



Joint Audit: An Evaluation of the
Community Work Scheme

June 2019



Joint Audit

An Evaluation of the Community Work Scheme

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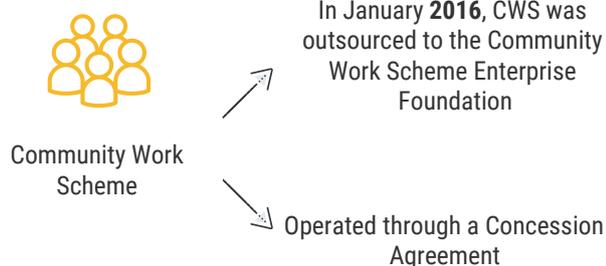
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List of Abbreviations

CBA	Cost-Benefit Analysis
CSD	Customer Services Directorate
CWS	Community Work Scheme
CWSE	Community Work Scheme Enterprise
GDPR	General Data Protection Regulation
GWU	General Workers' Union
ISSAI	International Standards of Supreme Audit Institutions
KPIs	Key Performance Indicators
LCA	Local Councils Association
LTU	Long-term unemployment
MEDE	Ministry for Education and Employment
MGOZ	Ministry for Gozo
MIMCOL	Malta Investment Management Company Limited
NAO	National Audit Office
NGOs	Non-Governmental Organisations
RfP	Request for Proposals
SPEs	Social Purpose Entities
VAT	Value Added Tax

Community Work Scheme

Key facts



The Scheme aims to provide participants with the opportunity to undertake community work to obtain further skills and improve their employability prospects.

2018



839 participants @
€1,220 per participant per month

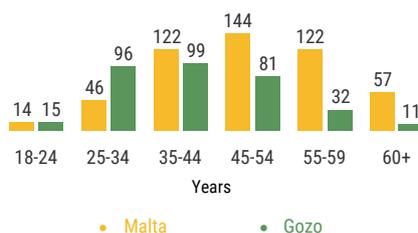
Total Cost €12.3 million (Excl. VAT)

Since 2016, **42** participants found alternative employment outside the Community Work Scheme

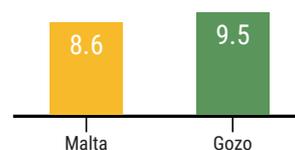
Main Eligibility Criteria

- Participants employed under the previous CWS (2009-2016)
- Severely disadvantaged persons
- Any other individual proposed by Jobsplus

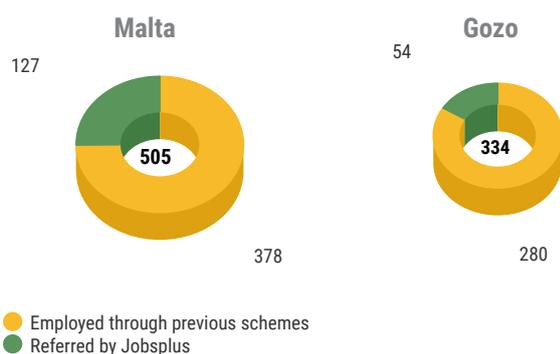
Age Ranges of CWS Participants



Average number of years of unemployment



Scheme Participants as at end September 2018



Deployment within Special Purpose Entities

	Malta	Gozo
Local Councils	193	72
Schools	219	29
NGOs	37	32
Public entities	56	201
Total	505	334

Source: Jobsplus data
Unless otherwise indicated information presented is as September 2018

Executive Summary

Introduction

1. The Community Work Scheme (CWS) was launched in 2009 in a bid to help individuals gain work experience and position themselves better when looking for a job. This active labour market policy initiative is intended to provide job exposure to long-term unemployed individuals and encourage them to find employment. In 2016, Jobsplus considered that the best way forward for these CWS workers was to set-up a new entity with the specific task of employing these individuals and offering their services to a number of socially-oriented entities in society, thereby creating a positive social impact through their employment. During the period from 2016 to 2018, Government incurred an expenditure of around €30 million [including Value Added Tax (VAT)] in relation to the Scheme.
2. The main focus of this audit was to determine the extent to which this Scheme, as regulated by the 2016 Concession Agreement between Jobsplus and the Community Work Scheme Enterprise (CWSE) Foundation, is attaining its pre-determined objectives, as outlined in the Request for Proposals (RfP) document, and obtaining value for money considerations. The audit was mainly concerned with data and information available as at September 2018. The Report highlights exceptions when the audit findings and conclusions presented deviate from this timeline.

The Concession Agreement

3. A Concession Agreement between the Malta Investment Management Company Limited on behalf of Jobsplus and the General Workers Union (GWU) was signed on 4 January 2016. This Agreement catered for the operation and management of the CWS. The five-year agreement obliged the GWU to set up a Foundation to administer the Scheme. Subsequently, the CWSE Foundation subcontracted the operation and management of the CWS to District Operations Limited.
4. In many respects, this Contract fulfils best practices applicable to agreements of this type. The Contract, however, omits references to the declaration of 'conflict of interest' as well as provisions related to 'penalties and incentives'. The omission of these two areas from the Concession Agreement deviates from best practices guidelines and generally accepted practices against which the contractual provisions were benchmarked.
5. In addition, some key issues within the Concession Agreement were unclear and did not provide the appropriate level of detail to ensure that the Agreement would stand the test of being the ultimate point of reference in potential cases of disagreements. Cases in point relate to comprehensive definition of deliverables – including the Scheme's eligibility

criteria, participants' training, the frequency and scope of the Scheme's monitoring by the main stakeholders, as well as provisions establishing the maximum number of participants that can be employed within the Scheme.

Implementation of the Community Work Scheme

6. The implementation of the CWS yielded mixed results. On the one hand, the CWSE Foundation obtained participants' skills, qualifications and aptitudes through employability audits. These exercises ensured that the Foundation deployed 839 CWS participants with Social Purpose Entities (SPEs) where they could best utilise their competencies. This state of affairs portrays a win-win situation since SPEs are utilising the services of CWS participants while the latter are benefitting from employment where they can practice their skills while obtaining job exposure. However, the following issues materialised:
 - a. Based on Jobsplus and Foundation data, the National Audit Office (NAO) sample shows that nine per cent of participants joined the CWS through the catch-all eligibility criteria stipulated in the Concession Agreement. This provision, relating to 'Additional Resources', includes other individuals who are proposed by Jobsplus and not being CWS participants enrolled prior to 2016 or severely disadvantaged individuals.
 - b. It transpired that the effectiveness of the Scheme could be further improved through the provision of Foundation-sponsored and organised training for CWS participants. To date, such initiatives have been minimal. This, notwithstanding that 35 per cent of the sampled participants showed interest in further training, including courses in occupational health and safety and in cleaning. On the other hand, Jobsplus noted that it became more evident that for many participants training was not going to improve their labour market prospects in the private sector.
 - c. Agreements between the Foundation and SPEs are not standardised. Such circumstances do not ensure a level playing field to ascertain that all stakeholders benefit from the same opportunities. Areas of non-standardisation include the compilation of a weekly programme of works, SPEs' subscription in insurance policies, participants' performance appraisals and performance bonus scores, as well as training to be provided by SPEs. The diversity of conditions, brought about by the non-standardisation of these agreements, render the implementation and management of the CWS more complex.
 - d. SPEs' allocation of tasks to CWS participants is mainly based on subjective criteria, which draws on the experience of officials employed with these entities. This situation diminishes the governance of the Scheme since the principles upholding efficiency, transparency and accountability are not consistently in place.
 - e. The effective management of the CWS is greatly dependant on frequent communication between the stakeholders. Yet, NAO site visits revealed that while regular communication involving SPEs and participants occurs in Gozo, the situation

in Malta is significantly different as similar communication generally takes place once or twice annually. Matters are further aggravated since SPEs are not in possession of participants' Curriculum Vitae or other information pertaining to these employees.

