

## 5. PUBLIC EMPLOYMENT SERVICES AND EMPLOYMENT ACTIVATION

*Measures to “make work pay” are only one part of necessary inputs to enhancing access to employment for disadvantaged job-seekers – effective employment policies targeted at the disadvantaged job-seekers is the other. Many OECD countries have adopted a mutual obligation principle at the core of their employment activation policy which requires both enhanced cooperation from the job-seeker and improved service provision of the public employment services at the same time. Indeed, as Chapter 2 showed, the majority of Roma jobseekers turn to the Labor Office for support in finding employment. This chapter finds that, while obligations of job-seekers have recently been tightened, the Czech Labor Office with its current structure and policies is not well placed to promote greater access to the labor market of disadvantaged long-term unemployed and keep its side of the mutual obligations bargain. An examination of its tools, organizational structure and programs suggests that the Czech Labor Office requires further reforms to meet the changing needs of the unemployed and in particular long-term unemployed and disadvantaged job-seekers. The reform message for the Czech Labor Office is to follow the example of other OECD countries in restructuring its approach to disadvantaged job-seekers by offering an intensive, individualized activation services as well as expanded outsourcing of services for disadvantaged job-seekers to private and non-governmental expert agencies with experience in working with Roma.*

**5.1 This chapter examines the Czech Labor Office’s ability to effectively promote access to employment for disadvantaged job-seekers such as Roma long-term unemployed.** It further reviews the elements of modern employment activation policies and its applicability for the promotion of Roma employment in the Czech Republic and provides recommendations for a new approach to activating disadvantaged job-seekers.

### EMPLOYMENT ACTIVATION – FOCUSING ON DISADVANTAGED JOB-SEEKERS

*Employment activation and recent OECD and EU experience*

**5.2 Countries across the OECD and the EU that have increasingly been introducing “activation” elements into their social protection and employment policy frameworks** as well as approaches to prioritize and individualize service provision for the unemployed<sup>80</sup>. Activation policies typically build on a “mutual obligations” approach combining

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<sup>80</sup> For an overview of activation policies in the OECD see OECD (2007), *Employment Outlook 2007*, Chapter 5 Activating the Unemployed: What Countries Do; OECD, Paris; and Tergeist and Grubb (2006) *Activation Strategies and the Performance of Employment Services in Germany, the Netherlands and the United Kingdom*, OECD Working Paper 42

- *enhanced responsibilities of the unemployed*, including able-bodied individuals receiving social assistance and other welfare payments, to regularly visit the employment office and be available for work – as an obligation against receiving income support such as social welfare benefits<sup>81</sup>, with
- *Provision of income support as well as access to public employment services (PES) with focused service for the unemployed, particularly those hardest to place, with.*

**5.3 Employment activation and mutual obligations open the opportunity for a renewed focus on hard to place Roma long-term unemployed.** Traditional active labor market programs and activation schemes need modification in order to work for long-term unemployed and disadvantaged Roma. Activation policies include a range of new management approaches and services for the unemployed. Elements of enhanced services include individualized back-to-work agreements and individual action plans acknowledging diversity (age, experience) and relevant to the individual person’s needs, wishes and priorities, regular monitoring and review of the client’s job search status, in particular through regular meetings between the client and employment officer and a widened set of active labor market programs, covering training, education, subsidized employment, work placement, group activities, language-learning skills, literacy, etc. It is also usually accompanied by tightening of social benefit eligibility and sanctions in case of non-cooperation by the unemployed so as to incentivize job search. Key elements of modern activation policy include:

- *Profiling of clients according to their distance from the labor market and priority attention by the public employment service staff to those furthest from the labor market (particularly long-term unemployed)*<sup>82</sup>. Profiling involves assessing the job-seeker’s background and employability at or prior to the first interaction with the PES staff and typically leads to the categorization of the individual’s distance from the labor market. Rather than spread equally across all job-seekers, PES staff time will be focused on those hardest to place, while those easy to place take advantage of job postings in the labor office or of “virtual PES” through internet, job banks, self-registration via the internet, call centers and others.
- *An individualized approach for long-term unemployed and at risk job-seekers, with individual reintegration action plans.* Individual action plans describe an individual pathway towards employment, involving training and addressing the client’s multiple social needs insofar as they deepen labor market exclusion

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<sup>81</sup> This involves that the employment legislation defines the following indicators to avoid benefit sanctions and exclusion from the roster of registered unemployed: (i) “suitable work”, (ii) occupational protection (i.e. allowing unemployed people to refuse a job offer that involves a change of occupation), (iii) requirements for independent job search, (iv) frequency of contacts with the PES, and (v) compulsory participation in programs after a certain period of unemployment has elapsed.

<sup>82</sup> Profiling is currently one of the key areas of experimentation and study in European PES (It is important to note that there is already a strong history of using profiling in the US). Some PES have piloted econometric profiling as a scientific way of identifying those clients in most need when they register with PES so that PES resources are properly and cost-effectively targeted.

- (including health, debt, childcare etc). The individual action plan can also involve the entire contracting out of activation services for the most difficult to place clients-based on performance related payments to the contractors<sup>83</sup>.
- *New management and administrative approaches in the PES.* These include greater specialization of labor office staff, including on dealing with hard to place clients and investments in training and retraining as well as rotating staff. It also crucially involves culturally sensitive service provision, centered around the individual's needs and abilities, involving dedicated advisers for minority job-seekers in those areas with large minority communities. Some countries have also introduced incentives to employment office staff to focus on the long-term unemployed and reward successful placements of difficult cases.
  - *Service integration, typically either involving a merger of the traditional PES with social welfare offices or introduction of integrated computer systems.* Service integration builds on the recognition that job-seekers typically have multiple needs that are best addressed in an integrated, one stop shop manner. It is also typically exploiting synergies and generating savings that can be reinvested in new and more intense service provision and programs.
  - *Focus on prevention and early interventions and youth.* Most countries have introduced systems to detect risk groups early on and make them subject to prioritized and individualized attention, in particular youth through career counseling and professional orientation at school. This also involves early drop outs from school at a time prior to becoming long-term unemployed, typically after six months of joblessness, with directions to remedial and second-chance education or work placement and apprenticeship schemes.
  - *Enhanced contracting out of services to private sector and NGOs under performance-based contracts and collaboration with private employment services.* Many countries have introduced contracting out partnerships with private sector service providers and/or community based organizations and NGOs, including to facilitate the contact between the employment office and the client and to provide services. The rationale is that outside partners are better positioned to deliver more effective services than the public employment service infrastructure – for example NGOs with experience in working in Roma communities. However, outsourcing is likely only effective when coupled with a performance monitoring and measurement system which allows tracking the individual's progress in finding and retaining a job (e.g. through monitoring social insurance contributions).
  - *Regular evaluation of the effectiveness of the employment offices* in placing the long-term unemployed, including through regular client surveys, to ensure high quality and focused service provision.

