyprus move towards becoming a learning organisation. Continuous improvement has become an integral part of the DNA of the Austrian PES. It is achieved through a variety of methods and actions which are strongly interlinked with each other. Four examples of important elements of continuous improvement are firstly the internal and external performance assessment which help to generate a culture of structured learning and improvement within the organisation, secondly the implementation of a database for employees in which innovative ideas can be proposed, discussed and further developed, thirdly the EFQM (European Foundation for Quality Management) model as an integral part of

PES management and fourthly the balanced scorecard which allows for a continuous benchmarking of the performance of local offices and is used for steering the organisation.

The external assessment team would also suggest that utilising elements from the aforementioned activities at a strategic level should be backed up by an *empowerment* programme to get buy-in from the staff at local and district offices. This support should consist of improved guidance, the transparent communication of standardised processes and better coaching for all PES staff. Good examples can be found in several European PES. *Empowerment* has been widely used in the Swedish PES: employment officers and counsellors there are encouraged to take ownership of processes and to develop a feeling of responsibility for improving services. The new management philosophy, also known as the “self-leadership” approach, is part of a broader cultural change in the Swedish PES which started 2015. The aim of self-leadership is to empower staff and give them greater freedom in decision-making. As a result, PES staff should grow in confidence concerning their own work and skills, and consequently improve on their performance. One of the key activities necessary for achieving more ownership is the development of specific training on self-leadership for PES managers. The latter are then responsible for spreading the knowledge acquired among their staff.

A clear description of processes and services offered to customers can also help in the development of quality services. Where administrative services are required, these should be as standardised as possible. It is also important to constantly review standardised processes to test whether they continue to correspond to current needs, labour market trends and legislative requirements. In addition, procedures should be transparent for the staff with guidance that is easy to find on the intranet. Good examples for a *standardisation* of administrative processes can be found in the Portuguese, Maltese and Austrian PES. In Malta, all the Divisions within the PES have written Standard Operating Procedures in place. These Standard Operating Procedures are also supported through flowcharts that provide a graphic form of the process. The standards are regularly reviewed - at least once every six months and more frequently if needed, for example as result of changes in legislation, political priorities, target groups, and so on. The top management believes the Standard Operating Procedures are very useful, especially when new staff come on board, as they serve as a point of reference and allow for continuity.

Guidance is also needed in less administrative processes and services, especially determining the best individualised support which can be provided for customers. Too much standardisation would mean losing creativity, limiting flexibility and failing to take advantage of the experience of employment officers and counsellors. On the contrary, an orientation with insufficient standardisation may lead to divergence in the quality, the content and the intensity of services provided for customers as it then depends simply on the competence of individual PES officers. In other words, guidance must be flexible enough to make the best use of the competences and knowledge of the employment officers, but not so flexible that it prevents compliance with minimum quality standards.

In this context, the Austrian and the German PES offer good examples. For example, the German PES has implemented the so-called four phases model (“4PM”) a binding common concept for the provision of services to jobseekers according to four phases including (1) profiling, (2) target definition, (3) strategy selection, and (4) action and controlling. In addition, the consulting concept (the “Beratungskonzeption/BeKo”) provides a structure for the counselling process, leaving enough freedom for the staff to offer the most appropriate services according to the needs of the customers. Typical counselling situations are described, and a toolbox of

appropriate methods is offered. In this way, the counselling concept provides leeway for the specific needs of the customers, and individual structuring for the counselling interview. It focuses on the customers in order to underline the counsellors' support function. Targets and solutions are defined together, by taking the customers' perspectives and expectations into consideration to reinforce the active cooperation of customers and counsellors, and to support and implement joint decisions.

Another important element for staff development in a changing environment is the *coaching of counsellors* both at the management level and/or by colleagues. Coaching can be organised with different methods such as job-shadowing, the discussion of specific cases in teams or through individualised feedback and supervision. The objective of the coaching is to provide counsellors with immediate feedback related to the way they manage face-to-face contacts and counselling situations, and how they provide guidance for this to be improved. It means officers can receive a critical view of their own performance, and it helps to further develop their competences and skills. After initial training of new staff, on-the-job coaching could be an important tool to effectively integrate these new colleagues into the teams and increase their professionalism. The Swedish and the Dutch PES can serve as important reference points in this field.

The external assessment team also would like to encourage the PES of Cyprus to continue to make the best use of the mutual assistance support offered by the European Union. The mutual assistance offers further potential to facilitate additional know-how and knowledge transfer from other European PES to the PES of Cyprus and it can contribute to speeding up modernisation. However, further to this, appropriate enabling legislation would enhance this modernisation process overcoming some obstacles which cannot be addressed simply by PES management action.

It could be fruitful for the PES to conduct a systematic audit identifying issues which the management wants to tackle but which would still need legal changes. To complement this, exploring the scope for optimising the PES's room for manoeuvre within existing central government defined legal and administrative arrangements could pay significant dividends in terms of producing better results. Ultimately, more freedom for PES senior officials to manage the development of PES specific service models could provide a sound template for reform in other areas of government service delivery in Cyprus. This is of course currently outside the remit of the PES of Cyprus, however the Maltese and the Portuguese PES provide examples showing how PES can actively promote and support the process of reforming relevant labour market legislation.

In Malta, the top management of the PES actively contributed to a public consultation exercise on the renewal of the legal basis for PES responsibilities and activities. The new legislation empowers the Maltese PES to establish administrative provisions for the registration and the recording of employers and jobseekers. In addition, the PES is also given the authority to access any government register of people with disabilities to facilitate their integration into the labour market.

