

MUTUAL LEARNING PROGRAMME:
PEER COUNTRY COMMENTS PAPER - MALTA

Integrating jobseekers in the labour market: Are the strategies
adopted by the German PES applicable to Malta?

Peer Review on “Systematic preventive integration approach (support) for
jobseekers and unemployed ”

Germany, 28 - 29 October 2010

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1 LABOUR MARKET SITUATION IN THE PEER COUNTRY

This paper has been prepared for a Peer Review within the framework of the Mutual Learning Programme. It provides information on Malta's comments on the policy example of the Host Country for the Peer Review. For information on the policy example, please refer to the Host Country Discussion Paper.

The effects of the international economic recession on Malta have been relatively mild and mostly felt in the automotive and tourism sectors. The economic recovery of Malta, beginning in the last quarter of 2009 increased its momentum in the first quarter of 2010, with the economy growing by 3.4% over the previous year.¹ The growth occurred through a rapid increase in exports, the largest among EU member states in the first four months of 2010.² Survey results indicate that a general improvement in business confidence accompanied such economic recovery.³

Malta's employment rate was 55.3% in the first quarter of 2010, when compared to the 54.6% of the same quarter of the previous year. This figure includes the female employment rate of 38.5%, which despite considerable government efforts and a slight increase over the years, is still by far the lowest among EU countries. Among the sectors that recorded a rise in employment between the first quarters of 2009 and 2010 were: wholesale and retail trade repairs (by 9.3%); and health and social work (by 26.4%). On the other hand, among the sectors that experienced a drop in employment were: transport, storage and communication (by 9.4%); public administration, defence and compulsory social security (by 8.1%); and education (by 7%). It is of concern that the ratio of full-time employees declined from 89.3% to 87.2% (equivalent to 140 persons), while the ratio of part-time employment increased from 9% to 10.7% (an increase of 3,160 persons), and the ratio of full-time employment with reduced hours jobs increased from 1.7% to 2.1% (an increase of 722 persons) between the first quarters of 2009 and 2010.⁴ The economy appears to be experiencing difficulties in creating new full-time jobs.

A 0.8 percentage point increase in the unemployment rate was registered, from 6.4% in Q1 2009 to 7.2% in Q1 2010. A rise of 1.2 and a decrease of 0.1 percentage points were recorded in the male and female unemployment rates respectively.⁵ More recent Eurostat data indicates that Malta's unemployment rate in June was among the lowest in the EU, falling sharply over the previous year.⁶ The number of registered unemployed persons decreased from 7,379 in December 2005 to 6,172 in December 2007, but then, it took an upward trend due to the international crisis, reaching 7,680 in December 2009.⁷ The large majority of registered unemployed, 78%, are men. The male bias among the registered unemployed is higher than that among employed persons, where 66% are males. Unemployment is inversely related to level of education. In recent years, despite the strong increase in the number of graduates, the number of registering unemployed graduates has consistently been less than 100. The number of registered unemployed persons aged between 16 and 29 decreased by 31% (from 1,008 to 701) between December 2005 and December 2009, and only represents about 9% of the registering unemployed. The

¹ Central Bank of Malta (2010). Quarterly Review 2010 Vol. 43 No. 2. Weblink: http://www.centralbankmalta.org/updates/downloads/pdfs/qr_2010_2.pdf

² Times of Malta (2010). Weblink: <http://www.timesofmalta.com/>

³ Central Bank of Malta (2010). Quarterly Review 2010 Vol. 43 No. 2. Weblink: http://www.centralbankmalta.org/updates/downloads/pdfs/qr_2010_2.pdf

⁴ Ibid.

⁵ Ibid.

