



# Benchlearning Initiative External Assessment

Summary report 2<sup>nd</sup> cycle – Estonia



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## **The EUIF – the PES for Estonia**

### **Summary Report 2<sup>nd</sup> cycle**

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## 1. INTRODUCTION

This report outlines the results of the second Benchlearning (BL) external assessment of Eesti Töötukassa, the Public Employment Service (PES) of Estonia (Estonian Unemployment Insurance Fund – the EUIF), conducted between October 1<sup>st</sup> and 3<sup>rd</sup>, 2018. The team of six external assessors had three peer PES staff (one Belgian from the Flemish region of Belgium, one Dutch and one German), one representative from the European Commission and two experts from ICON-Institut (the supporting contractor). The three-day programme included meetings with senior management from the head office and visits to two regional offices in Tallinn and Pärnu. The time and resources the EUIF put into preparation for the Benchlearning visit, particularly its internal self-assessment and the accompanying documents, were crucial to the success of this visit.

The EUIF is a quasi-governmental organisation and a legal entity in public law. It performs its activities independently from government within the framework of its mission and its operational rules defined by law. The key responsibilities of the EUIF are:

- Providing Active Labour Market Measures (ALMPs),
- The payment of unemployment and work ability benefits and allowances,
- Work ability assessments.

The EUIF's clients are jobseekers, employees and employers. Services for the clients include a wide range of measures:

- Employment measures such as job mediation and counselling, career information and counselling, training and traineeships, support for start-ups and job creation, etc.
- Disability employment measures such as technical and workplace adjustments, supported employment, peer counselling, work-related rehabilitation, travel-to-work-allowances, etc.
- Preventive measures such as skills training, study allowances for vocational or higher education and employer's training grants.
- Benefits for unemployment, redundancy, insolvency, reduced work ability and 'social tax' benefits.
- Assessment of clients' ability to work.

The highest body of the EUIF is the tripartite Supervisory Board with equal representation for trade unions, employers and the government. The Supervisory Board is responsible for approving the EUIF's strategy, annual plans, preparing the employment measures programmes and setting out objectives and targets. It also proposes the unemployment insurance contributions rates and decides on the budget and monitors performance. The daily management of the EUIF is the responsibility of the Management Board of four members, which includes the Chairman of the Board.

The EUIF has a two-level structure with one head office and 15 regional offices (with a total of 28 client service points).

The number of EUIF staff has increased considerably in recent years, from 500 employees in 2009 up to 840 in 2018. The budget has also increased and is currently 455 million Euros (2018). The sources of funding are the state budget (58%), unemployment insurance contributions (36%) and the EU Funds (6%).

## 2. SHORT SUMMARY OF THE CHANGE AGENDA

Since its establishment in 2002 as the Estonian Unemployment Insurance Agency, the EUIF has undergone several basic reforms induced by the Estonian government or initiated by the Social Partners, such as the introduction of ALMPs in 2009. In the recent past, the following fundamental reforms have been implemented respectively or are currently under preparation:

- Work ability reform was introduced by the government in 2016. The new responsibilities of the EUIF include the provision of employment counselling and measures,<sup>1</sup> work ability assessment and the payment of work ability benefit for persons with long-term health problems and disabilities. In addition to the ALMPs already in place, new disability employment measures have been developed. Specialised disability employment counsellors have been recruited to add the third tier to previously established two-tier employment counselling approach. Furthermore, the role of employers' counsellors has been strengthened. The new tasks assigned to the EUIF have led to a significant increase in the numbers of client and staff, as well as the provision of ALMPs.
- Unemployment prevention measures were established in 2017. The EUIF Supervisory Board tasked its management with working out measures aimed at the prevention of unemployment. The goal of these new measures is to prevent unemployment through updating the skills of people in work. The package of preventive measures includes services for both employees and employers. Employees who belong to the defined target groups can apply for a 'degree study allowance' to enrol in vocational training or higher education institutions or update their skills in labour market training courses. Employers can apply for a training grant for improving the skills and knowledge of their employees on recruitment (grant is limited to "bottleneck vacancies" and/or in the situation of change). Training courses must take place in designated branches. Additionally, participation in basic skills training courses (such as the Estonian language and digital skills) is supported.
- Career services reform will come into force on 1<sup>st</sup> January 2019. The aim of the reform is to minimise the duplication of career services, which are currently provided by the EUIF for unemployed, employed and inactive persons and by the foundation INNOVE (under the umbrella of the Ministry of Education) for young people. The EUIF will take over responsibilities for all career services. That means the EUIF will have to provide new services such as career counselling in schools, career advice to parents etc. These services are offered either individually or in groups. Various different channels for offering these services are used, they include face-to-face meeting, Skype, telephone calls, e-mail and a 'chat-channel'. Furthermore, the number of staff will increase as career specialists move from the foundation INNOVE to the EUIF.

