



Benchlearning Initiative External Assessment

Summary report 2nd cycle –Latvia



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PES of Latvia – State Employment Agency
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1. Introduction

This report outlines the results of the second Benchlearning (BL) external assessment of the Latvian PES (the State Employment Agency –SEA), conducted between November 7th and 9th, 2017. The team of six external assessors had two peer PES staff (Brussels Capital/Belgian and German 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 State Employment Agency (Nodarbinātības valsts aģentūra), and a visit to two local offices (in Ogre and Sigulda). The time and resources invested in the preparation for the Benchlearning visit by the SEA, particularly its internal self-assessment additional information, were crucial to its success.

The SEA is under the supervision of the Ministry of Welfare (MoW) which approves the SEA's (mid-term) Operational Strategy, its yearly work plan, its budget and it confirms the SEA's organisational structures or approves any changes to them.

The SEA has the overall national executive responsibility for the delivery of employment services. Its main objectives include

- (a) the provision of support to the unemployed, jobseekers and people at risk of unemployment to increase their competitiveness in the labour market;
- (b) the implementation of active employment measures, and
- (c) the implementation and administration of ESF projects.

The SEA has a two-tier structure with a head office and 28 local offices. The head office is responsible for all strategic operational planning, management and support functions. The 28 local offices are directly under the Deputy Director of the SEA. The local offices are located across Latvia and they provide service to clients such as unemployment registration, profiling the unemployed, the establishment of individual action plans, the implementation of labour market programmes, the provision of career counselling and guidance, and also training services. In addition, it offers placements to the registered unemployed and other jobseekers, and it provides recruitment services for the employers.

2. SHORT SUMMARY OF THE CHANGE AGENDA

Based on the recommendation of the first external PES BL assessment in 2015, the SEA has elaborated an impressive and very ambitious reform agenda covering the following *eleven* reform projects:

- 1) *The facilitation of initiatives from branch offices, helping to empower them and improve their performance:*

To this end, the SEA plans to improve the current performance management system, including the performance and result indicators that compare the 28 branch offices. The new system should regularly look at whether the performance results relate to their defined purposes, and it should actively involve branch offices in the process of defining quantified targets, and the launch of new services for their clients.

2) Strategic planning and the management of cooperation with employers:

As a first step towards improving employer services, the SEA planned elaborating an employer strategy in close cooperation with the branch offices and relevant cooperation partners. In addition, the mission statement of the SEA will be revised giving more importance to employer services and making these a fundamental part of reaching the SEA's strategic objectives. At a strategic level, these measures will be accompanied by an assessment of possible communication and cooperation channels with employers (e.g. by making use of specialised call centres for employers' requests).

3) The improvement of the SEA's 'CV and vacancy' portal to make it a more frequently used source of information:

One of the actions foreseen in this context is supporting legislation, which aims to force central and local government institutions to publish their vacancies on the SEA's CV and vacancy portal. In addition to this, employers, the unemployed and jobseekers should be informed of the benefits of using the database on a regular basis.

4) Simplifying the SEA's Quality Management System (QMS) to make it more flexible and transparent:

Apart from a revision of current QMS requirements, the heads of unit in the central office should work with the heads of the branch offices for better activating employees at the local level and for unleashing their creativity in the QMS reform process.

5) The elaboration of a channel strategy for service provision:

The reform agenda foresees an improvement in client services through making better use of electronic services and through a more effective allocation of staff resources by taking regional needs into consideration.

6) Periodic revision of the profiling system:

The profiling system will be periodically reviewed. An improved and broader set of factors –including competences –will be elaborated and taken into account in the initial profiling phase. In addition, employees should be trained in making the best use of the revised and improved profiling system.

7) The continuous implementation of pilot projects for testing new services:

Relevant pilot projects in 2016 and 2017 referred to the integration of refugees and the disabled into the Latvian labour market.

8) The elaboration and introduction of a strategy for improving the SEA's co-operation with partners by analysing their potential input into reaching the strategic objectives of the SEA:

One of the ways of enhancing partnerships at the national and local levels are the planned events targeted at different partners and stakeholders.

9) The implementation of 'jobseeker segmentation' based on a jobseeker's distance from the labour market.

10) Strengthening the emphasis of the Human Resources Development:

Starting from an in-depth analysis of staff competence gaps and the SEA's future qualification needs, an increase of staff salaries and of advisor career opportunities within the SEA as well as attractive and relevant training possibilities should help to better manage HRD at the central and the local levels.

11) Supporting the current Lifelong Learning strategy with a Lifelong Guidance strategy in cooperation with the Ministry of Education and Science

3. RELEVANCE, COHERENCE AND CONSISTENCY OF THE REFORM AGENDA

The reform agenda described above covers the entire governance and organisation of the SEA. Therefore, areas for reform refer firstly to the strategic management and planning and secondly to all the elements of service provision including registration, profiling, the setting-up of an individual action plan, counselling, placement and jobseekers' support by offering training and other instruments of active labour market policy.

