



Benchlearning Initiative External Assessment

Summary report 2nd cycle – Hungary



Written by ICON Institut Public Sector GmbH

2017



EUROPEAN COMMISSION

Directorate-General for Employment, Social Affairs and Inclusion
Directorate B — Employment
Unit B.1— Employment Strategy
Contact: Renata Häublein
E-mail: EMPL-PES-SECRETARIAT@ec.europa.eu
European Commission
B-1049 Brussels

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>

LEGAL NOTICE

This document has been prepared for the European Commission, however it only reflects the views of the authors, and the Commission cannot be held responsible for any use which may be made of the information contained herein.

Benchlearning Initiative External Assessment

Summary report 2nd cycle – Hungary



Benchlearning Initiative External Assessment
PES of Hungary – National Employment Service
Summary Report 2nd cycle

Index

	Page no.
1. INTRODUCTION	5
2. SHORT SUMMARY OF THE CHANGE AGENDA	5
3. RELEVANCE, COHERENCE AND CONSISTENCY OF THE REFORM AGENDA	6
4. ASSESSMENT OF CHANGE MANAGEMENT	6
5. SUGGESTIONS AND RECOMMENDATIONS.....	7

1. Introduction

This report outlines the results of the second Benchlearning (BL) external assessment of the Hungarian PES (the National Employment Service – NES), conducted between Sept 11th and 13th, 2017. The team of six external assessors comprised two peer PES staff (British and Irish 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/departments of the Ministry for National Economy, and a visit to two local offices (in Rétság and Székesfehérvár). The time and resources invested in the preparation for the Benchlearning visit by the NES, particularly its internal self-assessment, were crucial to its success. The team also gratefully acknowledges the additional information provided by the Ministry for National Economy.

As part of the governmental territorial bodies the NES is responsible for the disbursement of unemployment benefit within the unemployment insurance scheme and, the means-tested social allowance. The PES functions are integrated into the general government offices at the local and county level. The 173 local units report to county level departments (also integrated into general government offices), which in turn report to four ministries (the Ministry for National Economy, the Ministry of Interior, the Ministry of the Prime Minister [the so-called Prime Minister's Office], and the Ministry of Human Capacities).

Since 2011, many of the functions of the PES have been integrated into central government, and many of its previous functions are now dispersed between several departments of different ministries. Four departments within the Ministry for National Economy are now responsible for most PES services and for ALMP (except Public Works), as well as ESF funded programmes. Public Works programmes are managed by the Ministry of Interior. The human resources and infrastructure of the PES network is directly under the Prime Minister's Office, while its data system (supporting both policy makers and frontline staff) is now managed by the National Infocommunications Service Company (NISZ), which is itself under the Ministry of the Interior. In the same time, the Ministry for Human Capacities is responsible for social policy and youth policy.

As a result, a PES comparable to those of other countries in the PES-Network no longer exists in Hungary, although its former functions remain operational under the various government ministries.

2. SHORT SUMMARY OF THE CHANGE AGENDA

Despite the substantial organisational and structural changes, there is no coherent and explicit change agenda. Subsequent to the external PES BL assessment in 2015, an action document was prepared but it was never formally endorsed by the top management, also because the Ministry for National Economy cannot run a change agenda alone. As result, a systematic implementation could not take place. Some elements of this action plan were nevertheless implemented, such as regional employment pacts (LDOP) and additional services for hard-to-place jobseekers. Some elements of the action document are work in progress, such as establishing new standards for labour market services, pilot projects in the most disadvantaged regions, and a 'priority action' for the labour market integration of jobseekers challenged by mental, social and health problems.

There are further ongoing development initiatives in the NES, which seem to come partly from political goals, and partly from the development needs and priorities of the NES. First, a recent government decree prescribing a significant reduction in

the public works scheme requires an adjustment in PES services and measures for the long term unemployed to support their re-entry to the primary labour market. Second, the NES has continued its efforts to refine the profiling system introduced in 2016. Third, the renewal of the PES web services (www.munka.hu) and websites is an ongoing process since the head quarter was closed on December 31st, Dec 2014.

3. RELEVANCE, COHERENCE AND CONSISTENCY OF THE REFORM AGENDA

As explained above, currently the NES does not have an explicit reform agenda, and though the recent development initiatives all tackle important issues, they do not together make a coherent set of actions. Three current changes point in a good direction and should be continued: firstly, the introduction of an updated profiling system, secondly the re-introduction of individual action plans and finally the envisaged gradual downscaling of the public works programme.

The NES also has considerable strengths that provide a good basis for development in several areas. Importantly, local staff seems highly motivated and its data collection system ensures high quality and detailed information both on clients and on PES activities.

However, the recent changes have not tackled the fundamental problems in the current organisational set-up of the NES, and there has been no significant improvement concerning the coordination between the ministries supervising the NES.