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<sup>83</sup> This shift is reflected for example in Australia where the PES has effectively been outsourced to private and NGO type agencies and a quasi-market established for Employment Services (see Box 9).

- *Empowering of clients* to demand high quality services by introducing client satisfaction report cards where clients can provide feedback on the quality of service they have received.

**5.4 Incomplete implementation of activation policy and the mutual obligations principle can trigger substantial risks to the prospects of disadvantaged long-term unemployed, in particular those suffering from severe forms of social exclusion, low skills and discrimination. The challenge, therefore, is to get the policy mix right.** As noted, activation policies build on mutually balanced obligations between the individual job-seeker and the employment office. They risk failure if one side is not fulfilling its obligation and no improved employment outcomes for disadvantaged job-seekers. On the beneficiary side, failure to cooperate entails the risk of losing social benefits or getting lower benefits which can have an adverse impact in particular for dependent children in social excluded households. On the employment service's side, failure to provide adequate services or barriers to actual job placement risks that the tightening of the beneficiary's obligations is not matched and that the beneficiary remains worse off – with lower benefits and without a job. Ineffective service provision and organization, insufficient attention to the disadvantaged client and a lack of quality interventions on offer which fail to result in a subsequent job – all can be binding barriers to making activation work. It has been argued that there is a risk of an anti-Roma bias in modern activation programs precisely for reasons of discrimination, culturally insensitive approaches to Roma clients in the employment offices and low quality interventions<sup>84</sup>. Moreover, the risk of imbalance also stems from the fact that it is easier to enhance the beneficiary's obligations than the labor office's: Tightening of benefit eligibility is done through simple change in legislation, while enhancing the obligation of the labor office requires time-consuming and complex institutional change.

#### *Recent reforms in the Czech Labor Office*

**5.5 While the Czech Republic has taken first steps to reforms its employment promotion policies, further change is necessary to respond to the changing demands of the labor market and to enhance placement of vulnerable job-seekers.** Like its neighbors, the Czech Republic's recent reforms have followed the principle of enhanced mutual obligations between job-seeker and labor offices.

- Job-seekers are required to report to the Labor Office on a regular basis to demonstrate their job search requirements (every 2 weeks<sup>85</sup>, although it is not clear whether this is applied consistently across the country) and can be deleted from the register for failure to cooperate with the LO.

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<sup>84</sup> For a discussion of obstacles for Roma resulting from activation schemes in France and Portugal see Bedard (2007); for a discussion about the situation in the Czech Republic see European Roma Rights Center and Numena Centro de Investicao em Ciencias Sociais e Humanas (2007)

<sup>85</sup> OECD (2007) Employment Outlook 2007, Chapter 5, Activating the unemployed: what countries do.

- Since 2004, long-term unemployed have been obliged to accept temporary job offers or perform public works tasks<sup>86</sup>.
- The government has also introduced measures to underscore the increased conditionality for jobseekers. This effectively places an imperative on the benefit/assistance beneficiaries to engage fully with the PES action planning process or risk losing benefits. Unemployed social assistance beneficiaries will be subject to a lower eligibility threshold for their benefits if they fail to find work within 18 months of first signing on for a benefit (see Chapter 3).
- Legislative amendments in early 2007 have introduced a new job search bonus scheme and strengthened in-work benefits within the system of “assistance in material need”.
- According to the new Act on Employment of 2007, individual action plans, with increased attention for the job-seeker by the employment office, are available for job-seekers below the age of 25 and for university graduates. They are accompanied by heightened obligations to cooperate by the job-seeker.
- The Czech Government has proposed to merge the social assistance functions of the municipalities and the PES functions from 2009 onwards by establishing a National Office for Labor and Social Affairs.

**5.6 While the beneficiary’s obligation to cooperate with the LO has been tightened, the Labor Office remains not fully prepared to fulfill its side of the bargain, and there is recognition by the Government that further reforms are required to raise the effectiveness of the Labor Office in dealing with vulnerable job-seekers.** Following the recent reforms, failure of the beneficiary to cooperate with the Labor Office triggers penalties in form of lower social assistance benefits. The Czech Operational Program Human Resources Development (HRD OP) lists a series of proposed reforms and actions in order to achieve enhanced placement of vulnerable job-seekers. Some main lines of proposed actions include more intensive mediation for those who are at risk of long-term unemployment or are already long-term unemployed, including more intensive diagnostics, retraining, support for the creation of new and targeted jobs, support for community work and short-term jobs, organization of work experience, support for self-employment and other measures to enhance the employability of the target groups. With respect to organizational implications, emphasis is placed on staff training, increased action planning capabilities, evaluation mechanisms and development of more elaborate labor market information systems.

**5.7 The Czech Government has launched a pilot Social Inclusion Agency to promote innovative partnerships between public services and NGOs in select marginalized communities which provides an entry point for a new approach to promote employment of Roma.** The Agency is an instrument to promote complex

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<sup>86</sup> See OECD (2006) Czech Republic Economic Survey 2006, Volume 6/2006, OECD, Paris; Website of the Ministry of Labour and Social Affairs in the Czech Republic.

solutions to multiple and interwoven forms of social exclusion at the local level and in individual socially excluded Roma localities. It is to foster partnerships at the local level involving the municipal authorities, schools, the Labor Offices and other locally-provided public services as well as non-governmental organizations and the private sector. The creation of the Agency opens the opportunity for developing innovative social inclusion programs individually tailored to local conditions and taking advantage of locally available know-how and actors. While the Agency will be acting as a service provider itself in the pilot localities, it will outsource the bulk of activities. Its work will be funded through the State budget and the European Social Fund (ESF) and the European Regional Development Fund (ERDF) through various operational Programs<sup>87</sup>. The following sections of the report aim at providing input into the Government's reform efforts, by presenting and discussing international good practice on employment activation policies.

## EMPLOYMENT SERVICE ORGANIZATION AND METHODS

### *Job-seeker profiling and service differentiation*

**5.8 Profiling of clients at registration allows better tailoring of service provision to job-seekers' needs, particularly the hard-to-place.** There are a number of approaches to the profiling of job-seekers at the time of their registration at the public employment service, including based on an econometric model. Some EU public employment services categorize their client groups using a graduated scale from those easy to place to those most distant from the labor market. They do this through the use of checklists of factors that they have been identified as predictors of ease or difficulty of placement. These can include factors such as age, length of unemployment, education, language skills, ethnicity, disability, literacy and numeracy, family status and other personal characteristics. Clients are then divided into separate categories, for example four groups like in the Netherlands, and job counselors' time and resources are applied in a differential way to each group. A category one job-seeker (close to the labor market) would be assigned to self-service options and a category four job-seeker (most distant from the labor market) to interventions such as intensive counseling or specially required programs focusing on raising his/her employability. Similar to systems in the US and Australia, the Danish "Job Barometer" is a *statistical* profiling instrument that, based on information about the job-seeker's individual characteristics, calculates the probability of finding employment within six months. The Job Barometer aims to standardize the otherwise highly varying assessments by job counselors of the individual job-seekers' re-employment chances – and therefore be more objective<sup>88</sup>.