Monitoring of the Community Work Scheme

7. Jobsplus, the CWSE Foundation and the SPEs all have distinct but interrelated monitoring responsibilities. Monitoring of the CWS is a critical function in view of the financial materiality involved in the maintenance of the Scheme, the continued development of its participants, as well as providing indicators, where possible corrective action might be required.
8. Jobsplus' monitoring role assumes a strategic nature. However, this Agency does not have the structures available to perform more in-depth reviews of financial and operational reports referred by the Foundation. These circumstances imply that Jobsplus tends to consider the CWS as an end in itself rather than a vehicle to improve the employment opportunities of participants outside the Scheme, in accordance with the objectives outlined in the RfP document and the Concession Agreement.
9. The Foundation's monitoring role mainly relates to the Scheme's operations. The absence of Key Performance Indicators (KPIs) hinders the monitoring function as the Foundation is not in a position to objectively gauge the Scheme's progress against predetermined goals. The opportunity exists for the Foundation to strengthen further its monitoring function with respect to employability audits and the inspection regime. A more robust monitoring function in relation to these issues strengthens the Foundation's position to keep the Scheme on track in attaining its overall objectives.
10. SPEs' monitoring function is equally important as that of the other main stakeholders. Generally, SPEs' monitoring of administrative issues is timely and of the appropriate standards. However, the absence of KPIs and formally established productivity levels prohibit objective assessment of deliverables by CWS participants. In turn, this also influences performance monitoring where the lack of job descriptions and formal work-logs render performance appraisal a more problematic task.

Value for money considerations

11. The CWS satisfied two principal value for money criteria in relation to the economic viability of the Scheme. Firstly, the costs in conjunction with the outsourcing of the management and operation of the Scheme were based on the cheaper bid through competitive tendering. Secondly, cost benefit analysis highlighted that the Scheme's optimal economic potential is largely dependent on output levels. The CWS also fulfilled macro-economic criteria. To this effect, employment within the Scheme has contributed to government finances and economic growth.

12. However, this review outlined instances where the economic potential of the Scheme could be increased. From the CWS' perspective, maximising the Scheme's economic potential could be jeopardised when productivity levels fall beyond expected norms. Unfortunately, this audit has elicited instances where some SPEs lamented about low productivity levels. On a macro-level, the Scheme's economic potential will not be fully attained as the main stakeholders generally view CWS as their main objective.

Overall Conclusions

13. Similarly to other EU countries, Malta operates an active labour market initiative, which seeks to address long-term unemployment. The CWS was considered an economically viable programme and its benefits were to include the development and employment of severely disadvantaged individuals within the Scheme with the ultimate aim of improving their employability opportunities within more productive sectors.
14. This audit acknowledges the difficult parameters within which the CWS is operating, particularly in terms of the problems associated with the employability of severely disadvantaged persons. Despite these inherent concerns, the CWS proved to be economically viable even though its implementation yielded mixed results.
15. As was the case in other Member States, this audit revealed issues, which could diminish the Scheme's effectiveness, and if not rectified, could threaten its sustainability. These factors mainly relate to contractual provisions, the development of CWS participants, productivity levels and the Scheme's monitoring function. Unless these concerns are appropriately redressed, the Scheme's main purpose would be merely the absorption of participants and to strike them off the unemployment register. These circumstances trigger a shift from the Scheme's original objectives and the CWS would become an end in itself rather than a vehicle to develop individuals and improve their employability opportunities within more productive sectors.

Recommendations

16. In view of the findings and conclusions emanating from this audit, the NAO is proposing the following recommendations:

Contractual issues

- a. Subsequent agreements in relation to such schemes are to define deliverables comprehensively. Clearer definitions will not only establish operational parameters but will also ascertain that the Contract is the primary source of reference in cases of disagreements between the parties.

- b. Future contractual agreements are to clearly stipulate the type, level and frequency of training to be provided by the Concessionaire to CWS participants. This training programme, which is to be regularly discussed with and approved by the Contracting Authority, should consider the skills, abilities and competencies as well as particular needs of individuals within the Scheme.
- c. Omitted best practice contractual clauses, particularly those relating to 'conflict of interest' and 'penalties and incentives' are to be included in future Agreements relating to such schemes. These clauses, apart from ensuring that the Contract is effectively managed and monitored, are important to safeguard the interests of signatories to the Agreement.
- d. Whilst appreciating its heavy workload, in due course Jobsplus is to develop KPIs to enable the objective assessment of the Scheme's output, outcomes and impacts. KPIs will contribute towards strengthening the Scheme's management, operations and monitoring.
- e. The payment of performance bonuses to CWS participants is to be duly regulated, possibly by a side letter to the main Concession Agreement. Moreover, efforts are to be made by stakeholders to standardise performance appraisal scoring, which ultimately results in the performance bonus payable.

Implementation

- f. SPEs are to maintain work-logs of individual CWS participants. This will improve the governance of the Scheme by encouraging transparency, efficiency and the strengthening of its monitoring function. To this effect, the recently introduced practices by some SPEs in Gozo reflect good practices, which others could emulate.
- g. The Foundation is to encourage SPEs to establish productivity levels of CWS participants objectively. Such productivity levels are to form the basis of the individual work-logs referred to in the preceding recommendation. In turn, this would contribute to higher productivity levels, which are critical to the Scheme's sustainability.
- h. The CWSE Foundation is encouraged to increase and sustain the level of training provided to CWS participants. This shall subsequently increase the employability of such individuals with the final aim, where possible, for workers to become eligible and better equipped in seeking gainful employment.

Monitoring

- i. Jobsplus is expected to review all financial and operational information submitted by the Concessionaire in a timely manner. To this end, the Agency is to establish internal mechanisms to ascertain that these reviews contribute towards ensuring that the Scheme is on track in attaining its pre-determined goals.
- j. The CWSE Foundation is encouraged to sustain its efforts to ascertain an adequate level of monitoring in SPEs within Malta and Gozo. This would demand that operational risks are determined objectively and ensuing site-inspections are targeted accordingly. The main aim of these inspections is to ensure that CWS participants are abiding by the terms and conditions of their deployment and report any irregularities, where necessary.

