



Benchlearning Initiative External Assessment

Summary report 2nd cycle – Czech Republic



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PES of Czech Republic

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1. Introduction

This report outlines the results of the second Benchlearning (BL) external assessment of the PES of the Czech Republic (the Labour Office of the Czech Republic, Urad Prace České Republiky – UPCR), conducted between December 11th and 13th, 2017. The team of six external assessors had two peer PES staff (Irish and Slovenian 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 in the UPCR's head office with senior management/directorates and a visit to two local offices (in Karlovy Vary and Mělník). The time and resources invested in the preparation for the Benchlearning visit by the UPCR, and in particular the internal self-assessment, were crucial to its success. The team gratefully acknowledges these efforts.

The UPCR is an executive agency under the direct control of the Ministry of Labour and Social Affairs. Alongside its PES functions it is also responsible for the calculation and payment of unemployment and social benefits. Social partners are not involved in the management, supervision or monitoring of the organisation. The UPCR has one central office, 14 regional and 242 local offices. At the central level, the UPCR is managed by the Director General; regional and local offices have their own directors.

The Ministry of Labour and Social Affairs (MLSA) supervises the UPCR in quite a hierarchical manner and. It also monitors current and future skills needs, and financial resources. It develops active labour market policy (ALMP) strategies and programs in cooperation with the UPCR and other stakeholders. The local offices serve as the contact points of the regional offices. They manage social benefits, formerly disbursed by municipalities. Additionally, they provide employment services, such as jobseeker registration, counselling and referral to ALMP-measures, re-training, placement and job subsidies. They also service employer needs.

2. SHORT SUMMARY OF THE CHANGE AGENDA

The change agenda of the UPCR consists of projects in three major areas. The first comprises the standardisation of processes with the aim of increasing and unifying the level of provided services as well as the standardisation and updating of controlling acts. For this, the UPCR implemented monitoring visits and internal controls of regional offices and contact points to check if these were actually taking place. Each identifies findings and recommendations for improvement. When deficiencies are found, a deadline for their removal is recorded. Monitoring visits are also used to compare regional practices and to identify examples of good practice for other offices to follow.

The second area concerns the cooperation between the employment division and the non-insured social benefits division with the aim is to draw jobseekers who receive social benefits into the activation process by using ALMP measures and other tools. The intention is to develop an individual action plan (IAP) for each jobseeker. By these means the objective is to reduce the number of jobseekers receiving social benefits and those threatened with long-term unemployment.

The final area comprises a refined strategy to increase cooperation with employers. By this means employers should also be reminded of their co-responsibility for quality employment and their wider social responsibilities. It also includes a standardised process of data collection from employers to improve labour market monitoring and forecasting.

3. RELEVANCE, COHERENCE AND CONSISTENCY OF THE REFORM AGENDA

The UPCR's change agenda is fed from various sources. These include reflections of the economic situation in general and the Czech labour market in particular; the outputs of pilot projects; meetings at management levels; internal controls and audits, including case studies; negotiations with social partners and other relevant partners as well as the Ministry's own concepts and strategies. The UPCR has achieved progress in these areas since the last Benchlearning visit. The most important achievement has been to bring those on social benefits closer to the labour market. Given the current Czech labour market, this part of the change agenda is highly relevant and deserves full support.

Experiences in other countries show that such an endeavour is anything but trivial since social benefit recipients have typically been without work for a rather long time and, therefore, are quite distant from the labour market. Integrating this group into the activation and support process of public employment services poses a big organisational and also cultural challenge. While the UPCR has made progress in this direction, this challenge remains. It will require more time and effort to fully merge the two agendas of a balanced and simultaneous provision of labour-market orientation and financial support.

Further progress has been made in the past two years in using case studies from different services to identify and disseminate good practice across regional and local offices, and also in improving communication between the head office and the regional ones. Another achievement is the "Effective Employment Services" (EFES) project, an extended and unified monitoring of specific services provided to employers, which started early in 2016. With EFES, the UPCR aims to identify changes in the labour market to improve the effectiveness of public employment services. A further recent innovation is "COMPASS", a project implemented by the Ministry of Labour and Social Affairs to develop labour market forecasting nationally and regionally. The UPCR is engaged in the key activity of monitoring labour market developments. Within this framework a regular large-scale annual survey of employers by the regional offices is envisaged.

The external assessors want to strongly encourage the UPCR to continue modernising the Czech Republic's public employment services. Yet, the two monitoring projects point to the UPCR apparently seeing itself primarily as an observer of the labour market. Obviously, a comprehensive diagnosis is an essential prerequisite for any therapy, so sophisticated labour market monitoring is important. But it needs to be embedded in a forward-looking strategy and systematic approach on how to utilise those findings to address the future challenges of the Czech economy. Through this, the PES could distinguish itself as a pro-active conductor in the labour market.