⁶ Eurostat (2010). Euro area unemployment rate stable at 10.0%. Weblink: http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-30072010-AP/EN/3-30072010-AP-EN.PDF

⁷ Employment and Training Corporation (2009). Annual Report 2009. Weblink: <http://www.etc.gov.mt/docs/CEO-32-100712-artwork.pdf>

decrease was likely influenced by the increase in the number of young persons who decided to further their education beyond compulsory schooling, rather than joining the labour market. On the other hand, the number of older registered unemployed persons grew considerably, especially in the 50 and over age category (by 58% between Decembers of 2005 and 2009). This is the largest group of registered unemployed persons, currently representing around a fourth of all the registered unemployed.⁸ Such increase indicates a growing difficulty among older, often low-skilled persons to find employment after losing their job. Many of these persons might be suffering from structural unemployment, due to the obsolescence of their skills in an economic market which is changing rapidly from manufacturing to services.

Many of the older registered unemployed persons belong to the third of all the registered unemployed who have been registered for work for 53 weeks and over, by far, the largest category of registrants. The second largest group of registering unemployed, amounting to about a fourth of all registrants, have been registering for 8 weeks or less.⁹ This is the group which experiences the fewest difficulties in the transition from one employment to another, and includes mostly higher qualified individuals. Transitions from public employment service support are largely into employment rather than further full-time training. Lifelong learning in Malta is low when compared to the EU-27 average (6.2% and 9.6% respectively in 2008).¹⁰

The Employment and Training Corporation (ETC), set up in 1990, is the public employment service of Malta. Due to the small size of the country, the ETC is more centralised than the Germany PES, with its administrative offices and new training complex situated in one locality and the six job centres it administers scattered around Malta and Gozo. The role of job centres is to bring ETC services closer to its clients. As a result of the international crisis, job vacancies reported to the ETC registered a drop from the yearly average of 11,384 posts between 2004 and 2008 to 7,791 in 2009. Despite the economic stagnation, in 2009, the ETC managed to place 4,027 persons in employment, a number similar to the yearly average of the previous five years. Better profiling of clients, on-going tracer studies and follow up with both employers and job seekers were accredited for such success.¹¹

The international crisis increased the workload on ETC staff. An ad hoc rapid reaction service provided special registration and job seeking arrangements for persons made redundant by 14 companies in early 2009. On notification of planned redundancies, ETC worked with the relevant companies to draw up a rapid employment response programme, which included information on different ETC services, profiling of employees and referring them to relevant ETC courses.¹² Whereas in Germany, employees are obliged to notify the PES before they lose their employment, Malta's employment puts the onus on employers to notify authorities of any planned mass redundancies. Due to the significant rise in unemployed persons by the end of December 2009, extra funds were allocated to the ETC for the temporary recruitment of additional employment advisors to manage the increased caseload. Despite the efforts to lessen the arising problems, it is reasonable to suppose that the 'core client group' of ETC suffered from diminished attention as a result of the crisis.

⁸ Ibid.

⁹ Ibid.

¹⁰ European Commission (2010). *Indicators for monitoring the Employment Guidelines including indicators for additional employment analysis*. Weblink:

<http://ec.europa.eu/social/BlobServlet?docId=4093&langId=en>

¹¹ Employment and Training Corporation (2009). *Annual Report 2009*. Weblink: <http://www.etc.gov.mt/docs/CEO-32-100712-artwork.pdf>

¹² Ibid.

2 ASSESSMENT OF THE POLICY MEASURE

Similar to its German counterpart, the ETC uses a case approach system to deal with job seekers. Throughout the years, the registration process has gone through several changes, the last of which was a result of an evaluation exercise carried out in 2009. When new job seekers register for work, they provide their personal details and their job preferences to a front-office employment advisor who informs them of all ETC services, matches them with suitable vacancies, and/or refers them to training courses.¹³ This stage is equivalent to the Entry Zone filtering used in Germany. Subsequently, job seekers are referred to an employment advisor who will be their main contact person during their search for employment. The system of scheduled appointment, which started to be implemented in Germany in 2006, has also been used by the ETC for several years. All new job seekers should meet their employment advisor within their first month of unemployment. After further profiling, the employment advisor together with the job seeker, as happens in Germany, draw up a Personal Action Plan (PAP) which consists of the steps required by the job seekers to improve their employability and job search. The employment advisors may refer job seekers to obligatory training programmes or to employment schemes. The ETC has in place various schemes targeting special groups, such as long-term unemployed, youth, persons with disability and others.