Value for Money considerations

- k. The CWSE Foundation is encouraged to maintain satisfactory output levels and, wherever possible, to maximise the level of productivity by CWS participants. This review noted that the optimal economic potential is largely dependent on output levels. To this end, the effectiveness of the Scheme is highly reliant on satisfactory productivity levels.

Chapter 1

Terms of Reference

1.1 Background

- 1.1.1 Long-term unemployment (LTU) is an economic policy concern for various governments. Severely disadvantaged persons, as defined by the 2016 Concession Agreement for the operation and management of the Community Work Scheme (CWS) between Jobsplus and the Community Work Scheme Enterprise (CWSE) Foundation, increase the likelihood of LTU.
- 1.1.2 Firstly, LTU tends to have detrimental effects on the individuals concerned since workers' human capital deteriorates during the spell of unemployment and, in effect, the time devoted to job search typically declines. The presence of these factors implies that the chances of leaving unemployment fall, the longer it goes on. LTU is one of the most significant causes of poverty and adversely affects people's mental and physical wellbeing.
- 1.1.3 Secondly, insofar as the long-term unemployed become gradually detached from the labour market, they play a reduced role in the competition for jobs. This means that unemployment is less effective in curbing wage pressure, potentially leading to further increases in unemployment and its persistence. These and related considerations have motivated a wide variety of active labour market policies to address the problems related to LTU.¹
- 1.1.4 Towards this end, the CWS was launched in 2009 in a bid to help individuals accrue working experience and position themselves better when looking for a job. This active labour market policy initiative is intended to encourage long-term unemployed individuals to find employment by providing job exposure. Various studies show that similar schemes were also operated in other European countries, such as United Kingdom², Germany³, Czech Republic, Latvia, Hungary, Slovakia and Croatia⁴.
- 1.1.5 Between 2009 and 2016, participants in the Scheme received 75 per cent of the minimum wage and social benefits. This meant that workers were being paid below the minimum wage and were still dependent on benefits.

¹ Centre for Economic Performance, CentrePiece magazine, Winter 2013/14, *Tackling long-term unemployment: the research evidence*.

² Centre for Economic Performance, CentrePiece magazine, Winter 2013/14, *Tackling long-term unemployment: the research evidence*.

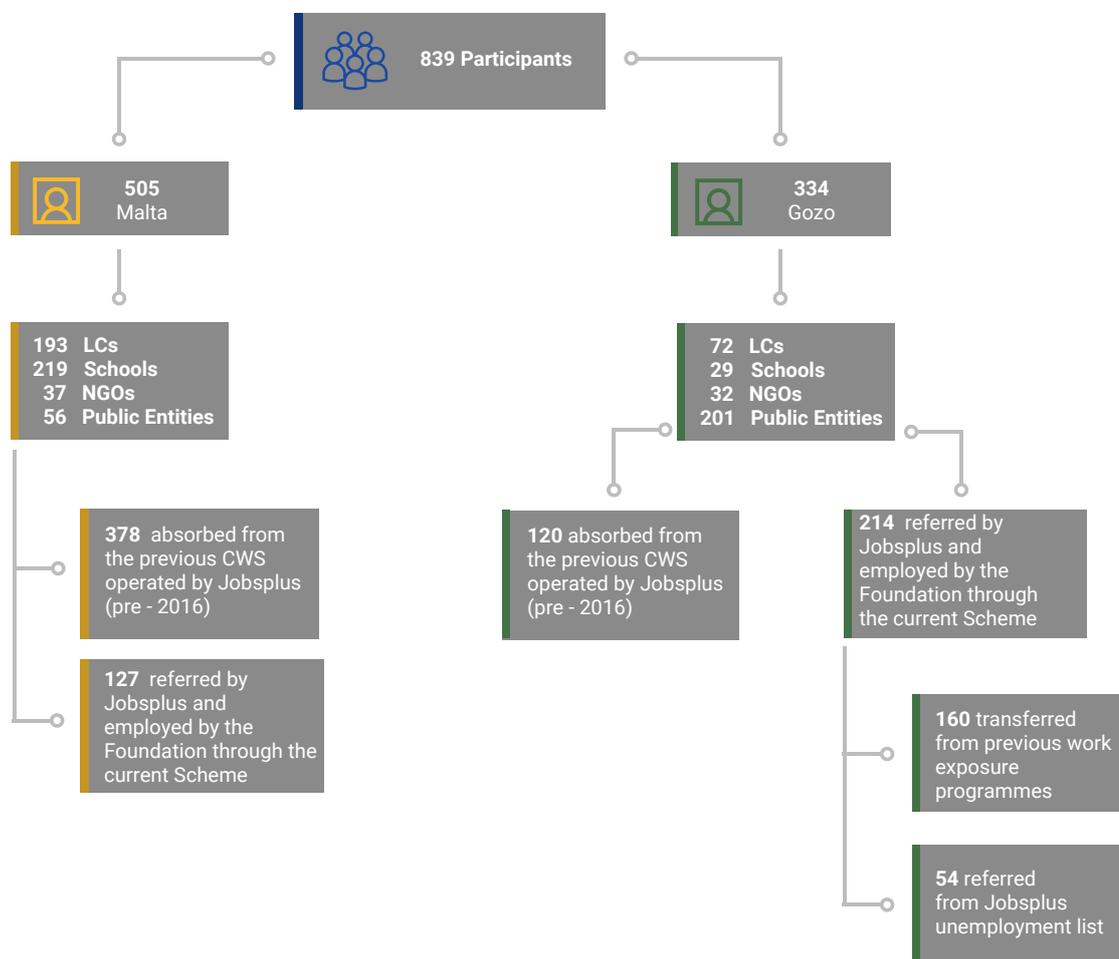
³ IZA Discussion Paper No. 1512, Institute of the Study of Labour, March 2005, *The Employment Effects of Job Creation Schemes in Germany: A Microeconomic Evaluation*.

⁴ European Commission, European Employment Observatory Review, *Long-Term Unemployment 2012*.