Adopting a true conductor role appears to be essential for the UPCR in the current Czech economy and especially on the labour market. The latter is characterised by robust economic growth, increasing employment and a growing demand for skilled labour. The unemployment rate is down to under 3% with a shortage of skilled labour and rising wages. This situation is good but also dangerous and it needs a concerted effort by all to ensure that the economy develops a sustainable growth path. The UPCR will certainly play an important role in this endeavour and is, therefore, confronted with a set of enormous future challenges which need to be considered in its change agenda.

In section 5, the external assessors offer suggestions and recommendations to help the UPCR to address these challenges successfully. They include a group of

peer PES with comparable challenges that may serve as valuable exchange partners for the UPCR on its way to the future.

4. ASSESSMENT OF CHANGE MANAGEMENT

In general, management of change within the UPCR is characterised by a pronounced top-down approach when it comes to identifying the need for change, creating concrete change projects and communicating relevant reform steps. The initialisation and design of all change projects are largely under the responsibility of the head office and this seems to depend heavily on concepts and strategies of the Ministry of Labour and Social Affairs. Regional office directors contribute to the implementation process by participating in working groups established centrally. It is difficult to see an overall strategic vision for the UPCR and there does not appear to be a "reform road map" detailing the organisation's pathway to the future with time-bound milestones. However, these are necessary prerequisites for the presentation of a clear picture on how single change projects can contribute to achieving overall reform objectives.

Areas for improvements are mainly identified from reflections on the economic situation, the political environment, internal discussions on the managerial level and from an unidentified number of pilot projects. Hence, there is considerable room for improving the decision-making process by systematically using evidence-based methods to thoroughly examine different change options. By generating more knowledge on "what works and for whom" and organising systematic feedback loops with staff who directly serve clients, the initialisation and design of the change agenda could be substantially enhanced.

A more holistic approach to change design, one that takes into account an overall view of the organisation's development process, will therefore help the UPCR on its path towards progress. This also implies defining the concrete outcome(s) that a successful change process should generate while taking into account existing business processes and process interfaces.

Finally, to strengthen the added value of the PES, a stronger connection with customers should be established to find out more about their needs and expectations and to initiate change from their point of view. This can be done by standardised surveys or more direct forms of customer involvement such as accompanied customer journeys or focus groups.

The main communication tools to ensure awareness of the different parts of the change agenda are internal written regulations and monitoring visits. This seems to be a well-known and well-established approach, but detailed internal regulations exhibit the risk of discouraging staff and limiting their own judgements and capacity to assume responsibility. There is a feedback loop from the regional to the national level to fine-tune the change implementation but it is nevertheless necessary to deepen the systematic involvement and continuous discussions with front-line staff on possible adjustments/revisions. To involve local staff stronger in the feedback loop for further improvements along the way on the change path, "ambassadors of change" throughout the organisation could help foster support as well as buy-in for change and thus create staff commitment. To make greater use of staff experience and creativity is also an effective way to identify what more needs to be done as well as improve staff satisfaction.

As the change agenda is identified on the national level, it is hard to judge to what extent the message is not only understood but also embedded in everyday work locally. The identified areas are known and responsibility formally assumed

for them at a local level as regulations have been signed. UPCR staff are apparently very loyal, so greater overall involvement by them would create ownership and true responsibility in their daily work. This would also increase pride in their achievements and allow them to use their creativity to contribute to future improvements.

5. SUGGESTIONS AND RECOMMENDATIONS

To make the specific challenges of the UPCR and our suggestions as comprehensible as possible, the assessor team decided to visualise them using the picture of a bridge with the slogan "The way forward: build the bridge to the future". The nearside part of the bridge is built on a solid riverbank made up of an investor-friendly climate, a highly skilled workforce, strong economic growth and increasing employment and wages. On this side of the river the UPCR portal is located, marking the entrance to the bridge. It is characterised by refined employer engagement, a stronger focus on the long-term unemployed and recipients of social benefits, good partnerships and committed staff. The river depicts the challenges facing the Czech Republic. These can be summarised as the lack of a qualified workforce, demographic change and a future world of work strongly influenced by digitalisation and automation.

For the UPCR to build a bridge over this river to the future it must further develop a vision (the "UPCR 2025 strategy" for example; in line with the Employment Policy Strategy of the Ministry of Labour and Social Affairs) targeting the desired end state of all endeavours and the value this will add to Czech society. The external assessors believe that a "guiding document" that provides a clear and compelling answer to the question "what do we want to achieve and who will benefit from it?" is now necessary. This vision can then serve as a basis for a clear mission statement and the corresponding values for which the UPCR intends to stand in the future.

