



Benchlearning Initiative External Assessment

Summary report 2nd cycle – Denmark



Written by ICON Institut Public Sector GmbH

2017



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: <http://ec.europa.eu/social/easi>

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1. Introduction

This report outlines the results of the second Benchlearning (BL) external assessment of the Danish PES (STAR – the Danish Agency for Labour Market and Recruitment), conducted between November 27th and 29th, 2017. The team of six external assessors had two peer PES staff (from the Dutch and Romanian 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 STAR's head office with senior management and staff from the directorates, and a visit to two local offices (in Odense and Elsinore). The time and resources invested in the preparation for the Benchlearning visit by STAR, particularly the internal self-assessment, were crucial to its success. The team gratefully acknowledges these efforts.

STAR is an executive agency under the direct control of the Ministry of Employment. It was established on 1st of January 2014 replacing the two former agencies, namely the National Labour Market Authority and the Danish Agency for Labour Retention and International Recruitment. STAR is not responsible for the payment of either unemployment or other social benefits. Instead, there are 24 unemployment insurance funds¹ in Denmark. These funds are responsible for the payment of benefits to their members. Claimants who are not members of one of the unemployment insurance funds but who wish to receive social benefits have to contact their municipality. The social benefits, including the cash benefits, are family-based, means-tested and administered by the municipalities. Persons receiving unemployment or social/cash benefits have to register at the local job centre.

The structure of the Danish system of employment services, and the distribution of responsibility within it, is based on three tiers:

- At the national level, STAR develops strategic policy and employment initiatives to be implemented at the local level, and it assists the Ministry in policy development, legislative work and developing reform proposals. In this way, the main national objectives for employment policy are set by the Ministry with the support of STAR. The national level also comprises the National Employment Council which is an advisory body to the Minister of Employment on all topics related to labour market policy. The Council is made up of 26 members from the Danish Employers' Confederation, the Federation of Danish Trade Unions and a variety of other actors, including local authorities, the Danish Regions and the Danish Council of Organisations of Disabled People.
- At the regional level, there are eight regional labour market councils. A regional labour market council consists of the social partners, the Danish Regions, the municipalities and the Danish disabled people's organisation. In general, the regional labour market councils do not have any specific authority over municipalities; but they do have an advisory role. In addition, STAR has three regional divisions which support network activities for directors and team managers in the job centres, focusing on the implementation of reforms, as well as on improving services to employers.

¹ The unemployment insurance funds are private associations of employees or the self-employed. Unemployment benefits are, however, largely financed by the state. The Unemployment Insurance Act is administered by STAR.

- At the local level, 94 job centres are run by the 98 municipalities. Job centres perform the task of supporting the unemployed in accessing employment or education, and they are also responsible for contacts with employers. In this way, the municipalities have the main responsibility for the provision of employment services.

In the Danish model of flexicurity – a combination of flexible labour markets, income security and active labour market policy – the system of public employment services plays an important role. In this system, the local job centres, run by the municipalities, are responsible for the provision of services to clients and they have a large degree of freedom on the actual design of operational processes and services.

Finally, Denmark has a long tradition of involving social partners in labour market policy. As mentioned above, at both the national and the regional level, there are tripartite bodies with representatives from the social partners and other stakeholders.

2. SHORT SUMMARY OF THE CHANGE AGENDA

Denmark has experienced a number of labour market reforms in recent years. They all aim at reducing unemployment, improving the employment system and gradually moving public employment services away from a system characterised by fairly strong elements of control, to one more characterised by risk-sharing. The major reforms include the Cash Benefit Reform (2013), Employment Reform (2014) and the Reform of the State Reimbursement System (2015). Due to them, the municipalities have the responsibility for the provision of employment services, but also a financial risk if they are not performing well. Furthermore, the general framework conditions set by the Ministry of Employment allow a very high level of local autonomy in the design and the finance of appropriate employment measures. Once a year, the Minister announces an overall annual set of employment policy objectives for the municipalities. These objectives are announced for areas where it has been assessed that the job centres should prioritise measures. Under the 2015 employment reform, it is up to the municipalities to decide how much they will incorporate these objectives in their planning for the coming year.