**5.9 Profiling of job-seekers allows for service targeting and enhanced services for the disadvantaged without requiring, in theory, extra resources.** The rationale is that service prioritization allows for a more efficient allocation of resources available for counseling: Staff time which is currently allocated to relatively easy-to-place job-seekers is freed up and focused on the more difficult cases. Germany divides its job-seekers into

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<sup>87</sup> Office of the Government (2007), Agency for removing social exclusion and its prevention in socially excluded Roma localities

<sup>88</sup> Rosholm et al (2004)

four groups – (i) “market clients” that are closest to the labor market, (ii) “clients for counseling and activation which need job search assistance, (iii) “clients for counseling and support” that need designated programs and (iv) “clients in need of supervision” that are furthest from the labor market and need special attention. Under the new German system, training is limited to group (i) and top group (ii) job-seekers – those with a minimum of 70 percent chance of finding a job after the training. Job creation measures and public employment are only available for group (iv) clients. Traditional active labor market programs are targeted to group (ii) and (iii) clients. This targeting of measures has led to a reduction in caseloads as well as spending<sup>89</sup>.

**5.10 Managing by objectives and performance incentives for public employment services and their staff can help focus services on the hard-to-place.** Critics of profiling have argued that categorization of job-seekers according to distance from the labor market essentially focuses job counselors attention on the easy to place rather than the difficult cases (the so-called “creaming effect”). This can be countered by making available performance incentives tied to the placement of disadvantaged job-seekers under a management by objectives (MBO) system. MBO implies the setting of mutually agreed objectives between, for example, the central Labor Office and regional and municipal offices. Budgets are awarded according to the objectives and outcomes at the end of the year are measured against these objectives. Under such an arrangement, labor offices can receive additional resources aimed to meet an objective of placing more long-term unemployed into jobs. MBOs are particularly suited to a regionalized PES structure, with budgets allocated tied to certain agreed performance benchmarks. The addition of staff rewards is a feature in some PES and has proved to be a successful motivating factor in the achievement of objectives<sup>90</sup>. The UK Jobcentre Plus and the Swiss public employment service have experimented with such incentives. The UK Jobcentres Plus are subject to a job entry target based on a point system that gives disproportionate weight to disadvantaged job-seekers. Job-seekers with the highest points are lone parents as well as people with a disability, with additional points awarded for people residing in marginalized neighborhoods, defined as having a high share of ethnic minority residents, long-term unemployed and low income households<sup>91</sup>.

**5.11 While Czech Labor Offices record jobseekers’ details for benefit payment purposes and on a caseload management computerized system, it does not utilize profiling and caseload prioritization.** Research conducted for the purposes of this study has revealed that labor offices are not profiling clients according to their distance from the labor market, and do not allocate proportionately more time to the long-term unemployed. Moreover, labor offices remain institutionally separate from social welfare benefit administrations, and the case workers do not follow clients during active labor market interventions. Each job-seeker is registered in the Labor Offices’s database, but not characterized according to his or her distance from the labor market and degree of counseling requirements. Essentially every job-seeker gets equal service. Any interactions with the clients are recorded on the computer system, and a jobseeker must

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<sup>89</sup> For a detailed description of the new German system see Jacobi and Kluve (2006)

<sup>90</sup> Wissenschaftszentrum Berlin für Sozialforschung (2001)

<sup>91</sup> For details see Karagiannaki (2006)

visit the counselor on a regular basis upon registration, typically at least every two months to avoid sanctions. This system is not fully interlinked both ways with the social assistance database operated by the municipalities where jobseekers register to obtain social assistance.

### *Individual action plans*

#### **5.12 An individualized approach to counseling job-seekers, typically through individual action plans, is at the core of modern activation policy and particularly useful for multiply disadvantaged job-seekers such as long-term unemployed Roma.**

Individual action plans lay out an individual pathway to employment agreed between the job-seeker and the labor office, involving training and addressing the client's multiple social needs (including health, debt, childcare etc). The individual action plan can also involve the entire contracting out of activation services for the most difficult to place clients-based on performance related payments to the contractors (see below). The European Employment Strategy stipulates that all those jobseekers under 25 be engaged with before they pass the six month threshold and that the over 25s be engaged with before they pass the 12 month threshold. Individual action plans are a particularly useful tool for those job-seekers who have multiple barriers to employment, such as a lack of skills, a lack of prior labor market experience and social needs.

**5.13 The Czech Labor Office has introduced a mandatory individual action plan regime for unemployed under the age of 25, but it remains optional for those over 25,** according to the Act on Employment<sup>92</sup>. This follows the introduction of a pilot in the Moravskoslezsky kraj, where individual action plans have become a much utilized tool (see below). However, staff in labor offices interviewed for the purposes of this report stated that they are generally making limited use of individual action plans for jobseekers over the age of 25, and sometimes not even for those under 25. The reasons given range from insufficient staff time to lack of interest on the side of the job-seeker. The services to jobseekers are delivered mainly though the job counselors, and there is little specialization and prioritization. Some offices have access to a psychologist on staff who can take more difficult cases. Labor office staff interviewed for the purposes of this report reported that in some cases this service is used for crisis situations rather than enhanced career guidance.

### *Employment services management*

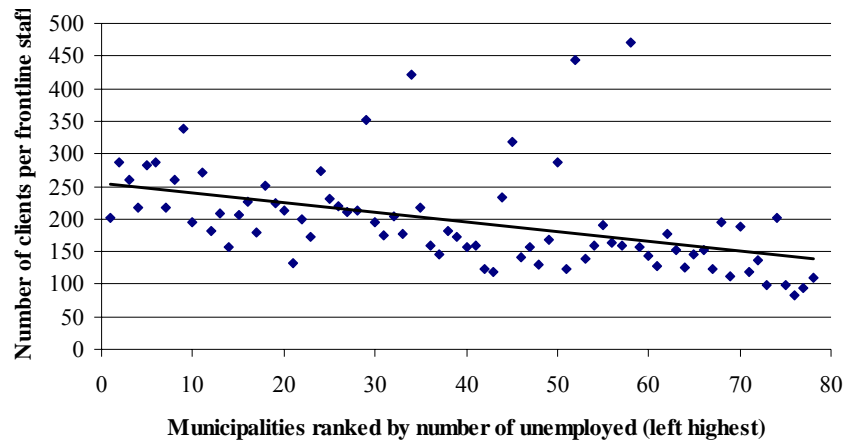
**5.14 Effective implementation of the activation agenda implies a different operations model for the public employment service, with a greater concentration of resources on the hard-to-place.** The nature of employment activation is a departure from the traditional one-size-fits-all public employment service model and, through its inherent specialization and differentiation of services, requires staff retraining and operational restructuring. For example, it requires freeing up PES staff with back office duties to increase the number of frontline staff. It requires bringing in insufficient or missing skills such as psychologists, social workers and others. A greater focus on long-

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<sup>92</sup> Act on Employment, Section 33, para 2.

term unemployed and hard-to-place job-seekers requires the inclusion of social work functions into the service mix.