The implementation and the challenges posed by the work ability reform, and the introduction of the prevention measures, are considered in the EUIF's long-term 2018 to 2021 Development Plan. Career services reform was agreed on after the approval of the Development Plan and it was therefore considered in the EUIF's 2018 annual plan.

Besides the rollout of these strategic reforms, the EUIF strives to permanently improve its services and performance. In this regard, various changes were im-

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<sup>1</sup> The new measures provided since January 2016 are peer-counselling, work-related rehabilitation, supported employment and a travel-to-work allowance.

plemented in the years 2017 and 2018. In 2017, the EUIF pursued three further goals besides the implementation of the two strategic reforms mentioned above. These goals aimed to improve the organisation's performance through improving job mediation and co-operation with employers, improving the quality of services, and improving data visualisation.

To achieve these strategic goals, two key activities are defined:

1. Enhance the impact, improve the quality and ensure the accessibility of services,
2. Develop the Unemployment Insurance Fund as a centre of competence.

The current action plan for 2018 contains numerous detailed activities for facilitating two key activities. The example below illustrates the structure of the annual plan and it links to the overall Development Plan for the EUIF's key activity: Enhancing the impact, improving the quality and ensuring the accessibility of its services (without any deadlines). The key activity has 15 sub-goals specified in 27 concrete activities. For instance:

- Sub-goal: Preventing and reducing youth unemployment.
- Activity: Counselling young people with special needs and their parents.
- Result: Each regional office has organized 1-2 workshops for young people with special needs and their parents (mobile counselling) to raise their awareness of the various support options and the EUIF's services.
- Executor: Employment Prevention and Skills Development Department.
- Link to the Development Plan: Ensure that the smooth and efficient implementation of the work ability reform programme remains one of the goals laid down in the Plan.

For future development, the implementation of the strategic reforms becomes the centre of the PES's activities. Furthermore, the organisation continuously aims to improve its performance, for example through the following activities which have been recently started or which are currently in the planning stage:

- The development of a new data warehouse.
- Each service department now has an IS specialist to further improve the business-side input into the IT developments
- A new position has been created: the ALMP Chief Quality Specialist is responsible for reviewing and making on-site inspection checks more effective.
- Conducting an external expert analysis on the performance indicator system. The objective was to critically analyse the current performance indicators and construct an aggregate performance measure that takes into account developments in the labour market, allows regional comparisons and that could be automated. The external evaluator has recently presented results and suggestions which will be discussed by the Supervisory Board.
- The EUIF plans to develop an automatized decision process when clients register as unemployed (December 2018) or apply for unemployment benefits (will be launched in 2019). Furthermore, the EUIF plans to both develop a self-service portal strategy and to update its IT development plan.

Finally, it is important to note that the EUIF has recently decided to monitor the output indicators of its ALMP provision, but no longer to give them a score. Discussions between regional managers, the management board and service departments showed that the EUIF has now reached a 'mature level' where the pro-

vision of ALMPs is integrated into its everyday work. The scoring of ALMPs ended up sometimes creating the wrong incentives, for example when ALMP provision might have been artificially increased to achieve the maximum score.

### **3. RELEVANCE, COHERENCE AND CONSISTENCY OF THE REFORM AGENDA**

The EUIF's first Benchlearning assessment report showed that it is a mature organisation open for innovation and further development. As shown in section 2 above, innovation is one of the core values of the organisation. The external assessors are convinced that the reforms and the changes are evidence-based, even the politically motivated strategic reforms. The assessors support the way the decisions on reform are clearly and strongly evidence-based.<sup>2</sup> The driving forces for change are multi-sided and can be described as:

- "Strategic" drivers: Decisions of the government and initiatives from the Supervisory Board or
- Internal initiatives from staff, often in combination with external impulses set by clients, stakeholders, external evaluators, experiences from other PES, the previous PES Benchlearning report etc.