- 1.1.6 In 2016, Jobsplus (the former Employment and Training Corporation) considered that the best way forward for these CWS workers was to set-up a new entity with the specific task of employing these individuals and offering their services to a number of socially-oriented entities in society, thereby creating a positive social effect through their employment. These Social Purpose Entities (SPEs) included schools, local councils, non-governmental organisations and any other entity as identified by Jobsplus. Following a request for proposals, the CWSE Foundation became responsible for the operation and management of the Scheme through a Concession Agreement with Jobsplus. These developments resulted into participants receiving the full rate of the minimum wage. Moreover, participants were now entitled to paid vacation and sick leave.
- 1.1.7 Within this context, the primary objective of the CWSE Foundation was to take over and employ those persons enrolled in the previous Scheme managed by Jobsplus and other eligible persons in accordance with Jobsplus criteria. The latter included severely disadvantaged persons and other individuals referred to in the Concession Agreement as 'Additional Resources'. This Agreement defines severely disadvantaged persons as any person of age twenty-four and over who has been unemployed or inactive for the previous two years during which he/she has not benefitted from a traineeship with Jobsplus. Moreover, in certain cases, this category also includes persons who were unemployed or inactive for one year subject to established conditions in the Agreement. On the other hand, the Concession Agreement refers to 'Additional Resources' as any other individuals who were not employed in the previous scheme (2009 – 2016) or considered as severely disadvantaged persons by Jobsplus.
- 1.1.8 The Request for Proposals (RfP) document, drawn up by the Malta Investment Management Company Limited's Privatisation Unit prior to the outsourcing of the operational and management of the Scheme identifies the main aims of the CWSE Foundation as:
- increasing sustainable and gainful employment for severely disadvantaged persons;
 - providing the necessary training and support to increase the likelihood of employment for these individuals;
 - liaising with Jobsplus in identifying the needs of these persons;
 - employing these individuals; and
 - entering into contracts for services with SPEs as approved by Jobsplus.
- 1.1.9 The CWSE Foundation was set up as a non-profit-making organisation, governed by a Board of Governors, who will be responsible for its activities, organisation, financial administration and implementation of business plans, amongst other duties. The Board of Governors is to consist of between three and seven members, including a Chairperson. Legal and judicial representation of the Foundation is vested in the Chairperson. Members are entitled to a remuneration, honoraria and other benefits as established by themselves.

1.1.10 As at end of September 2018, Jobsplus referred 839 individuals to participate in the CWS. The Foundation deployed 505 and 334 participants within SPEs in Malta and Gozo respectively. Figure 1 refers:

Figure 1: Allocation of CWS participants



Source: Jobsplus data

1.1.11 As at end September 2018, 59 per cent of these individuals were transferred to the Scheme in accordance with Jobsplus eligibility criteria of absorbing participants employed under the previous CWS (2009-2016). The remaining 41 per cent were referred by Jobsplus to the Foundation throughout the period from 2016 to date. This number includes 160 participants who were transferred to this Scheme following the closure of other work exposure programmes previously introduced and managed by the Ministry for Gozo.

1.1.12 In Malta, 82 per cent of CWS participants were mainly allocated within schools and local councils. On the other hand, in Gozo, the number of persons employed in this category of SPEs amounted to around 30 per cent. The vast majority of participants' deployment in Gozo, 60 per cent, was within public entities, particularly the Projects and Development Department, which comprises the public cleansing, beach cleaning and rubble wall building sections. During the period from 2016 to 2018, Government incurred the following expenditure with respect to the CWS:

Table 1: Government Expenditure with respect to the CWS

Year	Government Expenditure (€ million) (VAT Included)
2016	6.8
2017	8.9
2018	14.5

Source: Jobsplus data

1.2 Audit Objectives

1.2.1 The main focus of this audit was to determine the extent to which the CWS as regulated by the 2016 Concession Agreement between Jobsplus and the CWSE Foundation is attaining its pre-determined objectives, as outlined in the RfP document, and obtaining value for money considerations. Towards this end, this audit's objectives sought to determine the degree to which:

- a. contractual provisions are conducive to their effective implementation and appropriately safeguard parties' interests;
- b. contract deliverables as specified in the Concession Agreement are being fulfilled by both Jobsplus and the Foundation;
- c. the appropriate mechanisms are in place to enable effective monitoring and reporting of the CWS; and
- d. the CWS fulfils value for money criteria.

1.3 Audit Methodology

1.3.1 The attainment of the above objectives included a number of methodological approaches. The following refers:

- a. **Adherence to International Standards of Supreme Audit Institutions (ISSAIs):** The audit was carried out in accordance with the Standard for Performance Auditing ISSAI 3000 and Compliance Audit Standard ISSAI 4000.
- b. **Documentation review:** This included the review of the Concession Agreement between Jobsplus and the CWSE Foundation and the RfP document for the set-up, operation and management of the Foundation, which was compiled during the tendering process in 2015. The documentation review also included the contracts between the Foundation and SPEs. Moreover, throughout the course of this audit, the National Audit Office (NAO) also examined a number of administrative and statistical records compiled by both Jobsplus and the Foundation.

- c. **Semi-structured interviews:** Qualitative data provided to this Office through interviews undertaken were required to substantiate the various information and data gathered for the purpose of this audit. These interviews enabled us to understand better the Scheme's dynamics, identify issues of concern, as well as highlight potential audit limitations. The interviews also sought to evaluate the effective implementation of the Community Work Scheme. To this end, the audit team performed a number of semi-structured interviews with key officials from Jobsplus, the contracting authority responsible for this Concession Agreement. Similarly, the audit team discussed the CWS with the Foundation, which is the Concessionaire responsible for the implementation of the Scheme. Moreover, NAO also consulted with 70 sampled SPEs, being the end service-users of this Scheme, and responsible for the first line supervision of referred participants.
- d. **On-site inspections:** Determining the extent to which service delivery was provided in accordance with the provisions stipulated in the Concession Agreement required assessing the satisfaction levels enjoyed by each SPE responsible for the respective CWS participant. The derivation of these issues entailed conducting site inspections based on a 117 randomly selected sample of participants. These inspections involved 58 and 53 CWS participants from Malta and Gozo respectively as in six cases, for logistical reasons SPEs were not reachable on the scheduled dates and therefore, the site inspections could not be performed. This sample obtained results at the 90 per cent confidence level and 10 per cent margin of error.
- e. **Data analysis:** This audit analysed data maintained by Jobsplus, the Foundation and the SPEs. The data mainly related to CWS participants' profiling exercise, as well as other documentation related to participants' attendance and their annual performance appraisals. In some instances, the data and information referred to NAO was not complete. These issues will be referred to in more detail in the ensuing Chapters.
- f. **Cost Benefit Analysis:** This involved analysing the economical effectiveness of the CWS from the Government's point of view.

1.3.2 Unless otherwise indicated, this audit discusses findings and conclusions based on data pertaining to 2018.

1.4 Report Structure

1.4.1 Following this introductory Chapter, the Report proceeds as follows:

- **Chapter 2** discusses the degree to which contractual provisions in the Concession Agreement between Jobsplus and the CWSE Foundation are conducive to their effective implementation and appropriately safeguard both parties' interests;
- **Chapter 3** determines the extent to which Scheme deliverables are being fulfilled by Jobsplus, the Foundation and SPEs;
- **Chapter 4** evaluates whether the appropriate mechanisms are in place to enable effective monitoring and reporting of the CWS; and
- **Chapter 5** assesses value for money issues. The focus therein is on the extent to which the CWS fulfils economic criteria in terms of generating savings to Government, as well as increased productivity by participants.

1.4.2 The audit's overall conclusions and recommendations are included in the Report's Executive Summary on pages 9 to 11.