**Figure 30: Staff-client ratios vary across Czech Labor Offices, with high unemployment municipalities having relatively fewer staff (December 2007)**



Source: Ministry of Labor and Social Affairs; Note: frontline staff defined as mediation associates and counselors; unemployment figures from Q2 2007

**5.15 The Czech Labor Office is the central institution in the implementation of national labor market policies and separate from municipal social welfare services and benefit administrations.** The Czech Labor Office is tasked with a wide range of functions from the payment of State Social Support benefits to providing employment services to jobseekers. The LO is managed directly by the Ministry of Labor and Social Affairs (MOLSA) and consists of 77 Labor Offices with about 5,500 staff. Staff-client ratios are typically difficult to define in public employment services generally, as an accurate ratio depends on the definition of who are the frontline staff who actually deal with the public. Such ratios do not take into account job changers and unregistered jobseeker numbers. Figure 30 presents data from December 2007 on staff-client ratios from each regional Labor Office in the Czech Republic. It defines “frontline” staff as mediation associates and counselors, i.e. excluding staff working on benefit administration and highly specialized staff such as psychologists. The average ratio across the country is 1:200<sup>93</sup>; however, as Figure 30 shows, there is a lot of variation, with regions with higher incidence of registered unemployment on average facing the less advantageous staff-client ratios. Within the European Union, the average figure is around 1:150<sup>94</sup>, while the figure recommended by the ILO is 1:100. This suggests that the staff-client ratio for “frontline” staff charged with client interaction in the Czech Labor Office is above EU averages and substantially above the ILO recommendation.

<sup>93</sup> The Joint Assessment Papers (JAPs) produced in collaboration with the EU Commission just prior to accession, put the staff client ratio in the Czech PES at 1:236. Based on the December 2007 data, the ratio is 1:270 if only counting mediation associates and not counsellors.

<sup>94</sup> It is worth noting that this EU average figure hides a lot of variation, e.g. with Germany having a ratio of about 1:200 and the Netherlands 1:60.

**5.16 Some OECD countries have merged employment service and social work functions to provide integrated services to job-seekers, and the Czech Government has proposed to do the same.** In the UK, the Jobcentre Plus (JCP) combines the previously separate job placement and benefit administration functions into a one-stop shop for employment service and income support<sup>95</sup>. In focusing on both inactive and unemployed clients, the service mix of the JCP includes social work functions to address the multiple social needs of marginalized job-seekers. Initial evaluations find that service integration in the JCP has had a positive impact on job entry outcomes, a neutral effect for client service outcomes (speed, accuracy, proactivity) as well as a negative impact on benefit processing accuracy<sup>96</sup>. Germany has sought to build organizational linkages between the Federal Labor Offices which traditionally managed the employment programs and provision of unemployment benefit and unemployment assistance and the municipal social welfare departments which managed social assistance benefits. Following the experience in other EU countries, the Czech Government has proposed to merge the Labor Office and the municipal social welfare service and benefit administration; however, it is uncertain at this point as to whether this proposal will be adopted.

**5.17 In order to deliver high quality individual action planning it will be necessary to invest in staff training and necessary new skills.** Staff training needs to be systematic, providing both short and long-term options. Many PES have developed long-term training programs for staff and some of the ideas would seem to be transferable (see Box 8 with an example from Ireland). Consideration should be given to the development of part-time and distance based training for staff delivered over a period of one or two years to provide staff with the skills to do their jobs more effectively.

**Box 8: A third level course for PES staff in Ireland**

The Irish PES developed a training course for staff that lasts over two years, based on a combination of monthly 2-day formal sessions, coupled with distance learning methods and group work. The course is delivered by a University in collaboration with the PES, and successful participants obtain a post-graduate diploma in guidance, action planning and counseling. The course extends over two academic years and is delivered in an open learning format, incorporating e-learning materials, and workshops. Course hours are (i) home based learning, 212 hours, (ii) workshops, 216 hours. The course content includes the following modules:

*Psychology of Human Development:* transition to adulthood, developmental stages in adulthood, development and change in the context of social exclusion.

*Perspectives on Work and Unemployment:* work and unemployment, community development, labour market trends.

<sup>95</sup> Tergeist and Grubb (2006)

<sup>96</sup> Karagiannaki (2006), Corkett et al (2005)

*Vocational Guidance*: theory and practice of career development and behaviour, career information and information technology, theory and application of psychometric testing.

*Professional issues in Adult Guidance and Counseling*

*Theory and Practice of Guidance and Counselling*: applied guidance skills, applied counselling skills, theoretical perspectives on counselling.

*Group work-practice of group work*, experiential approaches to group dynamics and process, theoretical perspectives on group work.

*Research and Evaluation Methodologies*: quantitative approaches to research, qualitative approaches to research, applied research techniques.

*Psychology of Work and Working Life*: organisation systems and dynamics, human resource management, occupational psychology

Source: National University of Ireland Maynooth

*Contracting out of employment reintegration services and partnership with the private and NGO sectors*

**5.18 The development of effective partnership and service outsourcing models has been an important element in the modernization of a number of OECD countries' public employment services.** Over the last few years Australia, and the Netherlands have been at the forefront of the rollout of private provision of activation and placement services and have progressively refined their approaches based on the results of evaluations<sup>97</sup>. Their example has been followed more recently, yet less ambitiously, by Germany and the United Kingdom. However, despite the common theme of contracting out of services, their models have varied substantially between countries. For example, in comparison with the standard type of outsourcing training or public works programs, Australia and other countries have gone further by outsourcing the entire activation service to private providers, with everything that is required to place highly disadvantaged job-seekers - from job counseling, motivational services, social work to training and referral. Box 9 summarizes the experience of several OECD countries.

**5.19 Outsourcing of activation services is particularly useful in the case of highly disadvantaged job-seekers such as long-term unemployed Roma, which require more specialized and intensive interventions.** The rationale is straightforward: Long-term unemployed and marginalized job-seekers require highly individualized and time-consuming services which include specialized social work services, and traditional employment services are typically not well-placed to deliver such services. It may simply

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<sup>97</sup> Tergeist and Grubb (2006)

be more efficient for the Labor Offices to contract highly specialized and intensive services out rather than delivering them in-house. As acknowledged by Labor Office job counselors interviewed for this report, the Czech Labor Offices are facing difficulties in promoting access to the labor market for Roma. The reasons are many; however, it is clear that the Labor Office alone cannot adequately address the labor market needs of the Roma. The key to success both in the Czech Republic and elsewhere is the development of close, performance-based contractual collaboration with other agencies to deliver employment services of relevance to Roma. There is promising experience in the Czech Republic, including funded from European Structural Funds, which merits evaluation and further roll-out. Indeed it is envisaged under the Social Inclusion Agency and the Operational Program Human Resources Development.

