



# Benchlearning Initiative External Assessment

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



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



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### **PES of Romania**

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

## **Index**

	<b>Page no.</b>
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.....	7
5. SUGGESTIONS AND RECOMMENDATIONS .....	8

## 1. Introduction

This report outlines the results of the second Benchlearning (BL) external assessment of the Romanian PES (the National Agency for Employment – NAE), conducted between April 3<sup>rd</sup> and 5<sup>th</sup>, 2018. The team of six external assessors had three peer PES staff (from the Danish, Greek and Hungarian PES), one representative from the European Commission and two experts from ICON-Institute (the supporting contractor). The programme of the three day visit included meetings in the NAE's head office with senior management/directorates, and a visit to two local offices (in Pitești and Slatina). The time and resources invested in the preparation for the Benchlearning visit by the NAE, and in particular the internal self-assessment, were crucial to its success. The team gratefully acknowledges these efforts.

The NAE is an autonomous public institution operating under the authority of the Ministry of Labour and Social Justice (MoLSJ). It is led by a tripartite governing body of 15 members, five of which are appointed by the government, five by national trade union confederations, and five by national employer organisations. This approach is replicated at county level where the tripartite advisory boards have five local authority representatives, five members from the trade union confederations, and five members from employer organisations.

The NAE's objectives are to:

1. stimulate employment and increase worker mobility,
2. provide unemployment benefits,
3. protect people in receipt of benefits,
4. encourage the participation of jobseekers in vocational training,
5. prevent unemployment,
6. ensure equal opportunities for jobseekers and combat discrimination in the workplace,
7. promote social inclusion and
8. facilitate the free movement of workers.

The NAE has a central office that coordinates the activities of the 42 County Agencies for Employment (CAEs), the 8 Regional Vocational Training Centres (RVTCs) and the National Staff Training Centre. The CAEs have 71 Local Employment Agencies and 156 job centres, within their structure.

## 2. SHORT SUMMARY OF THE CHANGE AGENDA

The NAE's change agenda focuses on three major areas. These are (i) active measures, (ii) employer relations and (iii) human resources. Within these areas, several change projects have been initiated. Among them are the

- introduction of new measures and the adjustment of existing measures to supplement employees' income, stimulate labour mobility, provide wage subsidies to employers and encourage more companies to set up apprenticeships;

- development of a profiling tool based on a statistical model to find the employability levels of jobseekers, and then link them with measures of active labour market policy;
- development and implementation of a project (called INTESPO) to increase the number of NEETs (Not in Education, Employment or Training) registered with the NAE, with the aim of providing NEETs with integrated support measures;
- provision of further training for a substantial share of NAE staff;
- implementation of an analysis of staffing needs to support a better employer engagement; and
- extension of the set of defined operational procedures, including the introduction of a procedure for the elaboration of procedures.

Furthermore, a variety of projects are currently underway in the context of the implementation of the ESF Operational Programme (OP) 2014-2020. Among them are two projects to activate NEETs and foster their mobility as well as the introduction of a case management concept to improve the support of jobseekers with complex needs, such as the long-term unemployed and people with disabilities.

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

The NAE's change agenda comes from two major sources. First, the NAE's 2016-2020 strategy has specific objectives which include "optimizing its relationship with jobseekers", an "employers' approach strategy", the "elaboration/implementation of a human resources strategy to provide flexible and quality services" and the "analysis and updating of operational work procedures". Secondly, amendments to several laws between 2016 and 2017 have also helped form the change agenda. As a consequence of the law changes, the NAE has now access to a diversified and refined portfolio of Active Labour Market Policy (ALMP) measures which is undoubtedly progress when compared to the situation during the first BL site visit in 2016. Furthermore, with the introduction of the profiling procedure for jobseekers, the ex-ante conditionalities for the approval of the ESF OP have been fulfilled so the PES now has access to ESF funds. Several project fiches have been prepared to utilise them for internal capacity building. Against the background of the uncertain resourcing given to the NAE, this is without doubt also an important achievement that will support the organisation on its way into the future. On balance, the currently planned and implemented reform projects of the NAE are certainly all relevant, and they show considerable potential for the modernisation of the Romanian PES.

However, the external assessors also see the risk that the variety of different reform projects do not form a consistent and coherent whole. They are similar to the pieces of a jigsaw puzzle that do not make a complete picture at the end. The NAE could therefore benefit from further developing its change agenda around the idea of becoming a true 'conductor' in the Romanian labour market. It needs a compelling and comprehensive "narrative" on the need for change. This should describe the ultimate objective of all its change projects and how they are interlinked, to equip the NAE with clear orientation and inspiration for its way ahead. Section 5 provides several recommendations that from the assessor team's perspective could help the NAE to achieve this aim. For all our recommendations, a number of peer PES, that could serve as valuable exchange partners, are suggested.

