



Benchlearning Initiative External Assessment

Summary report – IEFPP Portugal



Written by ICON Institut Public Sector GmbH

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Benchlearning Initiative External Assessment

IEFP

Summary Report

1. Introduction

This report outlines the results of the Benchlearning (BL) external assessment of the public employment service (PES) of Portugal (Instituto do Emprego e Formação Profissional) conducted on the 26-28 August 2015. The team of six external assessors comprised two peer PES staff (German and Spanish PES), two PES experts from the European Commission and two experts from ICON-Institute (the supporting contractor). The programme of the 2.5 day visit included meetings in IEFP Head Office with senior management/directorates and a visit to a local PES office (Setúbal) about 35 km from Lisbon.

The time and resources invested in the preparation for the Benchlearning visit by the IEFP and in particular their internal self-assessment, were regarded by the team as a key support to the success of the BL external assessment process.

IEFP is somewhat distinctive among the EU PES network in that it is also a training agency with a substantial number of training centres. All recipients of unemployment benefits are obliged to register at the PES. While the Social Security Institute is responsible for actual payment of unemployment benefits, the IEFP is responsible for active labour market measures. IEFP tasks also include the registration of unemployed jobseekers; sourcing job vacancies; mediation of suitable job opportunities; provision of professional counselling services; referral to education and training for the labour market and also the realisation of vocational training; implementation of active labour market measures; enhanced care for the placement of disadvantaged jobseekers and implementation of co-financed European Social Fund projects.

The IEFP Director General reports directly to the Minister for Labour represented by the State Secretary for Employment. IEFP comprises a three level organization with one Central Office, five regional offices and 54 Jobcentres at local level. 31 of the units at local level are combined with a vocational training centre. Furthermore, IEFP runs one vocational rehabilitation centre and eight business creation centres. Each regional and each local office is managed by a director.

The Head Office coordinates and manages the work of the subordinated offices. It offers technical, administrative and financial support to the Regional Offices and defines guidelines to frame the activity of local units. Furthermore, it is in charge for monitoring and follow-up activities as well as the flow and the distribution of information within the organization. The Regional offices offer technical, administrative and financial support for the local units.

Social partners are involved in the strategic management of IEPF basically at all levels. At central level the Administrative Board is composed of representatives of trade unions, of employers' organisations and of the public administration. At the regional level, social partners are represented in the Advisory Committees, established at each regional office. Due to structural and organisational changes and obviously also some lack of interest by the social partners, the boards at the local level are currently vacant because social partners did not yet nominate representatives.

In the aftermath of the economic crisis, IEPF started a fundamental organizational change in 2013 with the aim to become a modern, flexible and efficient public service. In order to increase the flexibility of tackling local and regional labour market challenges, one of the core elements of this structural change was the merger of the formerly 84 local job centres and around 30 vocational training centres to currently 54 local units. The structural change is an ongoing process and in particular the development of the IT-system and the establishing of multi-channel services are under progress.

2. Strengths

The main strength of IEPF evidenced during the assessment visit, centres around the PES staff which is clearly motivated and highly dedicated to make the "new organisation" a success. During the visit, the assessors had the opportunity for several individual discussions, which revealed that everybody is prepared to actively deal with the challenges involved. In particular at the local level, the sense of responsibility for services provided and the team spirit are very strong assets which should be maintained and further improved.

A robust performance management of a PES needs to be independent from short term changes and influences from the political level. This must be guaranteed by a stable governance structure which is resistant to such factors. A functioning tripartite governing board in combination with annual contracts between PES and the supervising authority (Ministry of Labour) are adequate to tackle this challenge and to enable strong performance management with a sufficient room for manoeuvre. In that regard another key strength of IEPF is the governance model with its tripartite supervisory board (Administrative Board), which forms an excellent basis for performance management and organizational development. The good working relationship with the Ministry facilitates an open negotiation of objectives which are driven by operational, i.e. labour market requirements. The objectives are transferred into a detailed annual Activity Plan containing the organizational targets. The translation of targets into (key) performance indicators is based on a well-established system throughout the organization down to individual level and which is completed by a clear and sophisticated management system to track operational performance. Due to well-elaborated monitoring system each member of staff is informed about their individual contribution to performance indicators and targets. Furthermore, members of staff can take corrective actions on personal or team levels.

Although the establishment of a quality management system is still progressing, recently conducted activities such as internal audits show promising first results. For example, the search for and identification of processes and activities which provide no added value to the

organization's mission and objectives can be seen as an essential first step towards the introduction of a powerful quality management (QM) system.

3. Contextual influences

The strengths of IEPF in evidence during the assessment outlined above and current challenges have developed within the particular context in which IEPF operates. This context includes the fact that IEPF is a public body under the auspices of the Ministry of Labour having its own administrative and financial autonomy and its own assets. The Ministry of Labour supervises IEPF which carries out its duties under the 'guidance' of the Ministry. However, in relation to the Ministry, IEPF's representatives reported that it has a relative wide degree of operational independence and that additional political objectives come with a separate and additional budget. The autonomy of IEPF is underpinned by the existence of an own tripartite Administrative Board.