**Box 9: International experience with contracting out of activation services**

**Australia** has been using outsourcing of services since the 1990s. Under its Job Network, hundreds of licensed Job placement Organizations in more than 2,700 locations across Australia offer placement services to unemployed. In 2003, the Australian Government introduced the Active Participation Model (APM) for job-seekers, adopting a more intensive and individualized approach to placing job-seekers through Australia's Job Network service outsourcing system. The APM has been found to deliver encouraging results for disadvantaged job-seekers, such as indigenous people.

Under the APM service providers are offered incentives through payment for placing job-seekers in work. Payments for the more difficult to place clients are higher than those for short-term unemployed clients. Furthermore, Job Network applies a "star" rating, i.e. a comparative performance assessment model based on providers' Key Performance Indicators. Under the APM, each job-seeker has a single responsible Job Network service provider who provides close job counseling and placement services for the job-seeker. Disadvantaged job-seekers, for example those unemployed for more than three months, qualify for a more intensive support. APM specifies two main forms of support: (i) Job Search Support, focusing on direct placement of job-seekers, and (ii) Intensive Support which includes, based on an individual participation agreement, individualized training and advisory needs for long-term unemployed job-seekers with a graduated degree of customization of service for disadvantaged job-seekers. Job-seekers typically move from Job Search Support to Intensive Support if they have failed to find employment within three months after registration. During this period, job-seekers participate in "Mutual Obligations" activities, such as community work ("Work on the Dole"). If after 12 months Intensive Support job search training has not resulted in placement, job-seekers become eligible to "Customized Assistance", an intensive and highly flexible six-month counseling program. "Customized Assistance" is also available for job-seekers at day one of registration if they are deemed highly disadvantaged.

Under the Job Network model placement of clients is contracted out to either private or NGO organizations and fees are paid in stages so that a client who remains in the placement for 13 weeks attracts the full placement fee and those that leave the job after fewer weeks only attract a lower fee. The fees are also based on the client's distance from

the labor market on entry to the program, providing incentives to placing disadvantaged job-seekers. A person unemployed for less than three months attracts a lower total fee for the agency compared to a long-term unemployed person. Under the Customized Assistance, Job network service providers can purchase training and cover incidental costs of job-seekers' placement efforts, e.g. interview preparation and travel, through a dedicated Job-seeker Account. In line with the modern employment activation approach, APM involves penalties for non-participation of job-seekers, but also Job Network service performance standards and supervision. Job Network also applies a "star" rating, i.e. a comparative performance assessment model based on providers' Key Performance Indicators.

In the **United Kingdom**, 'Employment Zones' have been established to address long-term unemployed clients' needs, and Temporary Work Agencies (TWA) as well as other private providers are involved in delivery of services. The Jobcentre Plus has been organizing open tenders for the provision of integration services in these 'Employment Zones'. In the initial roll-out contracts were given to a private employment agency in six zones. Contracts were also given to 'Working Links' in 9 areas, which is a joint venture company of Jobcentre Plus and two agencies, one of which is a significant TWA. In other cases under the New Deal initiative individual jobseekers can be referred to private employment services for training and/or reintegration or temporary work placement.

In the **Netherlands** employment reintegration services for the unemployed who are not expected to find work within six months is outsourced to private providers. While the traditional public employment service (CWI) continues to manage job-seeker registration and profiling as well as initial job referral services as well as services for easy to place job-seekers. In contrast, all those job-seekers that are further from the labor market are redirected to the social insurance agency (UWV) for those that have unemployment insurance entitlements or to the municipalities for those who only have access to non-contributory social assistance benefits. Municipalities and the UWV are then in charge of managing benefit payments and transferring job-seekers to reintegration services. While UWV is mandated to outsource the provision of such services to private sector agencies, municipalities can manage such services themselves. Unlike in the UK and in Australia, there is no single central contractor, but a multitude of municipal contractors. Contracting periods are also typically shorter than in Australia or the UK. Outsourcing is conducted through tendering, and private and non-profit agencies have participated in several tendering rounds since the introduction of the new system in 2004. Municipalities receive lump-sum budget allocation from the central budget based on local demographic and labor market conditions, consisting both a benefit and a reintegration element. Municipalities have a strong incentive to save under the budgetary element designated for benefits, as they are free to reallocate it across budget lines.

Source: Tergeist and Grubb (2006)

**5.20 Service contracts with private providers typically include a performance based element with placement incentives for providers.** The rationale is to cover a

provider's base costs but provide an incentive for placement through an outcome-dependent bonus. In the UK and Australia, a typical measure of success is whether an individual remains continuously employed in a referred job after 13 weeks. There have been some critics, pointing as a draw back to the risk that performance-based funding leads to a "job first" approach in which service providers try to place job-seekers quickly into jobs, often low productivity jobs, whereas targeted training could raise job-seekers' chances for higher productivity and higher pay employment<sup>98</sup>.

**5.21 Several evaluations of outsourcing programs aimed at hard-to-place job-seekers such as ethnic minorities have found positive effects on employment outcomes.** While the overall experience on outsourcing of employment reintegration services in OECD countries has been mixed so far<sup>99</sup>, there are some evaluations which show positive effects on placement of disadvantaged job-seekers. For example, Australia's Job Network evaluation and performance monitoring shows substantial positive effects of its Active Participation Model (see Box 9) for highly disadvantaged job-seekers, such as indigenous job-seekers or those from culturally and linguistically diverse backgrounds<sup>100</sup>.

**5.22 Contracting out requires adjustment to the governance model of the public employment service.** Under a system of outsourcing of services, the public employment service needs to assume a number of new regulatory functions:

- *Setting service standards:* The management and quality control of such an approach would lie firmly in the hands of the Labor Office. In order to provide consistency across regions in this area of contracting out service provision for disadvantaged job-seekers, in particular Roma, it will be necessary to develop national quality standards for such services including a consistent performance based graduated and staged payment schedule for contractors such as exists in Australia.
- *Monitoring service standards under performance-based contracting:* Under an outsourcing system, the Labor Office will need to develop the capacities to effectively monitor service standards across the country and different providers according to the defined service standards. Under mutual obligation principle, the maintenance of adequate service quality is crucial to guarantee enhanced probabilities of placing disadvantaged job-seekers into employment. The Labor Office would also need to manage the commissioning of external impact evaluation of private service provision.
- *Tendering and contracting:* Experience in countries with a longer history of outsourcing has shown that the quality of service provision under a privately provided system relies heavily on the quality of the contracts negotiated between

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<sup>98</sup> Tergeist and Grubb (2006)

<sup>99</sup> While evaluations show positive results in Australia and the Netherlands, they have shown little effect in Germany, however, this may possibly be due to the fact that the reform implementation has been short (see Tergeist and Grubb, 2006).