Chapter 2

Concession Agreement for the Operation and Management of the Community Work Scheme Enterprise Foundation

2.1 Introduction

2.1.1 This Chapter reviews the Concession Agreement entered into on 4 January 2016, for the operation and management of the Community Work Scheme Enterprise (CWSE) Foundation between Malta Investment Management Company Limited (MIMCOL) and General Workers' Union (GWU). Through this five-year agreement, the GWU was obliged to set up a Foundation to administer the Scheme. Subsequently, the Foundation subcontracted the operation and management of the Community Work Scheme (CWS) to District Operations Limited. However, the Foundation retained all the obligations related to this Agreement. To this effect, its specific task was to employ an undefined number of persons, registered on the unemployment books of Jobsplus with the final aim of becoming eligible and better equipped to seek gainful employment.

2.1.2 On the same date, that is 4 January 2016, Jobsplus and MIMCOL signed another agreement. Therein, the latter transferred and assigned in favour of the former the rights, titles, interests, liabilities, responsibilities and obligations in connection with the Concession Agreement.

2.1.3 In line with the audit's objectives, this Chapter discusses how, in certain cases, contractual provisions were not appropriately clear and not fully conducive to the effective implementation of the Agreement. This Chapter mainly focuses on the following:

- The omission of provisions deemed as standard contractual clauses;
- Non-comprehensive contractual provisions; and
- The lack of contractual safeguards in place to enable better monitoring of the contractor's performance.

2.2 The Concession Agreement omitted certain provisions representing best practices

2.2.1 The Concession Agreement does not refer to certain provisions deemed to constitute best practice contractual clauses. To this effect, the National Audit Office (NAO) compared the provisions within the Concession Agreement against a number of Better Practice Guides

and other generally accepted practices.⁵ While these are not legally binding within both Maltese law and the EU context, these guides provide practical criteria against which to review contract provisions. Table 2 refers:

Table 2: Embracing best practice contractual clauses

Best practices contractual clauses	Status		
	Appropriately included	Not appropriately robust	Omitted
Access and disclosure	✓		
Assistance provided to the contractor		✓	
Confidential information	✓		
Conflict of interest			✓
Contract variations	✓		
Deliverables		✓	
Disclosure of information	✓		
Dispute resolution	✓		
Insurance	✓		
Intellectual property rights	✓		
Key personnel			
Liabilities and indemnities	✓		
Payments		✓	
Penalties and incentives			✓
Securities and guarantees	✓		
Subcontracting	✓		
Termination and contract end dates	✓		
Transition arrangements	✓		
Warranties and fitness for purpose	✓		

Source: Adapted from various best practice guidelines and the Concession Agreement

2.2.2 The omissions outlined in Table 2 mainly relate to the contracting parties' declaration of potential conflict of interests, as well as penalties and incentives associated with performance regimes. The following refers:

- a. In the absence of a 'conflict of interest' proviso, neither party is obliged to declare situations where their personal interests would potentially conflict with the terms and conditions of the Agreement.

⁵ Good practice guides consulted included 'Good Practice Contract Management Framework', NAO – UK (December 2016) and 'Developing and managing contracts' – Australian National Audit Office (February 2012). The latter publication has now been withdrawn following the decision to discontinue the range of better practice guides. Generally accepted practices include recent contracts entered into by the Government of Malta.

- b. 'Penalties and incentives' clauses regulate how payment and performance regimes will interact. This can include incentives that encourage the service provider to deliver the services at a higher standard and penalties for service provider's underperformance. Any mechanisms that link payment with performance (by either penalty or incentive) should always be clearly specified in the contract.

2.2.3 While the parties did not negotiate penalties and incentives, the Concession Agreement aims to safeguard the Contracting Authority's position in cases of non-performance through provisions citing termination of contract. Nonetheless, in practice, the imposition of penalties is a more practical course of redress prior to invoking the ultimate measure of terminating the contract.

2.3 The relationship between the Foundation and District Operations Limited is not contractually regulated

2.3.1 Table 2 outlines that best practices regarding subcontracting clauses were included in the Concession Agreement. However, the Agreement does not oblige the Concessionaire to submit the subcontracting agreement to the Contracting Authority prior to the latter granting its written approval.

2.3.2 The Concession Agreement stated that GWU was to set up a CWSE Foundation to provide the Scheme's participants with employment opportunities. However, the Foundation, at its own costs, subcontracted the management and operation of the CWS to District Operations Limited. The GWU established the Foundation and District Operations Limited simultaneously.

2.3.3 The Foundation fulfilled its legal obligations by seeking written consent from Jobsplus in relation to subcontracting, in terms of the Concession Agreement. However, Jobsplus, as the Contracting Authority, remains partially uninformed about the subcontracting arrangements since the relationship between the CWSE Foundation and District Operations Limited is not regulated by a subcontracting agreement.

2.3.4 The Foundation contends that it remains responsible towards the Contracting Authority for all obligations assumed under the Concession Agreement, including the engagement of community workers, which is the core deliverable. The Foundation remarked that the assignment of administrative responsibilities to a company within the GWU group was an internal decision that does not in any way affect the terms contracted between the Contracting Authority and the Concessionaire.

2.4 In cases, there were non-comprehensive contractual provisions within the Concession Agreement

2.4.1 In some cases, the clauses lacked details to enable the Concession Agreement to transmit clearly parties' obligations as well as a comprehensive definition of service delivery. The Foundation contended that these matters have not impacted the operation in any significant way. Nevertheless, the issues highlighted hereunder diminish the robustness and clarity of the Agreement.

The Concession Agreement does not comprehensively define Jobsplus' role

2.4.2 The Concession Agreement defines Jobsplus roles as the following:

- a. Identify the workers and additional resources to be employed by the Concessionaire (CWSE Foundation);
- b. Grant the necessary assistance to the Concessionaire for the purpose of the execution of this Agreement;
- c. Effect payments to the Concessionaire; and
- d. Generally observe and comply with all its obligations under this Agreement.

2.4.3 These obligations are considered generic in nature. Consequently, these are not considered to adequately safeguard the interests of both parties to this Agreement, as well as the well-being of the workers participating in the CWS.

2.4.4 Within this context, the Concession Agreement amplifies on the criteria to be adopted by Jobsplus when referring participants to the Scheme. However, as will be discussed further within this Chapter, the term 'additional resources' is not defined.

2.4.5 Jobsplus is contractually obliged to provide the necessary assistance to the Foundation. Similarly to the previous point, the Concession Agreement does not set parameters to define the term 'necessary assistance'. In such circumstances, it remains vague as to the level of support that the contractor would be expected to provide to the Concessionaire.

2.4.6 Schedule 2 of the Concession Agreement relates to the operational service fees due to the Contractor. This is the consideration payable to the Foundation by Jobsplus for the activities involved in the implementation of the Scheme. As indicated in Chapter 1, in 2018, Jobsplus incurred an expenditure of around €14.5 million (VAT included).

The term 'Additional Resources' is conducive to a loop-hole within the CWS eligibility criteria

2.4.7 The Concession Agreement stipulates that the Foundation is to provide participants with employment opportunities within the CWS. This document defines participants:

- as persons who were engaged in the previous programme of the CWS, which operated until January 2016⁶;
- persons who are considered to be severely disadvantaged⁷; and
- additional resources.

