



Benchlearning Initiative External Assessment

Summary report 2nd cycle –Finland



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PES of Finland –
Ministry of Economic Affairs and Employment (MEAE)

Summary Report 2nd cycle

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1. INTRODUCTION

This report outlines the results of the second Benchlearning (BL) external assessment of the Finnish PES, conducted between October 15th and 17th, 2018. The team of seven external assessors had three peer PES staff (from the French, Irish and Norwegian 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 Ministry of Economic Affairs and Employment (MEAE), from the Development and Administrative Centre of ELY Centres and TE Offices, KEHA Centre and a visit to the two regional offices in Helsinki (Uusimaa TE Office) and Lahti (Häme TE Office).

The time and resources invested in the preparation for the Benchlearning visit by the MEAE, particularly the self-assessment, the Benchlearning Change Report and a variety of other background information (especially the presentations) forwarded to the team of external assessors prior to the visit were crucial to its success.

The Finnish Public Employment Service (the PES) is organised as an executive administration under the Ministry of Economic Affairs and Employment (MEAE). It is responsible for services to customers (jobseekers and employers), but not for the disbursement of either unemployment benefit or other social benefits. Parliament approves the annual budget of the MEAE and sets its main business objectives and targets.

The main objectives of the PES are to:

- Support growth and employability through developing the skills in the work force.
- Promote the functionality of the labour market.
- Support jobseekers in quickly accessing the labour market.
- Support business start-ups.
- Strengthen adaptability of employers and increase their competitiveness.

The head office of the Finnish PES is currently the Department of Regions and Growth Services within the MEAE and in charge of steering the activities of the ELY Centres/TE Offices. At the local level, the 15 Offices for Employment and Economic Development (the "TE Offices"), together with some 120 local service units and a national call centre, are responsible for service provision. The Development and Administrative Centre of the ELY Centres and TE Offices (KEHA Centre), established in 2015, coordinates the work of the 15 regional centres for Economic Development, Transport and the Environment (the "ELY"-centres) and 15 TE Offices and produces development and management services for them. The KEHA Centre works under the steering of MEAE. In addition, there are about 30 "one-stop shops", where labour market-related and benefit-related services are provided under one roof. In addition, there are almost 60 one-stop shops for youth which offer integrated and specialised services for young people ("Ohjaamo" networks). However, these one-stop-shops/networks are not directly part of the official organigramme of the Finnish PES, but offered to some of the customer groups.

2. SHORT SUMMARY OF THE CHANGE AGENDA

Within the PES Benchlearning initiative, the first Finnish PES external assessment was in 2016, following a self-assessment based on the European PES conceptual

framework agreed in 2014. Recommendations from the first external assessment were carefully examined and discussed in the steering committee at MEAE-level. As part of its Change Agenda, the Finnish PES commented on the recommendations and assessed them in terms of their importance and relevance. However, none of them could be implemented since then because of uncertainties relating to the timing and practical consequences of the regional government reform planned at the time.

The current reform process is taking place in a context of very positive economic developments and a substantial decrease in unemployment. However, long-term unemployment remains a serious problem – around 27% of all the registered jobseekers are long-term unemployed – and more and more employers have problems in finding an appropriate workforce.

The core element of the government's reform is the regionalisation of public administration, forming "autonomous" counties as a third administrative level between central government and the municipalities.¹ Its aim is to harmonise the State regional administration with county government administration and to rationalise the organisation of public-sector administration at State, regional and municipal levels. The aim is to transfer the organisation of healthcare and social services and other regional services, including the public employment services to counties as of 1st January 2021. The reform includes the establishment of 18 new autonomous counties, which will ultimately take over specific responsibilities of more than 300 different municipalities and other authorities at state level. They will be fully responsible for the organisation of a variety of services including healthcare, social welfare, employment services and services for start-ups and businesses. These reforms were originally scheduled for 2019, but then postponed first to 2020 and then to January 1st, 2021.

The objectives of the reform are:

- Providing Finland with modern, cost-effective public administration that serves every citizen.
- Reducing regional disparities and differences in health and wellbeing.
- Slowing down the increase of costs in the public sector, with a smarter use of resources.
- Strengthening basic services and improving digital services for citizens.
- Offering greater freedom of choice to users of services.
- Giving citizens greater opportunities for participation and influence.
- The implementation of the regional government reform is still uncertain, as the bill on the reform has not passed through Parliament yet. General elections will take place on April 14th, 2019, so that relevant decisions will be taken by the new government, which will be responsible to take a decision on the direction of the public employment services.