In the Danish decentralised employment system, the implementation and success of the above-mentioned reforms are the responsibility of the municipalities and the unemployment insurance funds. STAR therefore focuses on:

- involving stakeholders in the reform process at an early stage and on a regular basis,
- ensuring that the necessary management and support tools are in place before legislation enters into force,
- carrying out activities which support the process of implementing the reforms in the municipalities, and
- determining, communicating and following up on the objectives for the implementation process.

Based on this, the following three principal areas form the heart of STAR's Change Agenda.

Area A: Ambitious goals in the municipalities and the dissemination of best practice

Given the highly decentralised character of the Danish system of employment services, STAR wants to ensure that municipalities set ambitious goals. Among other measures, STAR has developed a set of benchmarking tools and benchmark reports. Furthermore, STAR wants to set new and improved goals, and aims to ensure that municipalities exchange best practices with one another.

Area B: Stronger initiatives for businesses

Empirical evidence shows that, of all the available tools in the employment system, initiatives targeted at businesses generate the most positive employment effect across different groups of marginalised people. STAR therefore wants to continue to develop and disseminate best practice in collaboration with job centres, to strengthen the business-oriented services provided by job centres.

Area C: Empowerment and digital self-service

Empowerment refers to encouraging citizens and businesses to assume primary responsibility for their own cases. STAR aims to place particular emphasis on developing the “virtual job centre”, which should empower citizens and businesses by offering effective self-service solutions targeted at the needs of the individual client.

3. RELEVANCE, COHERENCE AND CONSISTENCY OF THE REFORM AGENDA

STAR clearly excels in its highly systematic and strategic way of addressing the future of the Danish system of employment services based on encompassing, convincing and strong knowledge of “what works and for whom”. There is a significant commitment to change both at top management level and at all the other levels of the organisation. STAR also demonstrates considerable open-mindedness through its responses to a number of the suggestions made in the first BL visit in 2015. This means that its change agenda is highly relevant and that all its elements form a fully coherent and consistent whole. It can therefore be seen as part of a consistent pursuit of STAR’s approach to continue to further develop the decentralised system of employment services in Denmark.

Furthermore, it is worth noting that considerable achievements have been made by STAR during the last two years. These include

- the introduction of quarterly status reports and newsletters for each reform,
- the introduction of benchmarking reports for every municipality based on a defined set of indicators which are monitored continuously,
- the introduction of steering committee and implementation group meetings (every two or three months) to monitor the implementation of each reform and decide on corrective actions,
- the analysis of the potential return on investments for employment services in all 98 municipalities, and the provision of a customised IT programme to support them in making their “business cases”,

- the development of a management information system on benefit payments and reimbursements for the municipalities,
- the development of a number of toolboxes, booklets and handbooks that can support the job centres, e.g. on the implementation of business services in the job centres, together with a catalogue of examples of good practice,
- the establishment of a super-user forum for job centre and business sector representatives which is involved in new IT development and implementation projects,
- the provision of "VITAS", an IT programme simplifying and streamlining the application process for companies,
- the full implementation of two statistical profiling models which can also be used for self-profiling by jobseekers,
- the development of a tool to measure "enhanced employability" of jobseekers,
- the realisation of a training project on "job-oriented conversation" for counsellors in the job centres, and
- the introduction of an "internship programme" for some of STAR's staff in which they collect practical experiences and insights in the work done at job centres or unemployment insurance funds.

Based on these achievements, and taking the specific challenges of the Danish system of employment services into consideration, STAR has recently started a discussion process for the development of a new strategy for the period 2018-2021. In Section 5, the external assessors present some "food for thought" which could be fed into this discussion process and could help STAR on its journey to achieving the objectives of the recent labour market reforms in Denmark.