2.4.8 The Concession Agreement defines the term 'additional resources' as any individuals, not being in the previous CWS or severely disadvantaged individuals, who are proposed by Jobsplus. However, the provisions within this document do not elaborate further on the eligibility criteria implied by the term 'additional resources'. Thus, this Agreement does not clearly specify the cohort of individuals who can benefit from this Scheme. Consequently, the term 'additional resources' can be interpreted as a catch-all clause within the eligibility criteria.

The type and frequency of training to be provided by the Foundation to each participant is not established

2.4.9 This agreement only makes a generic reference to the provision of training, stating that the Concessionaire is to "provide for the necessary training of each worker or additional resource". The Concession Agreement does not fully define the type, level and frequency of training. The omission of such details potentially impinges on the quality of training being provided, which in turn may negatively impact the participants' personal development and likelihood of employment. The omission of such details also deviates from the spirit of the CWS, as outlined in the Request for Proposals, wherein an objective of the Scheme related to retraining opportunities.

The maximum number of workers and additional resources to be employed by the Foundation is not specified

2.4.10 The Concession Agreement states that the minimum number of workers below which the Concessionaire does not incur an unavoidable financial loss shall be 300. However, this document does not include a capping clause with respect to the maximum number of CWS participants. Chairperson Jobsplus contended that in practice, the yearly budget allocation

⁶ Persons who were enrolled with the CWS, which was launched in 2009 in a bid to help individuals get some working experience and position themselves better when looking for a job.

⁷ Persons who have been unemployed for the previous 12 months during which s/he has not benefitted from a traineeship with the ETC and are either single adults with dependants, or of age 24 and unemployed with no qualifications or any unemployed person over 50 years, or else any person of age 24 and over who have been unemployed for the previous 24 months during which s/he has not benefitted from a traineeship with the ETC.

establishes the participants' capping. As at end 2018, there were 846 workers participating in the CWS.

2.5 Clauses regulating the monitoring of the CWS do not comprehensively define parties' responsibilities

2.5.1 The Concession Agreement stipulates that the Concessionaire is to “*submit to inspections carried out by the ETC*”. This generic contractual clause does not appropriately define the parties' monitoring roles. This also impedes signatories to be in an appropriate position to monitor and enforce provisions related to service delivery. Moreover, the clause in question is not supported by other provisions, which define the level of monitoring to be undertaken by both the Contracting Authority and the Concessionaire. The Foundation is obliged to submit audited financial statements, quarterly reports of its activities and information regarding the prospects of or actual employment of its employees. However, there are no provisions in place defining the parties' respective monitoring role in terms of the CWS participants' attendance at work, output levels as well as progress achieved in the personal development of participants.

2.6 Performance Bonuses not covered by Concession Agreement or Addendum

2.6.1 At the outset, the CWS did not envisage that participants would receive performance bonuses. However, very shortly after the commencement of the Scheme, the principle of performance bonuses payable by Social Purpose Entities (SPEs) evolved on the premise that this would motivate even further the participants. While the Concession Agreement did not preclude them, the Agreement does not refer to the payment of performance bonuses.

2.6.2 Within this context, the Foundation signed individual contracts with SPEs. Clauses therein stipulated that the respective SPEs are to pay a performance bonus of up to five per cent to all CWS participants who have shown commitment and consistently performed their set tasks. Despite these developments, the Contracting Authority and the Concessionaire did not sign a side letter or an addendum to the Concession Agreement. This situation has led to the following situations:

- a. In the absence of a contract with the Local Councils Association, it was not possible for local councils to pay the performance bonuses to their CWS workers through their own budgetary allocation in 2016. In the circumstances, Jobsplus paid €92,712 in bonuses to participants employed with local councils. Notwithstanding that an agreement was not in place, in 2017 and 2018, the Department for Local Government paid performance bonuses directly through its fund allocation on behalf of local councils.
- b. The absence of provisions regulating the payment of performance bonuses has led to the non-standardisation of rates being agreed upon between the Foundation and SPEs.

While the Foundation contends that this circumstance does not breach employment laws, Jobsplus acknowledges that this situation is not ideal since it does not fully respect the principles of standardised working conditions. Chapter 3 elaborates further on this point.

2.7 Conclusion

- 2.7.1** The Concession Agreement's main aim is to regulate and safeguard the interests of the respective parties, as well as to encourage that its implementation leads to the attainment of the CWS objectives. In many respects, this Contract fulfils these expectations. However, this Chapter has discussed issues where the provisions therein are not comprehensive and do not provide the appropriate level of detail to ensure that the Agreement would stand the test of being the ultimate point of reference in potential cases of disagreements.

- 2.7.2** These circumstances materialised as the contract clauses do not always replicate best practices in terms of the standard themes that should be included in a contract or the level of detail to appropriately define the issues at stake. A case in point relates to generic clauses defining service delivery and the Scheme's monitoring function.

Chapter 3

Implementation of the Community Work Scheme

3.1 Introduction

3.1.1 This Chapter discusses the implementation of deliverables in relation to the Community Work Scheme (CWS) that were to be fulfilled by all involved parties, namely Jobsplus, the Community Work Scheme Enterprise (CWSE) Foundation and the Social Purpose Entities (SPEs). These deliverables mainly related to the establishment of the Foundation, the taking over and employment of participants, liaison with Jobsplus to identify the needs of the participants and the deployment of participants to SPEs in accordance with the terms as outlined in the Request for Proposals document.

3.1.2 The findings and conclusions relate to the degree to which the main stakeholders fulfilled their contractual obligations. These observations were noted during National Audit Office (NAO) site inspections involving 117 randomly selected cases across Malta and Gozo. The main limitations of these visits related to the absence of clear contractual definitions with respect to deliverables, as well as the informal, subjective and undocumented establishment of output levels as determined by the respective SPEs.

3.1.3 The NAO site inspections revealed mixed results relating to deliverables. Against this background, the Chapter discusses the following issues:

- In some cases, participants' profiles fulfilled only the catch-all clause within the Scheme's eligibility criteria;
- Employment contracts entered into with all participants do not cover all aspects of employment conditions;
- The agreements between the CWSE Foundation and different SPEs are not standardised;
- Generally, deployment matched SPEs' requirements with participants' skills;
- The Foundation provided minimal training to CWS participants; and
- Deficiencies in the relationship between the Foundation and SPEs.