Such a strategic document could also help to convince all the staff to buy into the modernisation process and to further increase their efforts to make it a success. Furthermore, it will help the organisation develop an active approach towards change and for a targeted service delivery to the customers by the whole staff. The strategic documents of the Estonian, German and Slovenian PES are well worth studying in this context.

Vision, mission and values then need to be reflected in or linked to three fundamental organisational elements that form the pillars of the bridge. The first is the establishment of a holistic process and quality management. The description and standardisation of processes need to be linked to the overarching strategy of the UPCR and its primary objectives. This is a precondition for identifying process indicators to improve the transparency, effectiveness and efficiency of the whole organisation. Furthermore, it is a central prerequisite for the establishment of a holistic quality management system. Quality assurance tools need to be embedded in a systematic and integrated quality- and process-management system that also permits systematic mutual learning among the different offices. This requires a clear definition of quality objectives, a transfer of these objectives into measurable targets and indicators as well as a translation of them into "personal contributions" for all staff. Staff need to know what is expected from them in terms of offering high quality services, and how this can be achieved in their everyday work. For these issues, the Austrian, Flanders and Slovenian PES can offer orientation and inspiration.

The second element is the establishment of an impact-oriented strategic performance management system. This first of all implies to achieve agreement on what performance for the whole organization means against the background of

the strategic objectives defined in its vision (see above) and will certainly amount to a system that focuses on outcome indicators that can be influenced by the work of the UPCR. In times of practically full employment it is no longer possible to define the success of the UPCR by reductions in unemployment. Possible partners for an exchange in this regard are the Austrian, Estonian, Dutch and German PES.

The third element is the establishment of an encompassing strategy to generate knowledge/evidence. This will help the UPCR to better identify the need for change and to assess the different change options. It will also enable the organisation to conduct fair comparisons of the performance of regional/local offices by explicitly taking into account the economic context in which they operate. The first step in this regard is the creation of a comprehensive "evidence/knowledge strategy" providing answers to the questions "What do we know? What are the areas where we need to know more? How can this knowledge be generated?" The answer to the last question will certainly involve a mixture of methods including surveys, descriptive analyses of secondary datasets and counterfactual impact evaluations based on administrative data. A recent example of the creation and implementation of such a strategy can be found in the Norwegian PES.

Systematic piloting is an approach that directly generates evidence on the interventions/measures, service concepts and processes that work better. In general, pilot studies involving a limited number of clients and/or offices ideally as RCTs (randomised controlled trials) should be set up to compare the results of the piloted service/process with an alternative situation (for example where no service is provided). Partners from universities and applied research centres could be involved in designing and evaluating pilots. The Danish PES has collected comprehensive experiences with the implementation of RCTs and transferred them into a kind of "cookbook". The "front-runner" offices in the Netherlands or the "greenhouse technique" in the Swedish PES are also interesting approaches for the UPCR to study. Both approaches are described in some more detail in "PES Practices" fiches on the website of the European network of Public Employment Services.

Finally, it is recommended to complement the bridge by strengthening the buying in and taking along staff, partners and clients. The introduction of a talent management programme as in the British and German PES, the regular conduct of a general staff satisfaction survey as in Austria, the implementation of mutual internship programmes across local offices and job-shadowing visits as in Estonia, and the initiation of non-financial incentives (e.g. in the form of an award like "Best of UPCR") can all help to signal to staff that their efforts are appreciated. Furthermore, utilising the knowledge and experience of staff as subject matter experts and recognizing the importance of pronounced employee engagement in change management that often starts from the bottom can help encourage and support staff to systematically contribute to changes and innovation in the organisation.

This could be complemented by a deepening partnership management along the lines of a customer journey that becomes increasingly complex for those jobseekers who remain unemployed despite the favourable labour market. For them it is even more important to ensure that their needs are at the centre of cooperative service delivery (rather than the fragmented interests of service providers) by mapping the partners' roles and service offers, and a systematic analysis of the "sequencing" of interventions. The Slovenian approach of partnership management can serve as an interesting study object in this regard.

Another helpful complementary element would be the direct involvement of both client groups (jobseekers and employers) into service and product (re-)design, e.g. by using moderated focus groups, accompanied customer journeys, story-telling and so on, as in the Austrian, Flemish or French PES, or perhaps the already mentioned "greenhouse technique" set up by the Swedish PES. Finally, it seems worth considering the introduction of a standardised and regular satisfaction survey of both client groups to obtain a structured feedback from all customers.

The way over the bridge to the future is certainly a stony one and requires some considerable effort. However, the UPCR and its committed staff are not alone on this journey. Many members of the PES Network have to accomplish a comparable expedition and would certainly be delighted if the Czech PES were to join their travel group. The UPCR is cordially invited to get into contact with them.