4. ASSESSMENT OF CHANGE MANAGEMENT

There are neither clear objectives nor a clear vision for the NES reorganisation process. Consequently, there is no real management of the change process: front-line staff and middle-level managers within the PES structure use their ad hoc and personal strategies to adjust to initiatives coming from the controlling government bodies. There is no systematic dialogue between the responsible ministries as to how to respond to labour market challenges within the new institutional set-up.

The lack of change management undermines the effective functioning of the NES. The business model of the NES is not clearly defined, and there is no functioning quality management system. The internal communication channels are too indistinct to ensure that information reaches the local level. The possibility for job-specific training for PES staff continues to be limited.

The previously developed MbO (Management by Objectives) system, though formally still in place, has lost its practical relevance as a method for steering the performance of local units. Though the benchmarking of local units may still function as a motivational tool, it has effectively been discontinued. Similarly, though the IT system generates good quality detailed information, it is not used for systematic and regular counter-factual evaluations. With the exception of cost benefit analysis connected to ESF and ordered by the Prime Minister's Office there is no systematic and regular cost benefit analysis of the ALMP measures, particularly the public works programme that may influence the allocation of ALMP resources. In addition, there is no systematic method of measuring the efficiency of training provided for jobseekers, which is an important part of the ALMP measures.

The lack of a coherent employers' strategy constrains the ability of the NES to attract job vacancies. In addition, the weaknesses in the new profiling system impair the efficiency of job-matching, as well as the efficient targeting of services and ALMP. Referral of clients to ALMPs, resulting from the current profiling practice,

seems to be based on eligibility and the availability of quotas in the different support schemes rather than identified needs. The lack of an external communication strategy inhibits the development of effective partnerships at the local level and also the presentation of a convincing business case when the NES competes for funding.

At the same time, as EU funds are expected by external assessors to be reduced after 2020, the NES needs to strengthen its analytical and management capacities to be able to identify and implement efficient processes, structures and ALMP instruments. It goes without saying that this, together with the efficient performance of PES services, would require coherent, coordinated, regular and systematic co-operation mechanisms at horizontal and vertical level between the various institutions responsible for PES services.

5. SUGGESTIONS AND RECOMMENDATIONS

As a general recommendation, the assessors suggest that the NES should seek support and inspiration from PES that have undergone profound organisational changes. The PES in Ireland would be ready to offer such support. In addition, the team of external assessors invite the responsible Ministries to carefully reconsider the results of the Summary Report of the 1st PES Benchlearning visit in 2015. Most of the suggestions and recommendations contained in the report are still valid, and they could be useful for further reforms of PES services in Hungary.

Taking the challenges described above into consideration, the external assessors recommend that the NES should play a more active role in the development of a sound strategy for tackling labour shortage and, in particular, it should focus on employer services, profiling, IT services and quality management, where further development would be particularly beneficial.

The suggestions of the assessor team are described in more detail below.

Employer services

Given the existing skills mismatch in the demand and supply of labour, as well as the expected increase in the shortage of skilled labour, the upskilling of the workforce seems a more promising policy response than incentives to promote the return of skilled Hungarians working from other countries. This should be supported by effective employer services. The assessors recommend that the NES develops a strategy for 'employer counsellors' adjusted to regional, local and sectoral needs and the areas where employers see a demand for skills. Specific employer teams should be set up at county level and staff should be trained in applying the employer strategy mentioned above. PES practices in Austria, Germany and the UK may offer further inspiration in this area.

Profiling

Profiling needs to be further refined. It should offer a holistic image of jobseekers' potential and competences, and it should be integrated into the set of indicators in the profiling process. In addition, the revised profiling should be connected with segmentation, caseloads, service packages and matching. It is advisable that informal competences are not only integrated into the profiling, but they should also play a prominent role in the matching process. The protocols and incentives for front-line staff should be revised (or strengthened) to ensure that the outcome of profiling drives referral into services and measures rather than the other way round. The Netherlands, Germany and Italy have relevant practices in this area.

IT services

IT services must gain full functionality and ensure that local staff can perform efficiently. Processes, e.g. for registration, profiling, matching etc., could be generally much more efficient if administrative work and services were digitised, as far as possible. This would free up human resources for casework with the long term unemployed (and other hard to place) clients. It may greatly support and speed up improvements in this area if the responsibility for IT developments could be brought back to the Ministry for National Economy. Relevant PES practices include Estonia and the ongoing reform in Austria.

Quality management

The further development of quality management is essential for increasing the efficiency of the NES. One area where improvements would be particularly beneficial is the quality assurance of training programmes for jobseekers. For example, introducing incentives tied to labour market outcomes (e.g. re-employment rates) rather than outputs (such as the successful passing of exams) could significantly increase the efficiency of services provided by training centres. In addition, the quality of services and the efficiency of NES staff could also be increased by job-specific training.