Crucial elements in the reform agenda are a new cooperation mechanism between head office and local offices, a change in the function of local offices (including the provision of more freedom of manoeuvre, more responsibility and greater liability for their performance). Local offices are therefore expected to evolve from being more like simple administrative units, as in the past, into becoming active players in their local labour markets. Their expertise, experiences and competences should play a bigger role in ensuring that their services to their clients – the unemployed, other jobseekers and employers – fully correspond to their clients' needs. A consequent internal human resource development will help to make full use of the employees' competences and their high motivation and commitment.

Another very important characteristic of the reform agenda is the (planned) major focus on employers. The shortage of a skilled workforce in some regions and in some professions on the one hand, and the lack of jobs in other regions on the other hand, calls for differentiated and flexible employer strategies and services, which take into account regional needs. The huge difficulties employers, especially SMEs, have in investing in a systematic upskilling of their employees adds to the need for regional and flexible employer strategies. In the absence of a specific 'Employers' Unit', this requires further increased effort on the part of the SEA to ensure that employers' service provision will be more targeted in future.

Furthermore, the SEA's reform agenda includes a systematic approach for partnerships, which goes beyond cooperation with employers. There will be effective co-operation and communication structures with social and economic partners, which will include associations, chambers of commerce and so on. The clear definition of objectives and measurable targets, and the continuous assessment of cooperation results, should help the SEA achieve its overall strategic objectives.

In addition, modern ICT will play a significant role in the reformed SEA: administrative processes will be rationalised so that employees can better focus on counselling, the identification of clients' needs, placement and other forms of client support. ICT will also help achieve better profiling and matching results, and it should help channel the different customer segments towards the support and services they need.

The SEA has started on a variety of actions to reach its reform objectives. Further to the simplification of its Quality Management System and a substantial improvement in the communication structures between the head office and the local offices, the recent past has seen the promotion of cooperation structures with relevant partners for the integration of specific target groups. In addition, new financial and non-monetary incentives have been introduced for systematic staff development and for retaining SEA staff, which is currently highly motivated and committed.

Despite these first important steps, the implementation of the reform agenda appeared rather weak to the external assessors during their second PES BL visit. The main reason for this is Latvia's current public administration reform programme. This reform, whose details are described in the Reform Plan from 1st August 2017, is led by the Latvian State Chancellery, attempts to develop a smaller but more professional and responsive public administration. As a State agency, the public administrative reform will also affect the SEA, but its ultimate effects on the governance, structure and organisation of the SEA in concrete terms are not yet clear. Within the broad public-sector reform, new legal acts will determine updated regulations for electronic services provided by public administration. This will also affect the electronic services provided to the SEA's clients.

As a result of this situation, a systematic implementation of the SEA's huge reform agenda and the transition of the SEA from being an administrative body into a more service-oriented, modern PES could only start in the second half of 2017.

4. ASSESSMENT OF CHANGE MANAGEMENT

The current uncertainty as to how the general reform of the Latvian public sector will affect the SEA in concrete terms has therefore significantly slowed down the elaboration and implementation of a real change strategy. As described in the previous paragraphs, a huge number of areas for reform have been identified, and relevant objectives and milestones have been set out for each of these reform areas. In some cases, first implementation steps have been carried out. Thus far, however, the single reform areas have not been integrated into a systematic strategic plan.

As a consequence, the change management programme in its narrow sense is not yet set up, which means, for example, that the areas for reform have not been prioritised according to their importance, the difficulty of implementation or prioritised by other criteria. Interdependencies between the different reform areas have not yet been set out, so there is a high risk of overlooking potential synergies.

Given the relatively small size of the Latvian PES, the prioritisation of reform areas that will ensure a successful change in the SEA is regarded as a crucial reform precondition by the external PES BL assessment team. A clear implementation plan for the change projects, backed up by the SEA's top management and visible to all employees, would help to speed up the reform process and make it successful.

The external assessors would therefore like to encourage the SEA top management to use this time-period (while the broader public administration reform is not yet clarified) to model its own reform projects. The SEA should seek to keep and possibly increase its margins for manoeuvre within the given administrative reform context.

In addition, a successful organisational reform of the SEA also depends on appropriate change structures, both at central and local levels. Change needs to "have a face" which could for example be a change team made up by representatives from the local and the central offices.

Successful reforms of other PES have been backed by strong scientific and empirical evidence. Proving the potential benefits of planned organisational and procedural changes by results through rigid evidence-based evaluation significantly helps to defend reform plans from external influence, so in this way defined milestones can be reached within the established deadlines.

Besides the abovementioned aspects, a convincing change management system also needs communication between the central office and the local offices. Representatives of both local offices visited reported that they noticed improvements in their working conditions and a reduction in their administrative burden in the past two years. These changes were not, however, seen as part of a broader organisational and structural reform of the SEA. The SEA staff's high level of commitment and engagement offers huge potential for a successful change process. Continuous and systematic communication will help to involve the employees in the local offices even more when implementing the change agenda.