The annual targets for IEPF are set by the negotiations with the Ministry and are included in the annual Activity Plan. They are translated into 26 quantitative key performance indicators comprising activity and process indicators. These are, among others, the number of persons covered in traineeships or in education and training courses but also output- or outcome related indicators such as integrated trainees. The indicators are monitored regularly and the achievement of targets is discussed at the national coordination meetings which take place five times each year.

The budget available for IEPF is almost equally financed by social security contributions and the European structural funds. Within the budgets frame and regulations, IEPF has wide room for manoeuvre. However, the IEPF administers a wide range of ALMP programmes, which are re-negotiated with the Ministry every year and which lead to a high complexity of operations and to a significant administrative burden on the organisation. This carries the risk at local level of front-line staff having to undertake extensive administrative work and thus diminishing the client orientation of the organisation.

However, IEPF is part of the public administration and has to comply with the respective regulations. This effectively means that IEPF has for several years now, not recruited new personnel apart from some career changers coming from other public. In-house career development is static, and the main incentive helping staff motivation is the improvement of working conditions (e.g. ICT facilities, premises).

IEPF is operating in a difficult economic environment, with a growth rate of 0.9% in 2014 and with a relatively high unemployment rate of 14.1% at the end of 2014 (albeit a reduction of more than 1%-point in 2013). At the end of 2014, the youth unemployment rate was at 34.8% and the long-term unemployment rate at 8.4%. The rapid decrease in unemployment exceeded the expectations derived from Okun's law, suggesting a high dynamism of the labour market.

The national economic background presents significant challenges to IEPF in its endeavours to improve the functioning of the labour market and getting jobseekers back to work, particularly the young, but also the disabled and the long-term unemployed. This is

reflected in the current country specific recommendation from the Council which emphasises the need to 'improve the efficiency of public employment services, in particular by increasing outreach to non-registered young people. Ensure effective activation of benefit recipients and adequate coverage of social assistance, in particular the minimum income scheme'¹.

4. Current and potential Good Practices identified during the assessment

Based on the well-developed tripartite governance model, each organisational level of the PES has sufficient room for manoeuvre and is involved in the negotiation of the annual targets and quantification of indicators to be achieved. The distribution of responsibilities over the organizational levels shows a well-balanced relationship between flexibility to tackle regional or local problems on the labour market on the one hand and the concise steering and control of the overall organisation on the other hand.

The management system provides tools to track operational performance such as a well-developed dashboard using a detailed monitoring system. The system is in general future-oriented and the share of online registrations forms part of the sample of key indicators which are monitored regularly at each organizational level. However, there is still room for improvement (see below).

Regarding the management of partnerships, IEFP has a clear perception of their own role as part of a network with authorities, social partners and stakeholders. Relevant stakeholders have been identified and partnerships are well established on all levels of the organization. Furthermore there is a very good awareness amongst the staff about the relevant partners. Partnerships with social partners are also established at each level. These open opportunities to involve external expertise, to network and to build partnerships at all levels in order to facilitate the achievement of targets and objectives. Some local units, for instance, took the specific demands of (local) enterprises into account when new training measures were developed. This training "on-demand" facilitates the employability of the graduates resulting in a more sustainable integration in employment. Furthermore the Institute's approach towards people with disabilities should be mentioned in this context. In that regard, IEFP closely co-operates and communicates with psychologists, nurses, rehabilitation centres etc.

IEFP participates actively in networks with all relevant actors for implementation of the Youth Guarantee (YG), as IEFP is the national coordinator of YG. In that regard IEFP can build on their long-standing active partnerships with municipalities.

5. Areas where improvements may further enhance PES operations and outcomes

As outlined above, IEFP management and the members of staff are fully aware of how a modernised PES should function and have identified areas where improvement is warranted and good progress has been made.

¹ Council Recommendation of 14 July 2015 on the 2015 National Reform Programme of Portugal and delivering a Council opinion on the 2015 Stability Programme of Portugal (2015/C 272/25).

IEFP can be characterized as highly self-focused with a lack of outside inputs and expertise. Although the involvement of social partners shows a mature level, the management of the relationship with social partners could be further developed at regional and local level towards a more strategic and more intensive use of their expertise and knowledge of the actual situation in local companies and organisations. Such local labour market knowledge could be harnessed for the design of services in a more evidence-based manner.

The need for further improvement of performance management and in particular of the quality management system is already recognized by IEFP's management. The use of quality driven approaches and the Deming-Cycle (Plan – Do – Check – Act) can facilitate the organizational development towards a modern public institution. The check and act phases of the process-management shows room for improvement as these activities are (partly) rudimentary or only occasionally employed and should be systematically integrated at all levels.

This is a real challenge since the current situation exhibits a breakline in the management system. As already mentioned above, the management system is quite well developed and offers several monitoring tools. Regarding the implementation of the system at different levels of the organization it appears that front-line staff, i.e. counsellors and their teams, finds the quality system demanding, for example linking targets to the organization of tasks in local units and defining responsibilities of counsellors. This leads to inconsistencies in the use of the system.