<sup>100</sup> Department of Employment and Workplace Relations (2006)

the public employment service and the private contractors. While the Czech Labor Office has experience with outsourcing of training, the outsourcing of more complex integrated activation services is likely to require further enhancement of contracting and tendering capacity

#### *Performance measurement and evaluation*

**5.23 Systematic performance monitoring and impact evaluation of employment programs has become widespread across many OECD and EU countries.** Both are essential elements of public policy in general in that it allows reviewing whether programs work – whether they are well targeted and effective and whether money is well spent. It allows evidence-based decision making – scaling them up if they do work and adjusting them if they do not work as expected. Recent employment activation policy in many countries has benefited from quantitative evaluations, in the US, the UK, the Netherlands, Australia and Germany. Germany made rigorous impact evaluation a core element of its Hartz labor market reforms.

**5.24 While there is some performance monitoring of active labor market programs, there is no rigorous impact evaluation of such programs in the Czech Republic as yet.** Raising capacities in this area will be a useful investment to ensure better knowledge about the effectiveness of employment policies, and the budgetary resources spent on them.

### **LABOR MARKET PROGRAMS**

**5.25 Currently, the Czech Labor Office is providing the standard set of services of a traditional PES.** Pursuant to the Act on Employment measures of active employment policy by the Czech Labor Office include, in addition to job counseling:

- *retraining* according to a retraining agreement concluded between the Labor Office and the job-seeker and paid by the responsible Labor Office. Retraining can help the job-seeker acquire new skills or deepen existing skills with the aim of enhancing his/her employability. Legislation does not specify limitation for the duration or cost of retraining courses. According to the Act on Employment the retraining agreement commits the job-seeker to repay retraining costs should he/she refuse, without serious reasons to conclude the retraining<sup>101</sup>;
- *investment incentives* for employers to create new jobs and/or retrain new employees in a geographical area where the unemployment rate in the previous 30 months has been 50 percent above the average rate in the Czech Republic;
- *community service*, a public works program providing part-time work in maintaining public areas and infrastructure, for a maximum of 12 months and on a renewable basis. The LO may provide a contribution up to the amount of the minimum wage plus social security contributions;

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<sup>101</sup> Some LO staff interviewed for this report reported that this clause is not consistently enforced.

- *socially beneficial jobs* established by employers for job-seekers who cannot otherwise find employment whose cost are contributed to by the Labor Office for a period of up to six months (12 months for job-seekers under the age of 25 and over 50, persons with a disability and university graduates over two years after graduation and up to the age of 30). The level of contribution depends on the level of unemployment in the geographical catchment area relative to the average Czech unemployment rate;
- *a bridging contribution* for self employed up to a period of three months in a monthly amount equal to 0.12 times the national average wage.
- *transport contribution* for employers if they secure daily transport in areas not covered by public transport, with a contribution of up to 50 percent of actual costs (100 percent for people with a severe disability);
- *contribution towards training costs* to employers of disadvantaged job-seekers up to a period of three months and up to half the minimum wage per employee<sup>102</sup>; and
- *contribution for a transition to a new business program* for employers who go through a restructuring or transition to a new business and who can, for a limited time, not guarantee a full work program for their employees, up to half the minimum wage and up to a period of six months .

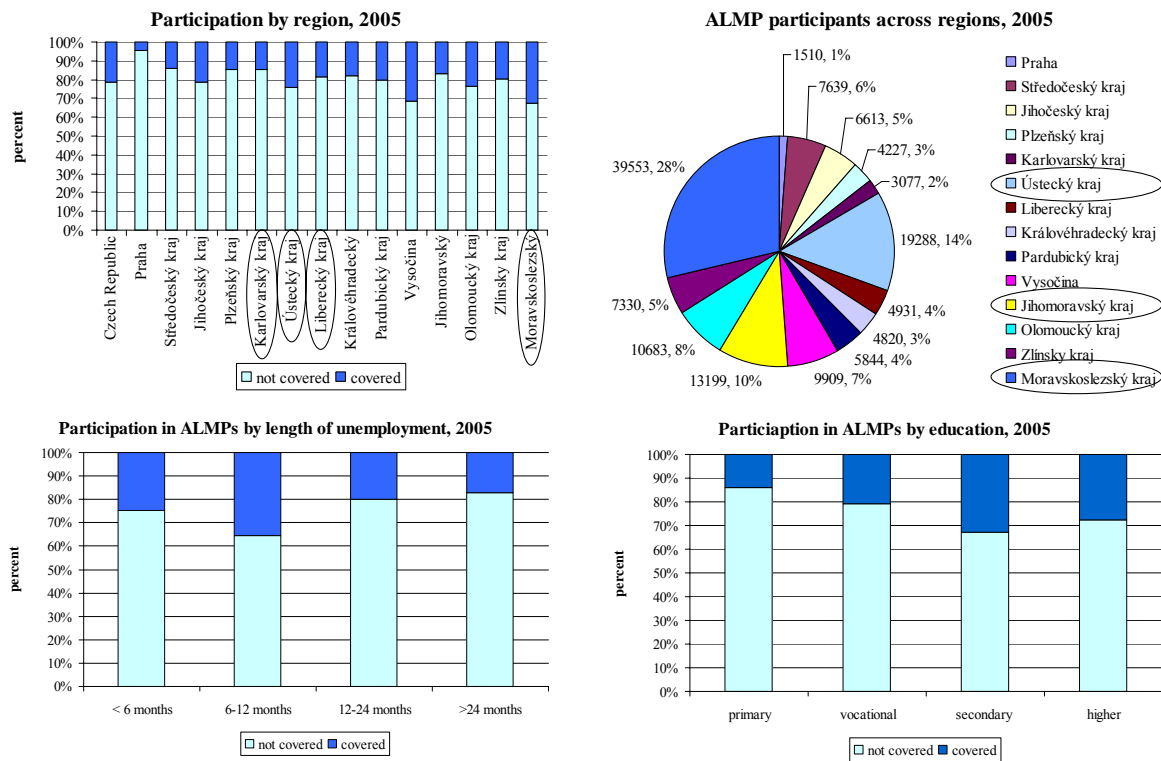
**5.26 While the provision of active labor market programs is concentrated in high unemployment regions across the Czech Republic, programs are not targeted to the most disadvantaged job-seekers.** As Figure 31 (upper left panel) shows, there is wide variation in the shares of registered unemployed who are covered in active labor market programs (ALMPs). While the Czech Republic average share of those covered is just over 21 percent, as little as 4.5 percent are covered in Prague, compared to more than 30 percent in Moravskoslezsky kraj. This is reflective of the variation in unemployment across regions. However, there is also wide variation among those regions with the highest incidence of long-term unemployment and lowest demand for low-skilled workers (see the circles). Out of the pool of Czechs that do participate in ALMPs, the vast majority are located in the difficult regional labor markets: Almost 30 percent of all those that participate in ALMPs are residing in Moravskoslezsky kraj (top right panel). However, as Figure 31 (bottom panels) reveals, the current programs are not targeted towards the disadvantaged groups, such as those with low educational attainment and long histories of joblessness. Over 30 percent of unemployed with complete secondary education participate in active labor market programs, compared to only 14 percent of those with only elementary education. Furthermore, 35 percent of the unemployed with 6 to 12 months of unemployment participate, but only 20 percent of those with between 12 and 24 months and only 17 percent

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<sup>102</sup> Disadvantaged job-seekers are defined in the Act on Employment as persons with a disability, persons under the age of 25 and over 50, university graduates over two years after graduation and up to the age of 30, pregnant and nursing women for a period of nine months after giving birth, persons caring for a children under the age of 15 and persons who have been unemployed for more than 6 months.

of those with more than 24 months of unemployment. The age group most enrolled in ALMPs is the group of 19-24 year olds, reflecting the Czech Republic's focus on youth unemployed.

