



EMPLOYMENT SERVICE ACTIVITIES TO INCREASE EMPLOYMENT

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SUMMARY

Relevance of the Audit

Employment is one of the key objectives of the State social policy and can be successfully addressed by reducing unemployment. Unemployment, especially long-term unemployment, can have serious adverse consequences for the individual, society and the economic system. The extent of long-term unemployment is one of the main indicators for measuring the adequacy and/or success of active labour market policies.¹

According to the Lithuanian Department of Statistics, employment is decreasing. In 2020, the employment rate of 71.6% was by 1.4 percentage points lower than in 2019. There were 126,000 unemployed people aged 15-74, which is 34,000 (37%) more than a previous year. 29% of all the unemployed were long-term unemployed and the long-term unemployment rate was 2.5 percentage points (0.6 percentage points higher compared to 2019).² The pandemic has had an impact on registered unemployment, which peaked at 16.4% at the beginning of 2021, with a decline of 5.5 percentage points observed in November.³ According to the Employment Service, there is a lack of matching between labour supply and demand in the labour market.⁴

¹ European Semester Thematic Factsheet. Active Labour Market Policies. Internet access: https://ec.europa.eu/info/sites/default/files/file_import/european-semester_thematic-factsheet_active-labour-market-policies_lt.pdf (accessed on 12/11/2021).

² Lithuanian Department of Statistics. Internet access: <https://osp.stat.gov.lt/darbo-rinka-lietuvoje-2021/uzimtumas-nedarbas-ir-laisvos-darbo-vietos/nedarbas> (accessed 23/11/2021).

³ Lithuanian Labour Market. October 2021. Internet access: <https://uzt.lt/wp-content/uploads/2021/11/LIETUVOS-DARBO-RINKA-2021-10.pdf> (accessed on 23/11/2021).

⁴ Labour market trends in the first half of 2021. Internet access: <https://uzt.lt/wp-content/uploads/2021/08/Darbo-rinkos-tendencijos-2021-I-pusmetis.pdf> (accessed on 23/11/2021).

According to the OECD Skills Strategy Lithuania⁵, Lithuania has one of the highest employment gaps between adults with high and low levels of education among OECD countries, with a gap of twice the OECD average⁶. Skills mismatches, shortages and surpluses in the labour market are more common in Lithuania than in many other OECD countries. The findings⁷ of the external evaluation of the European Network of Public Employment Services show that a systematic customer orientation needs to be embedded at all levels of the organisation as the Employment Service improves its operational processes and services.

The National Progress Plan aims to improve the employability of jobseekers and the efficiency and effectiveness of the employment support system⁸ in order to achieve a sustained reduction in the unemployment rate and the share of re-registered unemployed⁹. One of the Government's main initiatives is to modernise employment policy by optimising the State's employment and retraining systems, concentrating all resources, and transferring responsibility for the formation and implementation of the overall employment strategy to the Employment Service. It aims to effectively engage the population in the labour market, promote the creation of competitive jobs, especially in the regions, and improve labour market monitoring and management.¹⁰

To assess how the Employment Service contributes to employment growth in Lithuania, we carried out a performance audit.

Objective and Scope of the Audit

The objective of the audit was to assess whether the performance of the Employment Service creates sufficient conditions for employment growth in Lithuania.

Key audit questions:

- whether the objectives addressed to the Employment Service's are being met;
- whether the conditions are in place to organise results-oriented activities of the Employment Service;
- whether the services and measures provided by the Employment Service increase the jobseekers' participation in the labour market;
- whether the COVID-19 measures for job retention were targeted.

Audited entities:

- Ministry of Social Security and Labour, as it is involved in shaping employment support policy;

⁵ OECD Skills Strategy Lithuania. Assessment and Recommendations, 11/06/2021. Internet access: <https://www.oecd.org/publications/oecd-skills-strategy-lithuania-14deb088-en.htm> (accessed on 12/11/2021).

⁶ Internet access: <https://stat.link/kejx1a> (accessed on 23/11/2021).

⁷ Benchlearning Initiative. External Assessment. Summary Report 3rd cycle – Lithuania, 2021

⁸ List of strategic goals, objectives and indicators for the National Progress Plan 2021-2030, p. 11.