A further requirement for successfully conducting reforms is a clear, concise and precise plan for the proposed changes. As far as the planning process and analysing the documents described in section 2 are concerned, the assessors conclude that the overall goals as well as the operational targets of the reforms are clearly defined and prioritised. The Development Plan for four years forms an umbrella plan without being too restrictive. Furthermore, reforms decided after the approval of the Development Plan, can in this way be integrated into the organisation's general system for achieving its goals.

The 2018 – 2021 Development Plan confirms the organisation's ongoing openness to innovation that forms one of the EUIF's core values. The other core values laid down in the Development Plan are "trust" and "co-operation". It is worth noting, that during recruitment, the interviewees have to show that they share these core values.

Together with the organisation's mission ("We support finding work and workers") and its vision ("We are the best and most inspiring labour market organisation in Estonia and Europe"), its core values form the basis of its organisational activities which are also described in its 2018 – 2021 Development Plan. As it has a description of the understanding of customers, partners and the principles of operation, the Development Plan contains a precise and concise description of its organisational basics. Built upon these basics, the Development Plan states the four strategic goals of the EUIF and explains them briefly. The four goals are:

- Reducing unemployment and minimising the duration of unemployment,
- Decreasing structural unemployment,
- Sustainable activation and the prevention of unemployment,
- Increasing labour supply.

For bigger reforms, the EUIF establishes a 'concept plan' (an action plan) which is discussed with, and then approved by, the Supervisory Board. These concepts are then followed by implementation plans, which include communication with stake-

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<sup>2</sup> For further details see the tables in section 7.



holders and staff. For further details on the concept plans see section 4. The necessary concrete activities for implementing the reforms are laid down in the annual action plan, which transparently shows how the reforms are proceeding.

The goals, key activities and the concrete activities of the Development Plan and the subsequent annual plan show that the EUIF is constantly working to improve its services in a structured manner. All the service areas and all the organisational departments are involved in the implementation of reformed services, procedures and organisational structures.

Furthermore, the assessors respect the ability of the EUIF's leadership to initialise several basic reform processes in parallel. In this context, it should be stated, that the commitment of staff and its openness to change on all levels is a strong asset of the Estonian PES.

#### **4. ASSESSMENT OF CHANGE MANAGEMENT**

Only a few PES in Europe have started their change management process in such a concise and systematic way as the EUIF. The external assessors saw a thorough and high level of commitment to change and innovation among managers and staff at all levels. Despite the large number of changes and their fundamental importance, the openness and the will for improvement are a characteristic of the organisation.

Its innovation process is well-structured. Clearly defined procedures exist for the transition of innovative ideas into the (re-)design of new or existing services, tools, procedures or organisational structures. The same is true for the subsequent testing and piloting, as well as the final roll-out. The usual process is that new ideas are discussed on the annual Strategy Day with the participation of 70 – 80 employees representing all levels of the EUIF. 'Task-specific' working groups, composed of representatives from the Head Office and the regional offices, then further develop these ideas. Promising proposals are developed in 'INNO-Labs'. Finally, an ex-ante evaluation, and/or a piloting project, analyses the added value of the innovation and also its suitability for everyday use.

A concept paper (an action plan) with all the relevant information from problem analysis to the timetable for and the costs of the reform is then developed for each (bigger) reform. The concept papers are then discussed and agreed with the Supervisory Board. Based on the concept paper, an implementation plan is composed with specific activities, responsibilities and deadlines. For the larger reform projects, the implementation plan is accompanied by a communication plan, as was the case in the 'career service reform' which will start at the beginning of 2019.

A project manager and a project team for each reform are appointed to ensure the proper and timely implementation of the changes. In their regular meetings, they review the progress of the reform agenda, initialise corrective measures where necessary, and they update the implementation plan. In the case of larger reforms, members of the Management Board are directly involved in their implementation process.

The roll-out of reforms usually starts with an announcement by the Head of the Management Board. Staff receive information on the progress of implementation through different channels, including the intranet, e-mail, 'information days', meetings, strategy days, and the Management Board's "summer tour".

Stakeholders are also involved in the roll-out of the changes, for example through co-operation in meetings or through inputting into the reform process reviews.