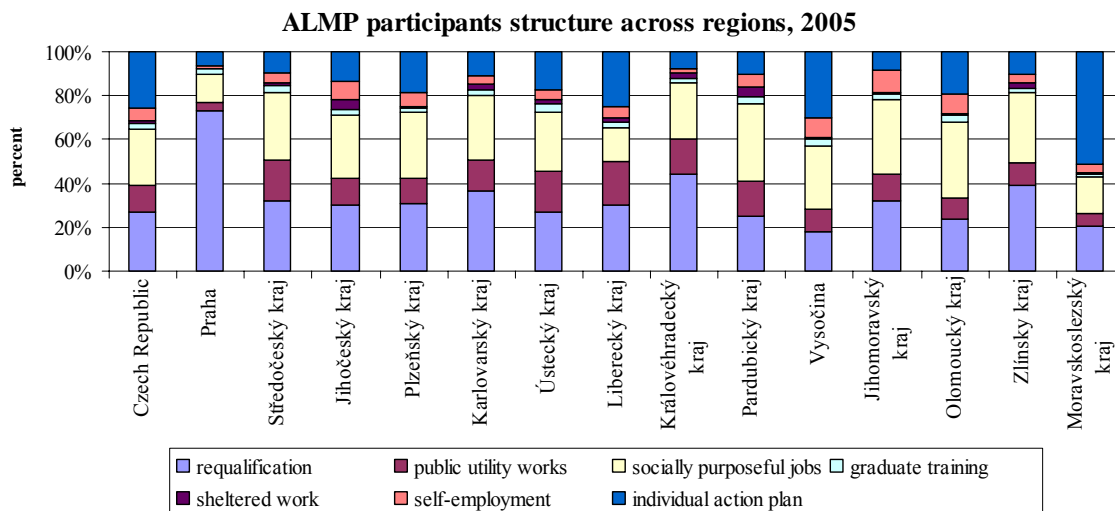
**Figure 31 Participation in ALMPs varies across regions, but they are typically not targeted to the most disadvantaged job-seekers**



Source: Research Institute for Labor and Social Affairs (RILSA), 2007

**5.27 Active labor market programs most commonly used are requalification and training, public works and socially beneficial jobs.** Figure 32 presents the breakdown of ALMPs across regions, suggesting that the main interventions are requalification, public works and socially beneficial jobs. This finding holds for Roma job-seekers as well, as presented in Chapter 2. However, there are variations: Moravskoslezsky kraj, the region with the highest incidence of unemployment and long-term unemployment, has been placing a strong focus on individual action plans, with more than 50 percent of ALMP participants enrolled in such plans. As opposed to that, Ustecky kraj, the second most deprived regional labor market, follows almost the same pattern as the Czech Republic averages. Interviews with job counselors conducted for the purposes of this report suggest that there is some churning on public works programs which last up to a year, and training on such programs seems to be limited to basic operations required for the particular job rather than systematic up-skilling to a national qualification standard.

Figure 32: **The content of ALMPs varies across regions**



Source: Research Institute for Labor and Social Affairs (RILSA), 2007

**5.28 In order to work for jobless Roma, Czech ALMPs need to be targeted more to the most disadvantaged and be placed in an individualized support program around intensive job counseling and placement efforts.** The Czech Labor Office can utilize existing ALMP instruments but utilize them strategically as part of an individual action plan framework. A first step has been made in introducing the Individual Action Plan (IAP) which appears to be heavily used in Moravskoslezsky kraj but less elsewhere. The next step would be to strengthen its role by making it the mandatory primary engagement method for all long-term unemployed. It is through the individual action plan that other programs should be made available to long-term unemployed, involving an agreed contract between the job-seeker and Labor Office.

**5.29 Ensuring that activation programs reflect individual needs requires building on client choice.** This can involve (i) training vouchers to allow motivated and well-informed or well-advised clients to “buy” their own training or career guidance and to enhance choice and client ownership of the intervention<sup>103</sup>; (ii) development of community employment programs managed by NGOs or the local community but coupled with formal identification of training needs for each client. This can be developed into an agreed training plan linked to the national qualification framework and the delivery of such training (much of it in the workplace) by external training contractors hired by the sponsoring NGO or community. Typically clients get a premium payment above the level of their social assistance and attend such programs for 20 hours per week and are allowed to work in the open labor market for the rest of their work week without any penalties. This provides an incentive for clients to stay in the measure and provides for a gradual re-entry into mainstream employment. Durations are typically 12 months

<sup>103</sup> Critics of vouchers argue that they do not work well in case of insufficiently informed and skilled clients who may not be able to make the right choice without external guidance and may be subject to sales and promotion activities of providers.

with an exit placement rate of 30-35 percent; or (iii) development of sub-contracted special dedicated community VET centres in collaboration with the education ministries, for early school leavers; (iv) focus on training and retraining and second-chance education programs in cases where lack of education is a binding barrier.

**5.30 Public works programs may very well remain the only option for activation of low skilled long-term unemployed Roma in depressed regional labor markets – however with some necessary modifications to enhance their skills.** Public works” might better be described as “Community Employment”<sup>104</sup> in order to underline that the employment is for the individual rooted in the community. If these programs are to have a real long-term effect, it is crucial that a formal identification of training needs (ITN) is developed for each client coupled with the development of an agreed training plan linked to the national qualification framework. The sponsors/managers of such community based employment programs will need to be trained in the development of ITNs, staff management and staff development. Regular monitoring of such programs by suitably trained Labor Office staff is crucial to ensure the maintenance of high HR standards. This approach should thus avoid “programs” that focus on short-term, low-skilled employment and provide participants with neither enhanced skills nor better long-term employment prospects. The quality and training content of public works needs to be improved so that participants gain transferable skills. Such project interventions can also overcome barriers between non-Roma and Roma by building confidence through on-the-job training and employment experience. There are already examples of successful public works projects in Bulgaria which show non-Roma contractors that Roma can be reliable, effective employees.