⁹ Within 12 months from permanent employment.

¹⁰ The Programme of the Eighteenth Government of the Republic of Lithuania adopted by Clauses 130, 131.1, 131.3 of the 11/12/2020 Resolution No XIV-72 of the Seimas

- Employment Service, as it implements employment support policy.

During the audit, we collected information and data from the Employment Service, all customer service departments (5) and selected divisions (10 out of 70), the Ministry of Social Security and Labour. We carried out a survey of all employment, career and employer services consultants of the Service and a study of 127 selected cases.

The audited period was the first half of 2019–2021. In order to assess trends and developments, we used data from previous years in some cases.

The audit was carried out in accordance with the Auditing Requirements of the National Audit Office (NAO) in force until 30 June 2021 and the International Standards for Supreme Audit Institutions. The scope and methods of the audit are described in greater detail in Annex 2, Audit Scope and Methods (p. 56).

Key Results of the Audit:

Synergies among all participants in the employment support system are important for increasing employment in the country. The Employment Service, which carries out the tasks of the system, together with the Ministry of Social Security and Labour, is initiating changes that should contribute to better results. We found that during the COVID-19 pandemic, the additional functions assigned to the Service affected the performance of core activities. In order to improve the Service's performance, it should review and redefine its activities, ensure coherent planning and evaluation, make consultants more results-oriented and the services provided to customers more efficient.

1. The Employment Service needs to implement more changes

- A key expectation towards the Employment Service is effective implementation of employment support policies and contribution to employment growth. In a survey carried out by the Kaunas University of Technology during the audit, employers report that the activities of the Employment Service are more related to registering the unemployed for benefits than to employing them. The Ministry of Social Security and Labour and the Service have not planned measures and evaluation criteria for improving the quality of labour market services and employment support measures. There is a lack of coherence in the planning of activities from the Ministry, the Service to the customer service departments and divisions to increase the employability and skills of jobseekers. As part of the programme on increasing employment, the Service has been implementing ten measures in 2021, but not all of them are linked to the objectives of the departments. Having defined new directions of activities, with a new focus on customer needs and consistent planning, better performance can be achieved (Sub-section 1.1, p.15).
- A wide range of performance indicators of the Service is being monitored, e.g. in 2021, there were 12 key indicators, from 74 to 155 department indicators and from 9 to 126 division indicators. The number of indicators monitored by departments varies by up to 14 times, even though the performance of the groups of departments by function is the same. All five departments have not aligned from 4 to 8 indicators with the Service's plan, and 2 to 11 indicators have not been indicated with numerical values and are therefore not measurable. Target values for almost all indicators (94%) to

measure the performance of heads of units and recruitment, careers and employer services consultants are not differentiated, i.e. without taking into account regional or municipal specificities. There are no indicators of the accessibility of services to customers. With optimal performance indicators, data-driven planning and clarity for employees, it is possible to identify gaps between customer expectations and results achieved (Sub-section 1.2, p. 17).

- In 2019, 48% of the key performance indicators for measuring the Service's performance were achieved, in 2020 – 29%. In 2019–2020, none of the 10 indicators set for consultants were achieved by all divisions, and disparities were observed. The implementation of the measures of the project Improving the Efficiency of the Employment Service, Developing Innovative Services was delayed by up to two years. The personality trait identification tool planned for 2020 has not yet been developed and deployed. The Service has not achieved all of its planned performance results and objectives, which has implications for the imbalance between labour supply and demand and the declining employment of people of working age (Sub-section 1.3, p. 19).