In Germany the duration of training is determined by 'the job counsellor or case manager, with the exception that on the job training components are limited to four and class room training to eight weeks by statute'. In Malta, the length of training programmes and work experiences are determined by the particular scheme joined by the registered unemployed. However, employment advisors suggest the kind of training programmes that need to be developed. ETC organises most of its training programmes in-house, many of which are funded by ESF funding. For example, a new training programme about offshore marine services is currently being developed due to an increased demand for such work.

According to the Host Country Discussion Paper, whereas in countries such as the USA, profiling is more 'factual' based on client characteristics and experience of similar jobseekers, in Germany, profiling is more qualitative, relying on checklists and assessments by placement counsellors. The Maltese system appears to rely on both types of profiling, but is probably more oriented towards the factual type. Unlike many other PES systems in Europe, the ETC holds by law the employment records of all employed persons. Thus, within the records of each job seeker, there is his or her whole employment history. The Maltese PAP interview is designed to record in-depth information about the jobseeker, including: relevant personal details, skills, level of education, work experience, obstacles and training needs.¹⁴ However, the PAP is a document kept by the unemployed and is not integrated in the computer system. The PAP, like the German 'integration plan' used by the PES, takes the form of a written agreement signed by both employment advisor and jobseeker.

In 2000, the ETC introduced a fingerprint registration system through which job seekers are notified every week when they register for work, about specific information they require about activation measures, appointments with employment advisor and so on. The system is being upgraded.

Employment advisors should review on a monthly basis the job seekers' progress towards achieving the objectives listed in the PAP. When advisors have too high a workload to assess all their clients, they prioritise the cases which merit more attention. The increased work in 2009 was reflected in the increased overall number of new PAPs and PAP reviews

¹³ Employment and Training Corporation (no date). *Looking for a job? Informative leaflet for jobseekers*. Weblink: <http://www.etc.gov.mt/>

¹⁴ Employment and Training Corporation (2008). *Youth Employment Strategy 2008-2009*. Weblink: <http://www.etc.gov.mt/docs/ETC%20report.pdf>

and follow ups, from 14,388 between October 2007 and December 2008, to 20,942 from January to December 2009.¹⁵ However, it is interesting to note that the ratio of new PAP meetings to follow ups decreased marginally from 1:3.1 to 1:3.3. In other words, career advisors within the ETC managed to do more follow ups in relation to first time meetings in comparison to the previous period under examination. The performance was enhanced with the help of two new employment advisors employed for a six-month contract.

The PAP process in Malta, similar to the integration plan for clients older than 25 years in the German PES, is concluded after 6 months. Jobseekers in Malta are requested to send feedback about their job interviews to their employment advisor for monitoring purposes. Jobseekers who have been registering for work for more than three months cannot refuse a job offer, even if it requires lower skill levels than their stated job preference and a lower salary than desired.

The deadweight effect of the caseload system has not been estimated. However, it is surely substantial, especially since in order to obtain unemployment benefits in Malta, one needs to register for employment with ETC. Thus, the system gives rise to an inevitable proportion of clients who, while being personally assisted by employment advisors, are not really interested in finding employment.

As stated in the Host Country Discussion Paper, '[t]he German model requires adequate staff resources'. According to the Paper, over the years there has been 'a strong emphasis on reducing the case load of individual counsellors'. Indeed, the case load in placement services between 2005 and 2008 in PES agencies decreased from 320 to 123. While the caseload in Malta fluctuated significantly during the international crisis, it appears to have decreased over the years, from 300 to 400 or more in 2006,¹⁶ to the current load of between 250 and 300 clients. This still amounts to more than double the caseload in Germany. ETC has 19 employment advisors (most of whom are on voluntarily reduced hours), 15 of whom work with adults, servicing clients on the basis of the latter's geographical area of residence. Some of these advisors work in the main ETC complex at Hal Far, while others work in jobcentres. Four employment advisors work with youths aged from 16 to 24 years. All employment advisors have a bachelor degree in social science and/or a diploma in career guidance. In Germany, job counsellors were relieved of many administrative tasks, allowing them to spend more time doing counselling duties. The profiling programme in Malta has also decreased the administrative workload of employment advisors, as all data is inputted and is instantly available to all the relevant officials. Besides, the administrative task of printing the submission to employment letters was recently transferred to another unit specialising in vacancies.