3.2 In some cases, participants' profiles fulfilled only the catch-all clause within the Scheme's eligibility criteria

3.2.1 Determining the extent to which CWS participants' profiles fulfilled the Schemes eligibility criteria, as outlined in the Concession Agreement firstly entailed compliance testing. This necessitated the evaluation of the 117 randomly selected participants' eligibility to join

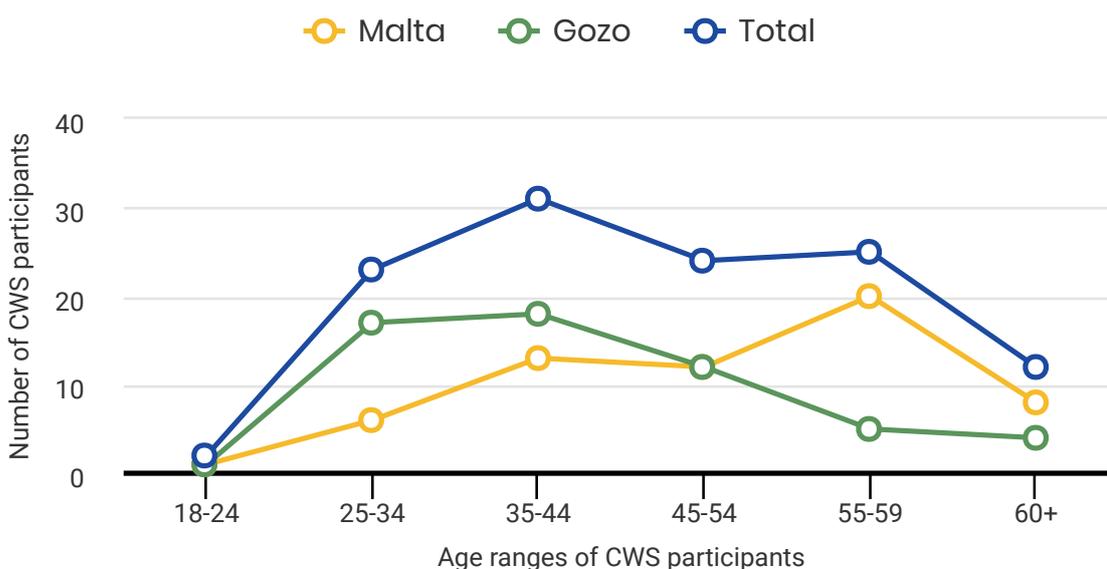
the Scheme through the information included in employability audits conducted by the Foundation. On the basis of this same sample, the NAO extrapolated a general profile of the Scheme’s participants in terms of gender, age, willingness to work, level of education as well as personal and social problems. This information was mainly either available through employability audit documentation or noted through NAO site visits. At times, the documentation maintained in connection with the employability audits was not fully completed, particularly with respect to fields concerning participants’ education levels, skills as well as psychological and physical state.

3.2.2 Seventy-four per cent of the sampled CWS participants were male. This is in line with the gender characteristics relating to the unemployment register.

3.2.3 NAO site visits at SPEs confirmed the participants’ willingness to work. This statement is based on 94 enquiries⁸ whereby 84 CWS participants, or their direct supervisors, gave positive indications about the employees’ work ethic and motivation levels shown. The 10 negative responses all related to participants employed in SPEs in Malta. These negative responses mainly pertained to five and four participants deployed in local councils and schools respectively.

3.2.4 As can be seen in Figure 2, there is a variance in the age distribution of the sampled participants between Malta and Gozo. The figure shows that the majority of CWS participants in Gozo are between the ages of 35 and 44, while in Malta the majority lie in the range of 55 and 59. Of note is that 61 per cent of the sampled Gozo participants’ age falls between 25 and 44 years.

Figure 2: Age Ranges of Sampled CWS Participants



Source: CWSE Foundation Employability Audits

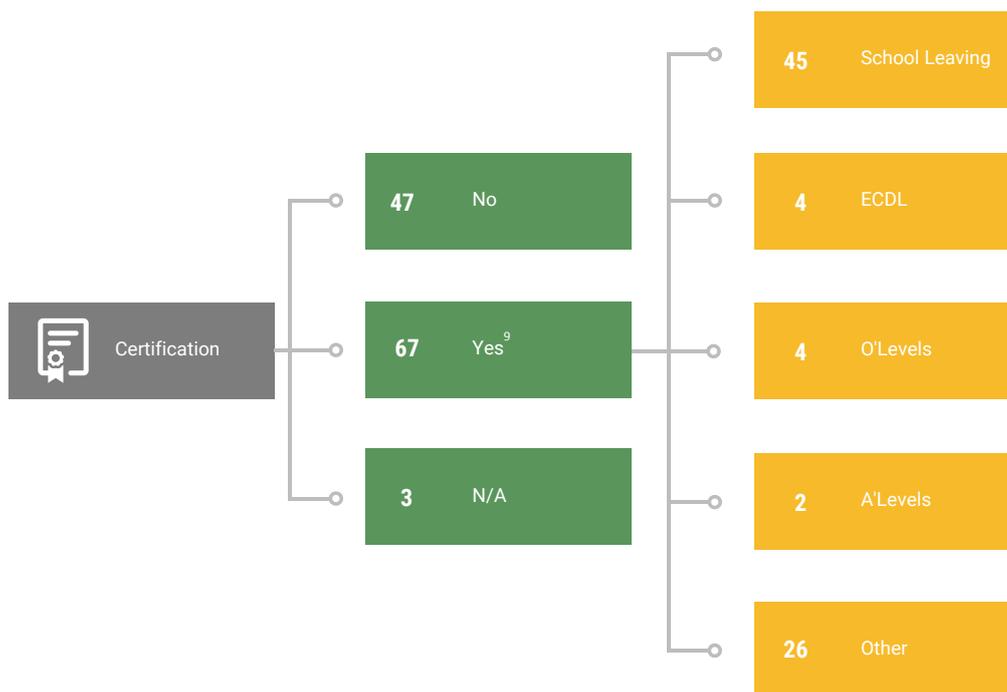
⁸ NAO could not gather feedback in 23 cases as either participants were not available or site visits could not practically be arranged.

3.2.5 The age differences portrayed in Figure 2 emphasise the regional characteristics of CWS participants, particularly as most of those residing in Gozo were transferred to this Scheme from previous work exposure schemes.

3.2.6 Some of these participants were previously engaged in traineeships. This implies that these individuals did not fulfil the Scheme’s eligibility criteria whereby persons were to have been unemployed or inactive for the previous 12 or 24 months “during which he/she has not benefitted from a traineeship with the ETC [Jobsplus]”. However, these participants fall within the catch-all eligibility criteria outlined in the Concession Agreement which stipulates that the Contracting Authority is empowered to propose any individual for employment by the Concessionaire. Fieldwork conducted by the NAO revealed that at least 9 per cent of the sample falls within this category.

3.2.7 According to the respective employability audits carried out by the Foundation pertaining to the 117 randomly sampled cases, 67 possessed formal academic or vocational certification. The majority of CWS participants had at least a secondary level of education. However, only 45 participants had formal school leaving certification. Figure 3 refers:

Figure 3: Certification of Sampled CWS Participants



Source: CWSE Foundation Employability Audits

⁹ Some of the 67 participants had more than one type of certification.