For the moment, EU funds – especially the European Social Fund – ensure appropriate financial resources for staff and ALMP expenditures. But since EU funds are expected to decrease after 2020, the SEA needs to anticipate the consequences of potential financial cuts in its reform agenda. Increasing analytical and management capacities for the identification and implementation of efficient processes, structures and ALMP instruments could help to ensure high quality services even within shrinking budgets.

5. SUGGESTIONS AND RECOMMENDATIONS

As a general recommendation, the assessors encourage the SEA to continue its reform process taking into consideration the suggestions and recommendations contained in the report of the first external PES BL visit. Based on this, the external assessors suggest using the overall public administration reform in Latvia as an opportunity for setting the SEA's own change plans. The expected digitalisation of public administration services, and the centralisation of administrative processes, opens up huge potential. It could allow staff more time to concentrate on core processes such as the profiling of jobseekers, the identification of employers' needs, the matching of jobseekers and employers, the development of strong partnerships with relevant stakeholders and the further enforcement of the internal human resources development.

The external assessors also recommend prioritising the defined reform areas and concentrating, in the first implementation phase, on the three most important aspects of the reform agenda. These could be a coherent employer strategy, a systematic performance management system and a clearly structured change management process.

In the past, services offered by the SEA focused to a large extent on needs of the unemployed and of the jobseekers. Services for employers were more or less limited to pointing registered jobseekers to the jobs offered by the employers. Since the matching of jobseekers and vacancies has become more and more difficult (this is also the case in many other countries), the SEA has started to intensify its activities finding vacancies better suited to the potentials of their jobseekers. In this context, external assessors recommend an analysis of the SEA's internal structures in order to assess if PES services offered to employers are sufficient for supporting them in the early identification of their staff development needs, and in training and upskilling them. This could in future help to making the SEA an important employers' partner. This also could help employers keep qualified staff and create jobs suited to registered jobseekers and the registered unemployed. In addition, a

convincing *employer strategy* also needs different approaches at national and local levels.

This also means that central office employer services could for example refer to companies active on the entire national territory and/or international companies, whereas local office employer services could tailor themselves according to the needs of employers in their area. Specialised knowledge of local branch offices on specific types of employers could help local office employer services understand and react better and in a more effective way to local employers' needs.

External assessors also suggest setting up specific employer teams at the local level. Their function would be to actively promote services targeted to the needs of those employers, which are subject to the local employer strategy. The local employer teams would consist of specifically trained officers, whose only work was offering services to employers, and implementing and further developing the above mentioned local employer strategy. Slovenian PES practices may offer further inspiration in this area.

External assessors furthermore recommend a sound and *systematic performance management system* clearly centred on the SEA's business model. A small set of relevant strategic objectives, translated into performance indicators capturing results rather than activities and outputs, could help to better understand and assess the SEA's performance. These objectives should be measurable through quantified targets at both the national and the local level. In addition, effective communication channels between the head office and the local offices – and within the local offices – can increase the transparency about the results that were achieved and help staff draw conclusions on the improvement of their performance. The Austrian PES has relevant practice, which it could contribute to help with the necessary changes in the SEA's performance management systems. In addition, the neighbouring PES, in Estonia has very good experience in its coherent 'Management by Objectives' (MbO) system, which could serve as a reference model for the SEA.

The third recommendation of external assessors is the *establishment of a clearly structured change management system*. In order to successfully implement organisational, structural and procedural changes, the SEA needs appropriate management structures. This applies both to the head office and to the local offices. We therefore suggest setting up a 'change team' at the central level with dedicated staff responsible for further developing, implementing and communicating the change agenda within the organisation. This team should also continuously assess achievements in implementation against the defined milestones.

The change team in the centre should be backed by representatives from local offices who are responsible for the implementation of the local change agenda. These "ambassadors for change" should tell local staff about the next steps in the change agenda, they should collect further ideas for change from their local colleagues and then channel these ideas back to the central change team. They should also moderate the discussion of problems connected with the implementation of change and support local staff in elaborating solutions for these problems. Another very important function of local "ambassadors for change" is supporting managers and employees in local offices within the elaboration of local change strategies. In addition, "ambassadors for change" should also develop and strengthen cooperation between the local offices and their strategic partners in the territory. The Lithuanian "club of enthusiasts" may offer additional inspiration in this field: The "club of enthusiasts" is made up exclusively of front-desk staff and aims at supporting and developing change projects in a participative way.

A structured change management system will only be successful if the SEA can make full use of existing evidence. External assessors therefore recommend increasing the SEA's own competences in scientific analysis and research, for example by appropriate staff training in central office, and by integrating expertise from the outside. Strategic partnerships with universities and research facilities could provide significant scientific expertise within the SEA. Good examples on how to systematically integrate scientific expertise in an employment service is offered by the Estonian, Dutch and Austrian PES.