2. Consultants need appropriate training, methodological support and information systems

- The quality of services provided by customer service divisions is uneven and depends on the initiative and cooperation shown by consultants. Employers see a lack of standardisation of rules and procedures or different interpretations of them. New working methods have been introduced more actively in the Employment Service in 2021, however, are not systematically used by all consultants. 18% of consultants do not follow the adopted methodologies because they are not updated as working conditions change. 59% of consultants miss training on new working methods and 52% – training on improving customer motivation. One third reported a lack of skills development in data analysis. New ways of working, the provision of up-to-date methodological support and training could be expected to improve the results of work with clients (Sub-sections 2.1 and 2.2, pp. 24–27).
- The effectiveness of the Service's customer service delivery channels is not measured, nor are the reasons for (non-)choice of channels among customers analysed. A small proportion of employers (8.9%) prefer to use their e-services account. During the pandemic, one-third of the consultants used video tools (*Teams, Zoom, etc.*) to deliver their services, 4% of which – on a daily basis. Having data on which channels are most effective in reaching different customer groups would help improve service delivery and customer satisfaction (Sub-section 2.2, p. 27).
- In 2021, the Service has identified operational risks due to unmeasured consultant workload and information systems disruptions, low levels of automation. Employees and employers say the system lacks functionality, is cumbersome and slow. 18% of consultants are not able to enter all the requirements for a vacancy, 8% are not able to collect all the information about the jobseeker's competences, 7% are not able to collect all the information about the customer's job preferences and 11% are not able to select vacancies based on the criteria they have chosen for the jobseeker. An investment project was prepared in September 2021 and improvements to the information system are planned to be made within four years. The information system

could be used to better understand clients' needs, reduce consultants' workload and increase client satisfaction (Sub-sections 2.1 and 2.2, pp. 27–30).

3. Services to bring jobseekers into the labour market could be more effective

- During the pandemic, the assessment of employability and the drawing up of individual employment action plans were not a priority service due to the increased workload of the Service. We found that during the registration period, employment opportunities: were not assessed for 16.4% of individuals in 2020, and in the first half of 2021 – for 16.9% of individuals. 7.9% of the individuals selected for the case study lacked the assessment of all 9 criteria analysed. Individual employment plans were not prepared: for 27.0% of the registered unemployed in 2020, and for 32.4% in the first half of 2021. 37.8% of the individuals selected for the case study lacked the assessment of the progress of their plans. A comprehensive assessment of the person's employability, the preparation of the plans and the evaluation of their progress would ensure that all barriers to employment are identified and services are provided to address them (Sub-section 3.1, p. 31).
- The legislation does not differentiate between services for those who are motivated to work and those who are not. Services for jobseekers are not always planned according to the results of individual employability assessments: 61.8% of the individuals selected for the case study who do not have a profession (qualification/competence) and 60.5% of those who do not have the motivation to work were not provided with measures and services during the enrolment period in order to remove these barriers and increase their employability. 53.5% of consultants are unable to select measures when the person does not belong to any of the supported groups. 49% of the employers in the survey say that the people offered by the Service lack motivation to work. Ensuring that jobseekers are provided with the right tools and services to meet their needs would increase employability (Sub-section 3.1, p. 31).
- In 2019 – 54.3 %, in 2020 – 40.7% of the individuals had their independent job search evaluated. 39.6% of the consultants do not dedicate enough time for the consultations on independent job search, 10.4% lack information on the most effective ways of finding a job independently, and 8.4% lack recommendations on how to provide these consultations. Providing suitable consultations on the independent job search would increase the probability to find a job (Sub-section 3.1, p. 31).
- The share of people receiving career consulting and career planning services is falling: in 2019 – 1.7%, in 2020 – 0.7%, and in the first half of 2021 – 0.4%. One-fifth of careers and employment consultants do not use labour market monitoring results for profession acquisition/retraining. In the first half of 2021, 12.3% of jobseekers were sent to a vocational training facility under a bilateral learning agreement to train in occupations not on the list of in-demand occupations. Providing the necessary consulting services and directing people to in-demand occupations will make integration into the labour market more sustainable (Sub-section 3.2, p. 36).
- According to the auditors' assessment, one in eleven of the individuals selected for the case study indicated that the preferred job for which the job offers were made did not match their qualifications and/or competences and/or work experience; 7% of the

job offers made did not match the preferred job. Making job offers on the basis of a stated job preference that does not match a person's qualifications and/or competences and/or work experience results in employers being offered unsuitable candidates (Sub-section 3.3, p. 42).