The assessors find the reform process as a whole, and the single steps, are well planned and prepared. The procedures are clearly structured, precisely coordinated and well communicated inside and outside organisation. Furthermore, the assessors are convinced that the complete integration of change management into its overall management process, and the strong links between performance management, IT and quality management, do much to facilitate the implementation of reforms. Further important factors for the success of the changes are the heavy monitoring of the roll-out progress, the EUIF's ability to react swiftly to unexpected deviations, and, last but not least, its ability to quickly adapt to changes. In this sense, the organisation's slogan "fast and flexible response to labour market needs" is also applicable to its own reform process. Finally, the assessors are impressed that change processes are managed and handled as a matter of course at each level of the organisation.

A further factor for success is the use of the experience of other organisations. The EUIF consequently takes advantage of the possibilities of exchanging experiences with other PES, in particular ones in the PES network. In this way, the EUIF benefits considerably from mutual learning. As examples, the following co-operative processes have recently been carried out:

- Improvement in job mediation and co-operation with employers: Co-operation with one of the Belgian PES (Flanders).
- Work ability reform and the improvement of the quality of services: Co-operation with the Austrian PES.
- Improvement in online services, data management and data application and services for jobseekers with labour constraints (including how to approach employers): Co-operation with the PES of the Netherlands.
- Improvement in data visualisation: Co-operation with the German PES.

However, the EUIF is not only a receiver of good practice and an adopter of foreign experiences. It also shares its knowledge and experiences with other PES. For instance, the EUIF organised a mutual seminar for all the other Baltic PES on employers' services and strategy, 'occupational barometers', and job fairs.

## 5. SUGGESTIONS AND RECOMMENDATIONS

Firstly, the assessors would like to stress that the change process is very well organised. The reform agenda follows a clear vision, it is well-structured in the different tiers and it contains clearly defined procedures. Its comprehensive approach is completed by the extensive information to the Social Partners, staff and stakeholders and – in case of larger reforms – through a detailed communication plan. Against this background, the assessors would therefore like to encourage the entire organisation to go forward sticking to its reform path.

The assessors think that in conditions of significantly increased scope of responsibilities of the PES over the last years and the corresponding growth of its staff, the EUIF has managed all the challenges caused by reforming processes in an excellent manner. At the same time, looking into the future, the assessors call on the EUIF to consider that a larger organisation needs an adequate strong organisational backbone more than a small organisation. Currently, the management approach is heavily based on the core values shared by each staff member and the personality of the leaders. This approach seems to be appropriate for handling the current challenges. Keeping this backbone stable if there is further growth may become an issue. The assessors think that it is important that the EUIF keeps the right balance between stability and flexibility. The management of the PES may reflect on this question at the next opportunity.

In the following paragraphs, some ideas with references to other PES are presented which could improve service delivery, and which would support the reform process. As the EUIF is a very mature organisation, the assessor team has only provided some suggestions rather than made formal recommendations.

### *Services for employers*

The assessors got the impression that the strategy and the service delivery for employers could certainly be intensified and expanded at several tiers. The main challenges are the increasing need of employers for skilled employees which are rarely available on the one hand, and the need for suitable (part-time) vacancies for jobseekers with disabilities on the other hand. The assessors think that a more pro-active approach for employers could be used. This could, for instance, be achieved by pro-actively offering counselling services to employers for the upskilling of their present workforce. Once unskilled employees have been successfully trained, they can climb up the ladder within the organisation, thereby making space for an easier-to-hire unskilled jobseeker. This would not only help reduce the unemployment risk, but also help to identify vacancies in companies.

There are several different approaches amongst the European PES for close collaboration with employers, for effective supporting of recruitment with channelled services and for unveiling “hidden” jobs. The following examples may be worth to be studied by EUIF:

- In Austria, the PES employers’ strategy shows how they have approached employers as an equally important customer group, both internally and externally. Specific services such as elaborating HR advice (including upskilling issues or working time issues) or the channelled online service of an “eAMS account” are offered to employers. Enhanced personal contacts between employers and the PES contribute, *inter alia*, to a service orientated towards employers.
- The PES of Belgium (Wallonia) has implemented a proactive and effective approach to employers. Its multi-channel change programme aims, *inter alia*, to best meet the expectations of clients including its “I recruit” online service for employers.
- In Germany, the PES has rolled out well-developed and consistent strategies for employers with a clear focus on small and medium-sized enterprises (SMEs).<sup>3</sup> A two-step matching process is implemented which combines IT-driven automated matching with a further refined selection by the employment counsellors. In addition, a large set of complementary services is offered to employers by their personal contact persons. Finally, the German PES has gathered a lot of experience in upskilling the workforce, e.g. through its ‘WeGebAU programme’.
- The Slovenian PES has also established a powerful employers’ service strategy. Employers are well served by special units and a new web portal specifically for employers. Matching systems are designed to meet employers’ needs, and psychometric pre-screening is offered to employers recruiting for particular vacancies. Furthermore, the Slovenian PES has undertaken several activities to improve employers’ services.
- In Sweden, PES employer counsellors look for “hidden” jobs especially in smaller companies. Activities are, *inter alia*, the on-site counselling of companies in HR-questions in order to unveil job possibilities for clients (also suitable for part-time jobs). This activity was successfully tested in a pilot project.