In Germany, 'Local PES agencies were required to allocate at least 20% of all placement counsellors' working time to services for employers and quality standards for employer placement services were introduced, for example, agreeing with the employer the maximum number of job seekers to be referred and only referring applicants willing to accept the job'. In 2004, the ETC also 'established a policy that limited the maximum number of individuals to be submitted to twenty adults, twenty youths and twenty submissions from the Supported Employment Section (which focuses on disabled persons, persons with social problems, and very long term unemployed clients). The capping policy, however, does not apply in the case of public sector vacancies, where ETC has to submit all persons that match the requirements set by the recruiting entity.'¹⁷ An audit of the ETC's job matching service in 2006 concluded that employment advisors 'have limited contact with employers and in many cases do not have sufficient details on the business of the clients and on the job

¹⁵ Ibid.

¹⁶ National Audit Office (2006). *ETC's job matching service: Meeting the requirements of employers and registered job seekers*. Weblink: <http://www.nao.gov.mt/loadfile.ashx?id=769afcda-5e24-4aed-a420-0a981d21f41c>

¹⁷ Ibid.

content of the positions that need to be filled.¹⁸ The ETC has recently set up an Employers Outreach Unit to promote ETC services with employers. While ETC's employment advisors used to have a caseload of employers, such work will gradually be handed over to such unit. ETC is trying to keep employment advisors knowledgeable about employers' needs through orientation visits, seminars, and other similar events.

3 ASSESSMENT OF THE SUCCESS FACTORS AND TRANSFERABILITY

As indicated above, the Maltese PES model is similar to the German one, being highly centralised, making ample use of profiling, and using an integration plan to facilitate the jobseekers' placement path. The following is an assessment of the potential transferability of four particular aspects of the German placement system.

3.1 Flexible sanction regime

In Malta, if the persons satisfy the means test, unemployment benefits are offered throughout the whole unemployment period. The Hartz-Reforms in the German PES, designed to speed up the placement process, shortened the duration of unemployment insurance benefits and reduction in benefit levels for the long-term unemployed, together with the flexible sanction regime which introduces gradually increasing sanctions for non-compliance. For instance, in case of non-compliance, suspension of benefits varies from three weeks for the first one to twelve weeks for the third offence. The sanction system in Malta, unlike that in Germany, is not incremental. Those jobseekers who do not follow the agreed plan, including attending job interviews, are struck-off the register, thus losing the right to receive unemployment benefits for six months. If unemployed persons are caught working while registering, they can only start registering after having had a declared job for six months. Maltese authorities are currently discussing the possibilities to harshen such penalties. It might thus be a proper time to investigate the beneficial effects that an incremental sanction system might have on the motivation of jobseekers (which is a major problem encountered by ETC officers¹⁹), when compared to a simply tougher regime.

3.2 Placement budget

The German PES system benefits from '[f]lexible, individualised and unbureaucratic financial assistance for job seekers'. Placement counsellors appear to have considerable latitude over the new placement budget which aims to increase the flexibility of the help given to jobseekers. Such help relates to finding and starting a job, such as special work clothing, tools not provided by the employer, job-related certificates, and personal and other assistance. The service seems to have been very successful as a considerable proportion of jobseekers have used it over the years, and it has been recently strengthened. Such tailor-made benefits do not exist in Malta. Besides, employment advisors do not have any direct control over the budget available for actions for individual job seekers. It would be interesting to examine the actual need for such specific kind of help among Maltese jobseekers and newly placed employees. If research indicates such need, as the ETC is benefitting from substantial amounts of ESF assistance for more 'traditional' active measures, it might be able to allocate some national funds to organise a pilot project for more flexible monetary assistance and assess its benefits. Tailor made help to job seekers might be particularly motivating as it might show concern for their specific needs.