- In 2020, 60.7% of employers were satisfied with the services provided by the Employment Service, against a target of 80%. Half of the employers were not satisfied with the lack of motivation of the proposed candidates. The auditors estimate that in the first half of 2021, 6.9% of the candidates proposed by the Service were recruited and 9.2% of the vacancies filled. By offering suitable candidates for vacancies, employers would be more interested in using the Service (Sub-section 3.3, p. 42).
- The Service calculates indicators of the effectiveness of active labour market policy measures, but the indicators do not include the funds used; data on whether the participants in the measures have been employed according to the qualification/competence acquired. Improving the impact assessment methodology would help to identify whether funding is being targeted at the most proven and effective active labour market policy measures (Sub-section 3.3, p. 42).

4. COVID-19 measures could have been more targeted at retaining jobs

- During the pandemic, the Employment Service was given additional functions related to the application of the COVID-19 job retention measures. In assessing these measures, we have focused on their effectiveness. In the case of subsidies to employers, there was no obligation for the Service to assess whether they were prohibited from providing services. All 10 of the selected subsidised areas were subject to certain restrictions, e.g. services requiring more than 15 minutes of contact are prohibited. However, in 7 areas, all 36 employers selected during the second quarantine received subsidies for downtime (EUR 7,256,000), although they were not prohibited from providing services. In the sample of education and health institutions, some workers were placed on downtime due to a reduction in work volume, workload, client flow, rather than activity restrictions. In the auditors' assessment, in the absence of adequate regulation, employers were paid subsidies for downtime regardless of activity restrictions (Section 4, p. 45).
- The Service was not obliged to assess the income, profit/loss, number of jobs retained, etc. of employers who received subsidies for downtime/after downtime. We found that 49% of the sampled employers who received subsidies after the downtime experienced their income increase or decrease by no more than 5%, and received a similar amount of subsidies (47%) as employers whose income decreased by more than 5%. Not all employers who announced group redundancies retained 50% of their jobs by 1 September 2021: 5 out of 9 (56%) employers who received subsidies for downtime did not retain their jobs, and 9 out of 39 (23%) employers who received subsidies for after downtime did not retain them. Also, there was no condition that an employer may not register vacancies in the same occupational groups after declaring downtime. 27 (out of 28) of the sampled employers had simultaneously announced downtimes and registered vacancies in the same occupational groups. In the auditors' view, public support for job retention could have been more targeted, as it was not limited to the employers most affected by the pandemic (Section 4, p. 45).

Recommendations

To the Ministry of Social Security and Labour

1. In order to reduce the long-term unemployment rate and the proportion of unemployed re-registered within 12 months of permanent placement, the activities of the Employment Service should be reviewed and refocused in line with the needs of jobseekers and employers (Key audit result 1).

To the Employment Service

2. In order to reduce the long-term unemployment rate and the proportion of unemployed re-registered within 12 months of permanent placement, to identify optimal performance measurement indicators for the Employment Service, the Customer Service Departments and the Divisions, in order to show the contribution of their activities to employment growth (Key audit result 1).
3. To increase the accessibility of services and the level of satisfaction of jobseekers and employers with the services of the Employment Service (Key audit result 2):
 - 3.1. Plan and organise training on new ways of working and client motivation, ensuring that all consultants attend it annually.
 - 3.2. Develop a system for measuring consultants' workloads.
 - 3.3. Determine which service delivery channels are best suited to reach different customer groups.
4. Achieving an increase in the levels of unemployed and long-term unemployed who became employed during the year (Key audit result 3):
 - 4.1. Conduct employability assessments for all jobseekers.
 - 4.2. Plan services for jobseekers based on the results of individual employability assessments.
 - 4.3. Evaluate the progress of the services in the individual employment action plan during each visit.
 - 4.4. Conduct an assessment of all the results of the independent job search.
5. In order to increase the sustainability of jobseekers' employability after 12 months of participation in active labour market policy measures, carry out a quarterly evaluation of the effectiveness of the measures, including the funds used, once the necessary data have been collected (Key audit result 3).
6. In order to increase the vacancy filling rate, put in place measures to ensure that suitable candidates are selected and offered to employers (Key audit result 3).

Measures and deadlines for the implementation of recommendations are provided in the Report Section, Plan for the Implementation of Recommendations (p. 51).