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<sup>3</sup> This is anchored by a key performance indicator for this customer group.

### *Online service delivery, profiling tools and channel management*

With regard to the services offered to all groups of clients, the assessors think that there is room for improvement, especially in the stringent and structured extension of online service delivery. The usage of self-services is relatively low and could be stimulated. This is also in line with the EUIF's ambitions in this field. Online services could be expanded to support this strategy. Interesting examples include the Flemish PES (Belgium), which has implemented its "digital first" service concept to make online registration the norm. The "digital first" service includes the offer of user-friendly digital tools. In France, the "#DigitalPôleEmploi2020" project simplifies, *inter alia*, access to online services and it supports jobseekers' digital autonomy. The Dutch PES strategy for tailored and blended service delivery includes the introduction of digital tools such as improved self-matching facilities.

Automatic and evidence-based profiling could support the process of determining who needs immediate face-to-face support and who can use the self-service offers. In this way, financial resources can be spent very efficiently. Furthermore, counselling time is saved, so additional time can be spent with jobseekers who need face-to-face counselling. In this context, the following PES may serve as sources of inspiration for the EUIF. The Flemish PES offers an online tool for self-assessment to support the profiling process. Furthermore, it developed a predictive IT model processing mass data to accelerate and improve job search procedure. The PES of Croatia developed a statistically assisted profiling model (StAP) to improve the quality of services. In Malta, the PES introduced a competence-based profiling and matching tool to increase the quality of matching and placement. Furthermore, Malta implemented successful approaches for the disabled, suited to the type of disability on the one hand (job coaching) and the opportunities which can be offered by the employers on the other ('job carving').

The expansion of the EUIF's online services should be accompanied by the further development of a systematic channel management programme to take up all the advantages of digital services. In this regard, the situation in France may be worth studying because the channel management aims to optimise the mixture of physical and the digital provision of services. The Dutch approach also aims at the optimal combination of digital tools and face-to-face services taking into account, *inter alia*, the digital literacy of users (both clients and staff). Finally, the Norwegian PES uses an advanced channel management approach, which enabled it to direct the majority of registrations to its online channel.

### *Performance management*

Although the performance management of the Estonian PES shows a high level of maturity, it might be useful to study the approaches in other countries. Additionally, this might also be helpful with regard to the aspect of ensuring a "stable" organisation. In this regard, the situation in the following PES might be worth the EUIF studying. The French PES shows a clearly structured approach with defined room for manoeuvres at the regional level and with result-oriented indicators. The German approach is characterised by staff having clear duties and competencies at all levels. The German PES disposes of a balanced indicator system integrating short term results and long-term outcomes and a systematic follow-up of monitoring results. The Dutch performance management system, *inter alia*, offers the capacity of reacting adequately to economic, financial and labour market changes without slowing performance. The system ensures the availability of relevant data and the breakdown of targets to lower levels.

*Evidence based service delivery and decision-making*

Although there is a lot of attention to evidence and several evaluation methods including ex-ante analyses, randomised controlled trials (RCT), and pilots are applied, this could be done in a broader and more systematic way, which would also strengthen the “backbone” of the organisation (as mentioned above). For instance, the Danish PES is very experienced in testing new ideas/approaches by RCT.

*Internal mutual learning*

Finally, the mutual learning amongst staff, and between regional offices, could be facilitated by a bit more structured exchange of experiences, and especially by sharing good practices across offices. This could support the successful introduction of new services (see section 2 above) and also the extension of services (e.g. for employers). In this vein, Austria has implemented an innovative concept for ideas management (e.g. promising the award “AMS ideas of the year”). Austria exchanges good practice across its own offices and also with private business companies. In regard to evidence-based definition and systematic collection and the methods of sharing good practice across offices, the Danish PES may also be of interest for the EUIF.