## 4. ASSESSMENT OF CHANGE MANAGEMENT

The "National Strategy of PES Romania, 2016-2020" is a document that offers a general orientation for the different changes that the NAE plans for further development. The paper is based on an internal SWOT analysis and encircled by a number of project fiches that describe the content of various planned reform projects so as to receive ESF funding. When it comes to linking the different change projects and the calls for activities that lead to an overall strategy or perhaps a vision, then there still is obvious room for improvement. The above-mentioned strategy mainly addresses an external audience, in line with the impression that the recent reforms seem to be primarily driven by "external" factors (such as at the political level, from the European Commission, or recommendations from benchlearning teams or from senior managers in the Ministry of Labour and Social Justice). On the other hand, a clear and compelling image or picture of the reform agenda for internal users (staff and partners) is still missing. A more concrete strategy, built on a common vision with graspable operational milestones and objectives is essential for a successful implementation of the ongoing change agenda.

Furthermore, no overall, coherent programme management structure that interlinks the various initiatives is in place. Consequently, there is little evidence of a systematic analysis of the possible consequences of change on different processes and process interfaces. Likewise, there is a lack of appraisal of various options and no consideration of the potential benefits of alternative approaches. It is therefore essential that the NAE introduces an evidence-based approach to change 'initialisation', based on systematic cost-benefit analyses. Moreover, the NAE could benefit from the development of an internal PES strategy incorporating a mission/vision that fills the change agenda with "life" in a way the NAE staff can relate to. Finally, the establishment of a coherent programme management structure (preferably a "task force"/team), to observe risks and to monitor the coherence of the different process strands and interfaces, would be helpful. This should be combined with the introduction of a road map that coordinates all the different change activities and defines concrete operational milestones.

A distinct "face of change" is also missing, and a clear communication strategy still needs to be developed. A few change activities (e.g. the new profiling tool) have been brought into action, but their interrelation on a strategic level is not visible to the local actors and it needs to be more clearly defined. A true mobilisation of staff cannot be achieved simply by 'disseminating decrees' or by issuing written procedures. Different communication channels should be used more effectively, providing space for discussion, background information and an explanation of the intention behind every change, followed by change implementation strategies. It would be useful to combine the implementation of projects delivered on time with an overall understanding of the main vision/objectives – the bigger picture – of the reform agenda. For this, setting up "representatives of change" in senior management would be helpful in communicating the strategic vision and the steps involved in the delivery process across entire organisation. These representatives should be part of a clear communication concept with fixed formats and established feedback loops with front-line staff to make sure that a common understanding of the reform's intentions is achieved.

Finally, there is currently no plan for anchoring changes in the organisational culture of the PES. The NAE would benefit from a systematic implementation of monitoring visits and evaluation studies, as well as from a structured approach to collecting and disseminating good practices.

## 5. SUGGESTIONS AND RECOMMENDATIONS

The NAE has major opportunities in the current situation in Romania. The Romanian economy has seen robust and substantial growth rates over the last couple of years. Since 2012, the annual growth rate of real GDP has clearly exceeded the EU average and it reached its peak in 2017 with close to 7% growth, compared to 5% in 2016. Growth is forecast at around 4.5% in 2018 and 4% in 2019. This economic growth is primarily driven by domestic demand due to significant tax cuts and rising wages (in both the public and the private sector) as well as by rising pensions. In addition, the investor-friendly climate has contributed to increasing GDP by attracting substantial direct investments from foreigners. The country's macroeconomic environment is further characterised by diversified industry, a currency that is stable relative to the Euro and – although wages are rising – labour costs are still lower than in the majority of EU Member States, thereby adding to Romania's competitiveness. Over time, economic growth has been associated with declining unemployment. The unemployment rate fell from around 7% in 2015 to just over 4% at the end of 2017.

As mentioned above, in the recent past the NAE has managed to obtain access to resources from EU structural funds by fulfilling the ex-ante conditionalities. As a major achievement in this context, a newly developed profiling tool can be used for a more efficiency-oriented service provision within the local offices. Furthermore, with the legislative reforms, a diversified and refined portfolio of ALMP-measures is now available to the NAE, and it can be used to further support the positive developments in the labour market. With its dedicated staff and, in particular, its strong "front-line" staff, the NAE has a solid basis to make this a success.

On the other hand, these opportunities are accompanied by some threats which constitute major challenges to the NAE. The annual public budget deficit is close to 3% of GDP and therefore it is likely the expansionary fiscal policy of the recent past will be restricted. Furthermore, there are growing labour shortages, especially in the construction sector, which make additional wage growth in the private sector likely and they might therefore weaken the competitiveness of the Romanian economy. These labour shortages are accompanied by a large heterogeneity in unemployment across the Romanian counties due to a poor infrastructure which contributes to the limited mobility of the workforce. The problem of unsatisfied labour demand is reinforced by many factors including firstly emigration, primarily of young and educated workers (which is still substantial), secondly the significantly higher than EU average - even now growing - school drop-out rate, thirdly the comparatively low employment and labour force participation rate of women, and finally, relative to GDP, a persistently high share of economic activity lies in the 'shadow' economy.