The establishment of "*growth services*" plays a major role in the reform. These growth services, run by the new counties, through their one-stop-shop approach should integrate public employment services with business services (TE services)

¹ Currently, TE services are carried out by regional offices covering 15 labour market regions. After the administrative reform the labour market regions will no longer exist, and PES services (as part of the so-called "Growth Services") will be organised at county level.

and also with services for strengthening entrepreneurship. The single 'PES', as such, will no longer exist. Instead, PES services will be provided for citizens as the new, integrated, growth services.

The objective in introducing integrated services to citizens is to increase transparency, customer-orientation and efficiency by a streamlined organisation. According to what has been widely discussed at a political level, it is expected that integrated services are more cost-efficient than interrelated services, which are scattered among different public administrations at national and/or at municipal levels.

An important element in the introduction of the growth services is that the concrete form of each one's organisational set-up will be decided on by the counties, which are yet to be created. Within the reforms, the organisation of the growth services will be separate from their delivery. The (new) counties will be responsible for defining and organising the services, while third parties (including private providers, municipalities etc.) will be responsible for their implementation.

Against this background, it can be expected that PES services will therefore vary substantially from county to county, depending on organisational models, administrative traditions, economic development at regional level, existing networks, and the political agenda at county level etc. Taking into account these uncertainties, it remained unclear to external assessors how it will be ensured that in the future effective PES services will be organised on the basis of a common understanding of PES objectives, quality standards and comparable processes, in a way that secures access to high quality services for jobseekers and employers all over the country.

Taking into account the regional government reform which was postponed twice, the recommendations of the first PES BL assessment were assessed by the Finnish PES, with these results:

- *Refining the performance monitoring model, especially for increasing transparency of performance at the regional and local levels*

An indicator model for performance management and steering purposes is currently in use, which also includes effectiveness and expenditure. The ambition is to keep this model for ensuring that outcomes of PES service provision can be compared between counties, but it is not clear whether the existing system will "survive" the administrative reform process.

- *Ensuring a common standard of service provision across all offices*

Since counties will in future be responsible for delivering PES services as an integrated part of growth services, a common standard of service provision is not envisaged by the Finnish PES.

- *Effective implementation of a profiling tool across the organisation as a fundamental operational activation process*

Profiling as part of the operational processes will be subject to decisions at the county level. In this context, the Finnish PES does not see the need to push forward a commonly agreed model for profiling or other operational tools.

- *Introducing a target for the number of collected vacancies, taking regional labour market situations into account*

In addition to the planned digital job market platform (www.tyomarkkintori.fi) where jobseekers and employers can meet “virtually”, it is quite likely that the counties themselves will implement their own additional systems for advertising vacancies. As a consequence, the introduction of a target number for collected vacancies is not regarded as appropriate by the Finnish PES.

- *Establishing a national “evaluation and research plan” to systematically steer the process of evidence generation*

The Finnish PES recognises the increasing importance of research and scientific evaluation for PES services. A stronger cooperation is envisaged with academic and other research institutions, especially to address core elements of the upcoming governmental reform (e. g. outsourcing of services). In addition, a series of pilot projects, e g. for testing different cooperation models, have been launched at local level. However, the suggestions of elaborating and systematically implementing an evaluation plan, which includes the communication and discussion of evaluation results, as well as a systematic dissemination and transfer of positive experiences, has not been followed so far.

- *Developing a more systematic exchange between the MEAE and the TE offices*

Despite the fact that the Finnish PES sees the need for setting up a systematic exchange between counties, municipalities, TE offices and other relevant stakeholders in the labour market, the recommendation from the external PES assessors has not yet been implemented due to the prolongation and uncertainties related to the entry into force of the regional government reform. It is regarded not applicable for the time being.

- *Developing a clearer understanding of the role of the PES department within the Ministry*

This recommendation is not applicable as the former PES department has been split into the “Department of Employment and Well-functioning Markets” and the “Department of Regions and Growth Services” as a step towards the future organisation model corresponding better to the needs of the regional government reform.

- *Extending the “QlikView” tool to include a financial component which allows the real time monitoring of the resources for ALMP measures.*

This recommendation is also not applicable, as the QlikView will no longer be used after 2019. A similar tool is currently under development under the responsibility of the KEHA Centre, which is the development and administrative centre for both the ELY Centres, and for the TE Employment and Economic Development Offices.

As a result, the change agenda elaborated by the Finnish PES after the first PES BL cycle on basis of the PES assessors’ recommendations, was not initiated in the end. While it did not know the future organisational set-up and service models at the county level, the Finnish PES decided that it was inappropriate to initiate change processes at a central level.