4. ASSESSMENT OF CHANGE MANAGEMENT

In general, change is a systematically managed process supported by strong, trusted and committed leadership within STAR. The whole process of change management, from the initialisation of change, its design, the mobilisation beforehand, its implementation and finally the reinforcement, is well-developed with only small areas remaining for improvement. The need for change is identified systematically and regularly, using tried-and-tested procedures based on various pieces of evidence. Pilots (often as randomised controlled trials) are used frequently to test and evaluate particular change projects before launching them. There is some room for developing a broader "bottom-up" process, involving front-line staff in the job centres more systematically in the identification of aspects of change. The participation of stakeholders is ensured and internal expertise is taken into account. With its "check into practice", STAR has developed a method of dialogue with practitioners to integrate the operational perspective into the design of change projects. On the execution side, processes are very well defined and responsibilities clearly set. Clear expectations of impact are defined in terms of performance results and then backed up by corresponding indicators.

All changes are implemented in specific projects with clearly defined steps, milestones and responsibilities. The change projects are communicated in a very structured manner to the job centres, using different channels and methods.

Municipalities and the general public gain overall transparency on the change projects through the publication of all contents and developments on STAR's website. However, there is still potential for a more refined monitoring of how the change projects are perceived by the employees that are directly affected by the planned changes. This could be done by organising regular feedback loops with staff who directly meet jobseekers to reflect and advise on the implementation process. Programmes for continuous improvement are good tools to encourage staff to participate in the development of services.

The anchoring of all projects is regularly and systematically monitored. Continuous evaluation – often through an external evaluator – ensures that sustainable results can be achieved and that necessary adjustments can be initiated. There is some potential for defined feedback loops, taking into account the customers' perspective, as well as for a more systematic transfer of good practices between job centres. Establishing regular dialogue formats (not only "upwards", but also horizontally) could foster a continuous discourse on changes, improvements and results in all the job centres.

5. SUGGESTIONS AND RECOMMENDATIONS

For the purpose of making the specific situation, achievements and challenges of the Danish system of employment services as comprehensible as possible, the assessor team decided to visualise them using the picture of a starry sky where the municipalities represent the stars. In this picture, STAR is an observatory which is built on a hill. This hill is formed by clear legislative regulations, combined with a clear system of financial incentives for job centres, a well-established and impressive culture of truly evidence-based policy making and all the actors have a high level of receptiveness.

The observatory is equipped with an "antenna" representing STAR's comprehensive strategy to generate knowledge, and its numerous support tools for the job centres in the municipalities. In addition, there is an "astronomical telescope" illustrating the sophisticated performance management approach of STAR which is characterised by the encompassing benchmarking system containing outcome and implementation targets, as well as a systematic follow-up process. This approach creates full transparency in the Danish public employment system which can be seen as unique in Europe. At the entrance to the observatory, the values STAR uses to conduct its business are visible, these are "inspiration, respect and feedback".

The primary purpose of the observatory is to provide orientation for government, stakeholders, citizens, municipalities and job centres by closely observing and supporting all the activity in the starry sky. The support function of STAR is essentially facilitated by the existence of three "space platforms" or "satellites" which represent STAR's regional divisions in Roskilde, Odense and Aalborg. They keep a direct contact to the stars by extensive dialogue formats and help them by providing comprehensive implementation support. The "astronauts" working on the stars are the job centre staff – sometimes they are happy, sometimes they are frustrated. There is also a "STAR astronaut" who collects experience in the job centres.

To proceed with the development of the Danish employment services system along the lines of the flexicurity model, it may help to interconnect the stars so that they form a constellation. The "food for thought" from the external assessors can therefore be summarised in the slogan "discover a new constellation". From the external assessors' perspective, the primary objective of all recent labour market reforms in Denmark is to ensure the fiscal sustainability of the Danish

flexicurity system by reducing unemployment and improving the employment system. The central mission to ensure the success of the recent reforms is, therefore, to foster the cooperation across municipal borders by transforming the well-established benchmarking system into a systematic Benchlearning (BL) among Danish job centres.