In this rather complex environment, the NAE currently has a rather limited influence. In 2015 and 2016, only around 30% of all the unemployed in the EU Labour Force Survey (LFS) said that they had contacted the NAE in a job search. This is about half the EU average, and the difference relative to other EU PES has been growing over time. Related to this, the involvement of the NAE in finding jobs for the unemployed (again, according to data from the EU LFS) is also relatively low. With a share of slightly more than 3% in 2016, this was only around one third of the EU average. Finally, the number of vacancies notified to the NAE is somewhat low compared to the number of unemployed, despite the current economic boom in Romania, and despite a legal obligation to report all vacancies to NAE. This law has not been followed to a satisfactory extent due to employers' lack of confidence in the performance of the NAE.



These observations indicate that the NAE is currently not a major player in the Romanian labour market. This is certainly also due to the undisputed fact that the NAE is short on financial and human resources. The NAE has taken its first steps to alleviating its resource problem through its applications for ESF funds for internal capacity building. However, the external assessor team wants to encourage the NAE to more actively use the opportunities outlined above to become a valuable and appreciated player in the Romanian labour market, and to pro-actively address the above-mentioned threats. This necessitates building a reputation as the major labour market expert in Romania, and achieving this does not necessarily need more resources. It primarily concerns using the expertise, creativity and experience of all staff and clients to make a better use of the available resources. By leading staff at all levels, and by holding clients' hands (both jobseekers' and employers' hands), the NAE could create an alliance that together makes a powerful team. This process could be effectively underlined through collecting and analysing data that shows solid evidence of the effect of ALMPs.

To put this into practice, strengthening communication within the organisation across all levels is essential, as is building a solid bridge to NAE customers. To find out about how to mobilise staff, there are interesting approaches in the Lithuanian PES which has established a "club of enthusiasts" to support and communicate internal changes. Another promising idea for involving staff and fostering horizontal exchange within the organisation can be found in the French PES, which, among other things, has established an internal social network for its staff. Finally, ACTIRIS, the Brussels Regional PES, has set up a participative and systematic process to involve staff at all levels in its strategy development. This would be another source of inspiration for the NAE as it is associated with a visible team spirit within the organisation, a high degree of self-reflection and awareness of necessary changes among all the staff, and a pronounced commitment and dedication.

Regarding customer mobilisation, there are various interesting approaches to look at in the Austrian PES which, for instance, uses accompanied customer journeys and focus groups to utilise the experiences and expertise of its clients for the (re-)design of services. The so-called "greenhouse technique" in the Swedish PES, a project methodology that ensures that new or amended services meet the actual needs of the target groups in an efficient manner, is another promising example in this context.

Furthermore, making the staff pro-active and customer-oriented should be embedded in a coherent strategy that provides comprehensible and compelling answers to the question of what the NAE wants to stand for, and the desired outcome of all the change projects and the steps to reform. ACTIRIS and the Slovenian PES can provide good examples of powerful strategic documents and development of their strategies. The Lithuanian PES might also be a relevant partner for exchange of practice in this context as they are currently interested in developing a similar strategy. This document could help convince all the staff to buy into the modernisation process, and further increase their efforts to make it a success. It can also help the NAE become the advocate for Romanian jobseekers, a position which seems to be largely vacant at the moment. The Austrian and Estonian PES - as well as ACTIRIS - are good examples of attempts to fill this job vacancy.

The creation and systematic use of evidence on "what works and for whom" in decision-making and in the (re-)design of service offers is another necessary step for entering this game. Evidence-based employment research can be a unique selling point for the NAE as it is the only organisation which has access to all the

necessary data, and it is also the only organisation that could generate the necessary analytical capacity for the target-oriented use of the data. The Croatian PES is an interesting partner for exchange on this issue, as it has recently finished a fundamental evaluation of its ALMP-portfolio together with external experts. The Danish PES, with its deeply ingrained culture of evidence-based decision-making, is another source of inspiration and orientation in this area.

As a final step, it is necessary to ensure that all these efforts lead to the development of an organisational identity and a sense of ownership among all staff. In an institutional framework in which a systematic human resource development is difficult, and where the provision of monetary incentives is impossible and where, as a result, staff turnover is high, fostering the commitment of employees is of utmost importance as it can give them an idea of "the big picture" and ensure that this idea is shared by everyone. This is, of course, closely related to the answer to the question "what do we stand for?". Helpful examples for answers to this can be found in the Danish PES that clearly stands for evidence-based decision-making, and in VDAB, the Flanders Region of Belgium's PES, which is widely associated with digital innovation.

In all these endeavours it is essential to keep on track and avoid the establishment of organisational silos, micromanagement and a loss of focus in a variety of separate projects which are coexisting rather than forming a coherent whole. By doing this, the external assessors are convinced that the NAE can take its staff and clients by the hand and, together with them, fully enter the game, and become a successful and acknowledged team player.