3. RELEVANCE, COHERENCE AND CONSISTENCY OF THE REFORM AGENDA

Due to the fact that relevant changes in the PES depend on external factors, there is no current change agenda on which external assessors could comment in terms of the relevance, coherence and consistency of the reform.

From the assessors' perspective, the Finnish PES is facing a rather difficult situation, where decisions are basically taken outside the existing PES structure. Since this touches on the PES's *raison d'être*, the external assessors recommend making appropriate use of the existing scope for shaping the PES's future on the basis of the know-how and experience it has accumulated over recent years, and for that matter over decades, especially with a view to the conceptualisation, implementation and organisation of the changes in PES services.

Elaborating, suggesting and discussing the essential cornerstones of the future performance management model, well in advance, could significantly help ensure both a smooth transition from the old PES organisation to the new PES organisation and a seamless continuation of service provision.² If guidance to municipalities and (future) counties on objectives, standards and well-established services for customers is not systematically offered, making full use of the rich experience of the current PES, this could lead to a high level of fragmentation and interface problems. If there is divergent service quality, it may be difficult to achieve the desired reduction in regional disparities and differences in health and wellbeing across the country which is one of the central objectives of the governmental reform. As the experience of other European PES shows, without sufficient "steering" and without guidance and without a common understanding of objectives and roles, a decentralisation of PES services can lead to a substantial loss of functionality in the labour market, less transparency, and greater difficulties in bringing the "labour offer" and "labour demand" together effectively.

One important way to avoid this would be firstly by defining clear roles for all the stakeholders involved, and secondly by defining the interfaces between central government, the (future) counties and municipalities, and also introducing key performance indicators which all stakeholders at the different PES levels can agree on – both currently and in the future.

It can be learnt from other PES experience that it is much easier to implement these decisive elements – clear role-definition, clear objectives translated into commonly accepted (and acceptable) key performance indicators – *before* the new organisational set-up is implemented, rather than waiting for the new organisational arrangements to be fully operational, and only then starting to define common objectives and make them operational. In this context, it would also be advisable to agree on a limited number of impact-oriented and efficiency-oriented indicators which would compare and steer nationwide labour market performance and define what should be achieved, leaving the "how?" to the (new) counties.

² Some preparations in this direction have been made. For instance, a model for management by information and appropriate indicators has been developed in cooperation with different ministries. In addition, negotiations on activities and budgets have been prepared between Ministry and the current counties and are supposed to start in March 2019 in order to enhance dialogue between counties and government. However, as it is not possible at this stage to know the detailed model nor the actors of the future growth services, a smooth transition is not possible.

The second cycle of PES Benchmarking has shown that diversity between PES, and within a PES, is a strength, as it may support competition that then leads to continuous innovation and change, thereby increasing the potential for more effective and more efficient services. It might also be worth stimulating cooperation, or competition, between the counties through performance incentives. In order to have fair competition, it also seems helpful to define regional target levels according to relevant contextual factors, such as the economic development at county level, their labour market structures and developments and so on.

4. ASSESSMENT OF CHANGE MANAGEMENT

In the previous chapter we described how the Finnish PES is holding up its own PES-related initiatives until there is more clarity about the details of the government's overall administrative reform. Despite important preparatory steps which the MEAE has taken with reference to the expected reform – including, amongst others, the management by information model with indicators, the growth service pilots, joint negotiations between the counties and the government – the PES assessors could not see substantial involvement at strategic level and initiatives coming from the Finnish PES in the administrative reform process. The Finnish PES expects that some of the recommendations of the 2016 assessment will be still applicable, but so far, there has been no concrete initiative for their implementation.

Against this background, external assessors encourage the PES management to get more actively involved in the preparation of the Finnish administrative reforms, advocating its own change and modernisation priorities that fit into the government's overall administrative reform programme. This would help it to actively contribute the existing PES know-how which could regain PES ownership of the future design and management of PES services. As mentioned above, it seems crucial to external assessors that the PES should agree a selected number of core PES objectives with the Government, the municipalities and the other stakeholders. It should also define appropriate and commonly accepted key performance indicators with operational definitions with the central government, the municipalities and the stakeholders which would be measurable at all levels if they had the same IT system. This should set up a functioning performance management system from head office to the local PES offices. This could then be used as a supportive structure for service provision, and it could guarantee minimum standards throughout the country.