The biggest asset of the Danish system, when compared to more typical PES with local PES offices, is that municipalities are not only relatively successful in their role as a typical local PES office, but they can also be successful in absolute terms (in terms of reimbursements), if (and only if) they do not compete in a "functional labour market"². It might therefore be helpful to identify those municipalities where closer cooperation pays dividends because they are not competing with each other in a local functional labour market, and to start the BL project with them. In general, the Danish BL could be established along the lines of the EU PES project using a combined self-assessment and external assessment exercise based on an adapted version of the EFQM (European Foundation for Quality Management) model. The Bavarian regional directorate of the German PES has recently started an initiative along these lines and is therefore an interesting partner for exchange. The Austrian approach of management assessments, which also uses the EFQM model as a basis, is another option worth studying. Finally, the Estonian and Flanders PES regularly conduct self-assessments, and they could also offer inspiration and direction.

Regardless of the approach chosen by STAR, the ultimate aim of the Danish BL should be the identification of promising practices for exchange, and fruitful areas of cooperation between job centres. This should result in thematic learning and cooperation clusters, as well as offering bespoke staff training by STAR. It can, almost as a by-product, also serve as the starting point for the establishment of a nationwide quality management system with common standards, as the EFQM model is based on the idea of total quality management. Furthermore, it also provides the opportunity in the medium term for job centres to receive a standardised certification of their endeavours through being recognised as excellent organisations. The three regional divisions can act as mediators and facilitators in this regard.

The Danish BL project could be complemented by the further encouragement and fostering of horizontal exchange across job centres, especially at the level of front-desk staff. This exchange could be set up face-to-face, as in the Estonian PES, with their "job-shadowing and active learning" approach, or digitally as in the Austrian and French PES, which have both established an internal social network for their staff. Another useful digital solution is the EmployID network which is actively used by the Croatian and Slovenian PES. EmployID is an EU-funded project that aims to support PES staff who want to develop their competencies. It helps the learning process of PES practitioners and managers by supporting the efficient use of technologies to provide advanced coaching, reflection, networking and learning support services in appropriate competences.

In addition, STAR could support the Danish employment services system by developing a coherent blended services concept. Currently, job centres have to use many different IT systems to prepare their counselling sessions. STAR could consider establishing a multi-channel strategy based on an approach where channels are either interchangeable or complementary; and it may wish to

² A "functional labour market" covers a spatial area which is characterised by sharing common labour market characteristics, interrelated economic activities and only a few connections with other spatial areas. Functional labour markets often cross the borders of administratively defined areas like municipalities or counties.

develop an integrated customer-centred and user-centred (citizens, businesses, job centres) digital strategy with a single digital entry point for all the employment activities. In doing so, important partners and stakeholders could be involved at a very early stage in the strategy, design to obtain commitment and create a win-win situation. The Dutch PES actively offers its support in this context.

Furthermore, STAR could test the direct involvement of customers in the design of services, e.g. by using moderated focus groups, accompanied customer journeys, story-telling and so on, as in the Austrian or French PES, or perhaps the "greenhouse technique" set up by the Swedish PES. Finally, it seems worth considering the introduction of a standardised and regular user satisfaction survey to obtain a structured feedback on the satisfaction of job centres with STAR and its tools as well as support endeavours.

Given the highly systematic and responsive way in which STAR is approaching change, as well as its impressive capacity to generate knowledge, the external assessors team is convinced that STAR will be able to lift the Danish system of employment services to a higher level by interconnecting municipalities and providing refined support to them. As a result, a truly unprecedented constellation might occur, forming a heart for the benefit of the Danish society.