Against this background, there is a need for an improved adaptation of the sophisticated managerial approach to the everyday needs of the staff, in particular to those directly servicing clients. For further enhancement of the organization's performance, it might be helpful evaluating and piloting a less challenging management model which better fits to the needs of member of staff. Furthermore, the standardisation of processes should be continued with a better design of the sequencing of training or other ALMP interventions for jobseekers in order to simplify operations and thus release resources. In that context, a further shift of resources from the back-office administration to the front-office functions with direct customer contact may be appropriate.

The further development of design and delivery of services for jobseekers and employers should be more evidence-based by the systematic use of the results of ex-ante and ex-post evaluations, the performance management and the quality management outcomes. This should be accompanied by the above mentioned further standardisation of processes in order to ensure that the adjustment to the demands of the labour market becomes successful. With regard to services for jobseekers, early registration should be improved for persons at risk of losing their job. If registration and placement activities start some weeks earlier instead of starting after the person lost his or her job, the duration of unemployment could be reduced for a significant number of jobseekers. Additionally, the peaks in the workload for the Jobcentres at the beginning of the month would be reduced and distributed more equally over the month.

Further development of services for jobseekers should include the adjustment of profiling and IT-matching and segmentation. The profiling model and the subsequent automatic matching seem to be designed for times of high unemployment figures for quick matching of large numbers without delays. However, a recovering economy requires a more complex and sophisticated profiling and for better targeted referrals to the extensive training courses run by the Institute. Moreover, there seems to be a (future) need for in-depth profiling and counselling to improve the individual action plan but also the whole mediation and placement process. These improvements should go alongside a more intensive monitoring and evaluation of ALMPs and in particular the impact of the organization's "own" vocational training centres.

With regard to the services for employers, it is important to develop a clear strategy that includes a shift from the current rather passive orientation to a more pro-active approach with more ambitious targets. An important element of this strategy is the active acquisition of vacancies coupled with activities such as employer canvassing through more on-site visits by employer counsellors. This needs to be accompanied by a better use of sophisticated labour forecasts. A more pro-active employer service delivery could further increase the reputation of IEFP.

Although the management of partnerships is undoubtedly a strength of IEFP, there is still room for further improvement, particularly in expanding collaboration with temporary work agencies and private employment services. The overall strategic approach in terms of expectations, goals, outcomes or results for the relevant partnerships as well as a transparent monitoring system should be further developed.

Regarding Human Resources, it is acknowledged that IEFP faces tight restrictions. However, since the motivation of the staff is a strong asset of IEFP and should be maintained, a more strategic approach through the use of non-financial incentives should be pursued, such as recognition, awards and the utilisation of every possibility to support and to ease everyday work (e.g. distribution of workload).

6. Recommendations

The main general recommendation must be for IEFP, like many other PES, to proceed with the current path of change and innovation and for the Ministry of Labour to support the process through the provision of resources both financial and human as far as possible. As already indicated IEFP management and staff know the key issues and are taking steps in the right direction towards a thoroughly modernised PES.

With the ongoing structural re-organisation there is now the opportunity to keep up the momentum of change and reform. This approach allows the PES to show the added value of its work, since a more modernised PES can produce significant savings in unemployment benefits expenditures.

Specific recommendations are as follows:

- In the area of service design, implement earlier registration before the start of unemployment which should lead to reduced duration of unemployment.
- In the area of operational processes, the appropriateness of different channels for different types of clients should be analysed and evaluated. Based on the results, a strategy for channel management, marketing and targeting should be developed.
- Review the workflow and responsibilities of the front-line staff in order to provide a more in-depth holistic profiling for more jobseekers. Reduce the range of ALMPs delivered and target interventions based on client profiling. Furthermore, process standardisation should be reinforced in order to relieve the pressure on front-line staff.
- The development of a more active, clear and ambitious employer strategy is recommended including improving local labour market knowledge. Enhance services for the demand side of the labour market, through systematic co-operation with employers' associations, Chambers etc.
- There is merit in strengthening the quality management system and to establish firm evidence bases for future reforms of PES operations, including ALMP delivery. There may also be scope for (further) exploring the use of randomised control trials and more piloting of new service concepts prior to roll-out, in partnership with research centres. It is also recommended that evaluation results should reach the widest possible audiences, including the general public, government and all the staff of IEFP, but in a client-oriented and user-friendly format.
- Partnerships should be further developed by carrying out systematic monitoring and evaluation of their benefits. This includes the question whether 'new' partners such as private employment centres or research centres may be appropriate for the IEFP. Furthermore, social partnerships should be systematically used as external "stimuli" in order to receive high quality external inputs, information etc.
- Concerning human resources, consider the 'professionalisation' of front-line staff through tailor-made training in modern guidance and counselling methods focused on practical PES vocational guidance models, using appropriate training approaches. Moreover, there is considerable scope for the establishment of a system of non-monetary (and if available also monetary) incentives for members of staff.
- Further integrate training and employment services, by building clear evidence-based procedures for referral to trainings and by following up on the outcomes of the referrals and recording the outcomes in the jobseeker individual action plans.