**5.31 Training and requalification are ideally linked to a subsequent job placement or risk being unattractive and de-motivating for job-seekers and lead to discouragement.** Experts from non-profit NGOs interviewed for the purposes of this report expressed doubts about the meaningfulness of the requalification programmes as offered so far by the Labor Offices. If the requalification course does not directly allow entrance to the labour market, i.e. leads directly to employment, it does not have any effect on the client's standard of living. Indeed, Roma job-seekers participating in focus groups for this report reported their frustrations about prior experience of participating in retraining programs which was not rewarded through subsequent employment. Participation, in particular repeated participation, without successful subsequent employment risks having a negative psychological impact – when a client's aspirations and hopes are not fulfilled on the labour market after having absolved the requalification.

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<sup>104</sup> In Ireland Community Employment provides training, development and work experience to the long-term unemployed (and other key groups at risk of social and economic exclusion) in community and voluntary projects and in public bodies. The measure provides work for up to one year to: long-term unemployed persons aged over 21 years; Travellers (Roma); lone parents; and persons with a disability. It also offers a three-year work option to the same categories of persons over 35 years of age. Employees, termed ‘participants’, are obliged to provide 39 hours work over a two week period to the projects involved. In return, the sponsor must provide the participant with development and training which will improve their chances of accessing the open labor market. For projects employing more than 11 participants, the sponsor is funded to employ a supervisor and must produce a structured development and training plan for each of the individual participants. This plan must have an explicit objective of helping the participant to progress into mainstream employment.

It may be one key contributing factor to the widespread labor market discouragement of jobless Roma.

**5.32 Specific contracted skills training for Roma should ideally be based on the potential of the trainees rather than based on education level.** The general experience of Roma is that their education level excludes them from the type of economically useful courses available such as welding and any other trades. Specialist literacy and preparatory modules and/or mentoring will need to be built into the training. This provides a challenge for providers that they must be tasked to meet, through performance payments based on client selection criteria set by the PES and on placement outcomes.

**5.33 “In work benefit schemes” can help facilitate the transition from welfare into work, in particular those that have been on benefits for a long time.** Elements have already been tested in the Czech Republic. In a project entitled “Casual Registered work” longer term unemployed are allowed to do some work to earn extra money up to a limit of half the minimum wage. There is a case for enhancing this approach by the development of a “Back to Work Program” so that long-term unemployed clients with an unemployment spell of more than 3 years’ duration who are placed in legal employment or self-employment are allowed keep their social assistance allowance for three years on a graduated scale of 75 percent for the first year, 50 percent for the second year and 25 percent in the third year. This would encourage genuinely inactive long-term unemployed back into work while receiving a premium. It would also encourage those drawing social assistance while working in the shadow economy to legalize their work by coming on to the program. Because such workers will start paying income tax, the scheme will pay for itself over time and would help to reduce the numbers of registered unemployed in the shadow economy. There would be no upper limit on the money earned. Anecdotal evidence suggests that this type of program may achieve even better results where there is an associated marketing campaign to promote the program and on the penalties for informal work.

## CONCLUSIONS AND POLICY DIRECTIONS

**5.34 While incentives for the long-term unemployed to seek work have strengthened in recent years, the Labor Office at the beginning of 2008 remains insufficiently prepared to help disadvantaged job-seekers.** In order to retain policy coherence and avoid that disadvantaged job-seekers are adversely affected by recent changes in the benefit system, the Labor Office needs to revamp its approach to help disadvantaged job-seekers into jobs. Cutting support for long-term unemployed in the absence of sufficient supply of effective and targeted ALMP programs is unlikely to achieve the desired results of greater employment among welfare recipients, whether Roma or non-Roma. Policy directions can be differentiated into two groups, (i) a change in the modus of engagement with disadvantaged long-term unemployed and (ii) promotion of new types of active labor market programs.

**5.35 First, promoting greater employment chances for disadvantaged job-seekers, including Roma in marginalized localities, requires a fundamental change in the**

**management and delivery of employment services.** This involves the following elements:

- *Introduce a mutual obligations-based employment activation approach* across all elements of employment policy. While obligations of the jobseekers have been raised through reduced social welfare benefits and tighter requirements for cooperation with the Labor Offices, the Labor Offices's capacity to deliver effective services for disadvantaged job-seekers such as Roma need to be raised.
- *Change the mode of engagement with disadvantaged Roma job-seekers, offering a highly individualized and complex service*, addressing their multiple employment, financial social and other needs that affect their employability. For example, make individual debt work-out a core element of activation policy. Individualized service provision starts with profiling of new clients into different categories depending on distance from the labor market and varied service packages for the different category job-seekers.
- *Restructure the Labor Office to free up more staff for individual counseling of vulnerable job-seekers.* This entails training of staff to deal with this new challenge as well as the hiring of new skills, such as social work skills.
- *Consider merge Labor Offices with social welfare offices* to offer the job-seeker an integrated service window addressing his/her multiple needs. This would free up staff for frontline interactions with disadvantaged job-seekers and allow providing integrated services, including traditional employment services and social work services (e.g. debt advice).
- *Consider substantial roll out of outsourcing of activation services* using performance-based contracting, including job counseling and referral, to qualified private agencies and with performance-based contracts. While it is important to ready the Labor Offices to deal with disadvantaged clients, outsourcing entire service caseloads for the most disadvantaged job-seekers is likely to be more effective and cheaper than recruiting highly specialized service providers in-house.

**5.36 Second, it will also require a fresh look at the utilization of active labor market programs for disadvantaged long-term unemployed.**

- *Shift ALMP spending and concentration away from skilled secondary school and university graduates towards low-skilled and disadvantaged job-seekers.* In today's tight labor market in the Czech Republic the majority of skilled individuals are highly likely to be able to find employment without much support from the Labor Office either in form of extended interaction with job counselors or in form of participation in Labor Office-financed active labor market programs. Resources could rather be shifted to those who have trouble finding employment on their own and who therefore do require such support – the disadvantaged, low skilled and long-term unemployed.

- *Subsidized public works programs, or “community employment”, will remain an important intervention, especially for unskilled Roma and in low labor demand regions, but they require modifications.* In particular, in addition to transmitting work habits and experience, they should involve strategic vocational skill upgrading through training. In this respect a public works assignment should have an inbuilt formal identification of training needs for each client as well as an agreed training plan linked to the national qualifications framework.
- *Given the widespread functional illiteracy among Roma in marginalized localities, second-chance education and literacy programs should become core part of the retraining programs offered through the Labor Office.* Creating a basis for subsequent vocational training, they should be seen as a priority engagement for Roma long-term unemployed within the framework of employment activation.
- *Link retraining programs to actual employment and build on client choice.* Retraining programs on average appear to have not delivered employment results for jobless Roma. Successful programs should ideally be closely linked to actual employment and take account of the skills needed in the labor market. If not linked to employers’ needs, they risk being wasteful spending and undermining job motivation of training beneficiaries.

**5.37 In the pilot localities, the Social Inclusion Agency can provide an integrative role to link employment activation to other social inclusion activities.** The Agency is tasked with developing and implementing local inclusion strategies in partnership with municipal authorities, the labor office, schools and education services, health services as well as the NGO sector and private businesses. Having to address many interwoven barriers, employment activation will have to be firmly anchored in the local social inclusion architecture.