5. SUGGESTIONS AND RECOMMENDATIONS

On basis of the findings, the external assessment team would like to make the following suggestions that may help the Finnish PES actively shape future PES services, within the context of the major government-level changes which are expected in the coming years:

- As mentioned above, the external assessment team is convinced that the Finnish PES has a lot to contribute to the fundamental changes which will be implemented as a result of the creation of counties and the creation of "Growth Services". Various changes could help the Finnish PES ensure that comparable PES services will be offered to jobseekers and employers all over the country. These include, firstly, a prioritisation of core elements of future services, secondly, a transparent presentation of these priorities to the government, the municipalities, and the various new administrative units that will take over responsibilities at county level and other relevant stakeholders, and, thirdly, an internal discussion on how to implement these core changes effectively.

Good examples for shaping future PES services in a dynamic economic and institutional context are offered by the experiences of the Irish, the Estonian and the Dutch PES. The external assessment team recalls how PES services in the Netherlands were developed despite the somewhat “unfavourable” external context. As a result of the government’s austerity policy, a substantial cut in budget and staff resources took place while the number of unemployed increased at the same time. However, by digitalising services and re-inventing internal structures, organisation and administrative processes, the Dutch PES managed to ensure high quality services for jobseekers and employers. The clear own “change plan” was a core element as it set priorities for (three) specific areas for change. For every change area, a clear strategy and an implementation plan was elaborated, which also allowed a continuous monitoring of progress.

- The external assessors would also suggest elaborating, discussing, defining and implementing criteria for measuring the performance and the success of future PES services. These criteria should be derived from clear objectives on which all relevant stakeholders – the government, future counties, the municipalities and other labour market partners – could agree, and which could at the same time be put into operation with appropriate Key Performance Indicators (KPIs). The new KPIs should be limited by number and highly relevant for describing core services that are offered in future to jobseekers and employers.

In this context, good examples of smart objectives and KPIs and appropriate targets could be studied at the Irish and the Estonian PES. In addition, the Italian PES could be studied. In Italy, after many years of fruitless negotiations between central and regional PES structures, with the support of a “Mutual Assistance Project”, the newly formed Italian national PES (Anpal) successfully managed to agree with the regional PES on a limited number of core indicators and KPIs to measure the effectiveness and the performance of PES activities and services.

- Another important factor that could considerably help achieve comparable PES services for all PES customers all over Finland, no matter which organisational set-up is chosen by the counties, is the IT infrastructure. In all PES, the IT system is the backbone of PES services and processes. Implementing a new IT system using the current one as a basis could help the (new) counties adapt more easily to providing high quality basic service provision. It could be refined according to future needs, such as an increase in digital services, the effective “channel management” of customers, and support for self-activating customers, while remaining “agile” enough to be customised to new needs. A functioning IT system should naturally begin with a clear definition and description of the processes required from it to effectively support PES staff.

The external assessment team suggests studying relevant experiences of the French and the Norwegian PES, as their IT systems were recently re-designed while the PES underwent major reform.

- External assessors would also encourage the Finnish PES to organise effective formats for local PES offices to systematically exchange experiences and good practice’. At the moment, different municipalities are experimenting with alternatives for organising their future “Growth Services”. By “clustering” PES, e. g. according to comparable labour market conditions, these experiences could be shared, discussed, reviewed and developed among the municipalities and/or the TE offices.

This exchange could be organised as an internal and external Benchlearning exercise, using the sort of methodology that is practiced at the European level. This could help to systematically organise learning processes within Finland, thereby helping the municipalities, the TE offices and the (future) counties by getting them in touch with each other, disseminating good practice and making the best use of the innovative potential which exists across the entire PES system.

Relevant experience in this context was recently gained in part of the German PES, where the European Benchlearning initiative was customised to regional needs and implemented by the Bavarian PES. As well as this example, the Austrian and the Flemish PES could also be studied. Both of them traditionally use the Benchlearning concept as part of a systematic quality management system.

- If the Finnish PES generated evidence on “what works for which type of customer under which specific conditions”, this could help it to systematically support the new counties and the municipalities when they have to organise PES services. The creation and use of this evidence could, for example, support the counties in developing labour market strategies and defining the best mix of Active Labour Market Policies (ALMPs) suited to the specific regional labour market conditions. High quality experience in this field is offered by the Estonian, Dutch, French and Norwegian PES.
- Finally, the external assessment team suggests defining common quality standards for PES-related processes and services to guarantee a minimum standard of service provision across the country. It goes without saying that quality standards should be defined in a way that can be easily adopted by the new counties. The Austrian PES could offer relevant expertise in implementing quality standards at all organisational and regional levels across a PES.