3.3 Sub-contracting placement services to private employment agencies

The ETC has over the years considered private employment agencies as partners in its mission and collaborated with them on various projects, including seminars, job fairs and

¹⁸ Ibid.

¹⁹ Ibid.

the dissemination of employment material.²⁰ The Training and Employment Exposure Scheme offered a few years back for unemployed aged over 40 years, was managed by a private recruitment agency. The vacancies of private employment agencies are made available to registered jobseekers. However, there has never been a system through which the ETC sub-contracts private employment agencies to place job seekers into employment. The closest service to such system was a partnership agreement with two NGOs focusing on specific groups in need through which the NGOs received a payment from national funds for every person they managed to place in employment. It might be interesting to examine whether sub-contracting some of its placement services can be cost efficient and ultimately more effective in helping unemployed persons.

3.4 Placement software

Verbis, the German IT-based service management system directs the complex profiling process, standardises, monitors and steers service delivery. Among others, it helps to sort jobseekers into six client profiles according to their distance from the labour market and probable duration of job search. In profiling and assigning clients to profile groups, job counsellors in Germany are also assisted by a number of software-supported tools. The ETC's IT system serves more as a database rather than as a guiding tool for placement officers in their work. Indeed, the ETC is exploring the possibility of incorporating psychometric testing within the computerised profiling system. Learning more about the German IT-based tools could help the ETC to further upgrade its IT infrastructure, perhaps leading to a systematic categorisation of clients which could improve the efficacy of ETC operations.

4 QUESTIONS

- How does the voucher system in the outsourcing of reintegration services work?
- Does Verbis include the use of psychometric tests? If yes, what do they measure?
- The German PES is increasingly contracting out placement services to private employment agencies. Are there any common standards as to what determines whether a placement is 'successful'?

²⁰ Employment and Training Corporation (2006). *Eures Annual Report 2005-2006*. Weblink: <https://www.eures.com/mt/HomeDir/Documents/EURES%20Annual%2005-06.pdf>

ANNEX 1: SUMMARY TABLE

Labour market situation in the Peer Country
<ul style="list-style-type: none"> • The effects of the international economic recession on Malta have been relatively mild • Malta's unemployment rate in June 2010 was one of the lowest in the EU • A third of all the registered unemployed have been registered for work for 53 weeks and over • The ETC, Malta's public employment service is highly centralised • Extra funds were allocated to the ETC for the temporary recruitment of additional employment advisors to manage the increased caseload during the international economic crisis
Assessment of the policy measure
<ul style="list-style-type: none"> • Similar to the PES in Germany, the ETC in Malta uses a case approach system. The deadweight effect of the system has not been estimated. • While in Germany, profiling is more qualitative, the Maltese profiling system appears to be more oriented towards the factual type. • The ETC organises most of its training programmes in house • Employment advisors in Malta have a larger case load than their German counterparts • The ETC set up an Employers Outreach Unit to promote ETC services with employers
Assessment of success factors and transferability
<ul style="list-style-type: none"> • Since the sanction system in Malta is being revised, it might be a proper time to investigate the beneficial effects that an incremental sanction system might have on the motivation of jobseekers • ETC could allocate some national funds to organise a pilot project for more flexible monetary assistance and assess its benefits, as such assistance might increase the motivation of job seekers • It might be interesting to examine whether sub-contracting some of its placement services can be cost efficient and ultimately more effective in helping unemployed persons. • Learning about the German PES IT-based tools could help the ETC to further upgrade its IT infrastructure, perhaps leading to a systematic categorisation of clients
Questions
<ul style="list-style-type: none"> • How does the voucher system in the outsourcing of reintegration services work? • Does Verbis include the use of psychometric tests? If yes, what do they measure? • The German PES is increasingly contracting out placement services to private employment agencies. Are there any common standards as to what determines whether a placement is 'successful'?