- 3.2.8 In accordance with the definition of severely disadvantaged persons stipulated in the Concession Agreement, such circumstances imply that these persons would be eligible to participate in the CWS as they have not attained an upper secondary education or vocational qualifications.
- 3.2.9 Out of the 117 sampled employees, 99 CWS participants had a clean police conduct, while five did not.¹⁰ Details regarding the offences were not relevant for audit purposes. Both the Foundation and Jobsplus contended that the police conduct is appropriately taken into account prior to confirming the deployment of CWS applicants in SPEs.
- 3.2.10 Fieldwork performed at the various SPEs revealed that the majority of participants were willing to work and their output levels were satisfactory. In fact, SPEs confirmed to this Office that they were satisfied with the workers and with the overall Scheme, notwithstanding that some of the participants had personal problems and were lacking certain social skills.
- 3.2.11 Although not a factor which directly impacts the CWS participants' eligibility, SPEs mentioned that some workers had an attitude problem which rendered them unemployable with the private sector. Additionally, some had also been unemployed for quite some time, which limited their ability to blend within a new working environment. In turn, some SPEs contended that this impinged on output levels.
- 3.2.12 Thus far, the discussion within this Section revolved around the various factors, which to varying degrees, form part or influence the eligibility of participants recruited with the CWS.

3.3 Employment contracts entered into with participants do not fully cover all aspects of employment conditions

- 3.3.1 One obligation of the Foundation, as the Concessionaire in the Concession Agreement, is to enter into employment contracts with every worker and additional resource employed under the CWS. The NAO reviewed the respective copies of the agreements applicable to the sample of 117 participants. Fieldwork conducted revealed that the Foundation signed contracts of employment with every CWS participant over the years 2016 to 2018. The contracts of employment signed with participants were of an indefinite nature and subject to a probationary period of six months. Employment contracts signed in 2018 provided for a yearly remuneration of €11,279 payable monthly in arrears. This figure excludes the statutory bonuses and cost of living adjustments eligible to all employees. Participants are engaged on a full-time basis with the Foundation. Similarly, to other employees in the labour market, participants are entitled to vacation, sick and injury leave, as prescribed in law.

¹⁰ The NAO did not have any information regarding the police conduct of 13 participants.

3.3.2 The contracts of employment included other clauses relating to staff uniform and appearance, smoking, alcohol and drug use, discipline and confidentiality. The contracts also established that the entity was bound by law to ensure the health and safety of the employee at the work place. On the other hand, the employee has the duty to comply with the obligations established at law and to take care of his personal safety and of co-workers.

Salary paid to participants does not distinguish between the various occupations

3.3.3 Participants employed under this Scheme are all remunerated at a common annual rate, as established in their contracts of employment, despite that the duties of workers differ greatly in nature. Within this context, the range of occupations within the Scheme included cleaners, street sweeping, clerical work, customer care, handyman duties such as plastering and painting, and also construction related work such as rubble wall building, tarmac laying and reconstruction of pavements and walls, amongst other occupations.

3.3.4 SPEs commented on the fact that workers, particularly those who were tasked with conducting construction work, felt it was unfair that no distinction was made between the duties undertaken by participants and suggested that the salary of participants should vary in accordance with duties undertaken.

The employment contract does not refer to Performance Bonuses

3.3.5 This Office noted that, in the contracts of employment, no mention was made to the performance bonus that is being given to CWS participants. Best practice suggests that employees are made aware of all their entitled bonuses in their respective contract of employment.

3.3.6 The Foundation contended that this bonus was not planned at the outset and was demand-driven by SPEs. Moreover, the Foundation stated that the performance bonus is free for the entities to determine since it is funded by the same SPEs. While the original Concession Agreement with Jobsplus, and subsequently the employment contracts, do not preclude them, these documents do not make reference to the payment of this bonus.

In some cases, participants were in breach of provisions relating to the engagement in other work outside office hours

3.3.7 The contract of employment established that an employee must not engage in any other work outside working hours, paid or unpaid, without the prior written permission of the Foundation. The latter explained that no such requests were received, except for one case of a participant who had an acting role in a local production.

3.3.8 Fieldwork conducted by this Office provided strong indications that at least six participants were engaged in other employment, outside of this Scheme, including but not limited to self-employment relating to construction, plastering and woodwork. One local council also mentioned instances where a participant was reported for conducting private work during working hours. This participant was transferred from that particular local council; however, the Foundation did not provide any further information in this respect to the SPE concerned. While the number of non-compliant participants appears to be minimal and only comprises a minor proportion of the sampled participants, such cases constitute a breach of employment conditions within the CWS.

3.4 The agreements between the CWSE Foundation and different SPEs are not standardised

3.4.1 One of the obligations established in the Concession Agreement was that the Foundation was to seek out and enter into contracts for services with SPEs. In turn, the Foundation was to deploy CWS participants with these SPEs. The Concession Agreement defines SPEs as organisations, which serve a social purpose and shall include but not be limited to schools, non-governmental organisations (NGOs) and local councils.

3.4.2 In accordance with the Concession Agreement, the Foundation and SPEs entered into the respective contracts. Such action was taken on differing dates. A principal factor leading to such a situation is that the Foundation assumed the risk of reaching individual agreements with third parties who had varying expectations and level of commitment to the Scheme. Consequently, the agreements reached between the Foundation and the respective SPEs contained different terms and conditions. The Foundation contended that at the commencement of the CWS, there was no standard agreement and consequently there was no mechanism in place to bind SPEs to accept a standard labour supply agreement.

3.4.3 This audit reviewed the agreements pertaining to the SPEs where the 117 randomly selected participants were deployed, namely:

- a. Ministry for Education and Employment (MEDE) – agreement dated 11 July 2016;
- b. Fondazzjoni Bormliza għall-Persuni b'Diżabilita` - agreement dated 19 October 2016;
- c. Gozo Sports Board - agreement dated 15 November 2016;
- d. Customer Services Directorate (CSD) within the Ministry for Gozo (MGOZ) - agreement dated 1 January 2017; and the
- e. Local Councils Association (LCA) - agreement dated 21 January 2019.

3.4.4 Despite 265 participants deployed within local councils, most of whom, since the inception of the Scheme, it was only in 2019 that the relationship between the CWSE Foundation and the LCA was contractually regulated. Moreover, although most clauses in the 2019 contract with the LCA were similar in nature, some provisions were innovative. Table 3 compares the extent of standardisation within these agreements.

Table 3: Comparative evaluation of agreements between the Foundation and SPEs

	MEDE	LCA	CSD (MGOZ)	NGO	Gozo Sports Board
Job description of CWS participants	✓	✓	✓	✓	✓
Weekly programme of works prepared by SPE	X	✓	X	X	X
Supervision of CWS participants	✓	✓	✓	✓	✓
Vacation and sick leave entitlement and procedures	✓	✓	✓	✓	✓
Health & safety of CWS participants	✓	✓	✓	✓	✓
Subscription to insurance policy	X	✓	X	X	X
Performance Appraisal and Performance Scores	✓	X	X	✓	✓
Training of CWS participants	✓	X	✓	✓	✓

Source: CWSE Foundation's contracts with five different SPEs

- 3.4.5 One innovative and commendable clause included in the agreement with the LCA was the requirement for local councils to provide the Foundation with a **weekly programme of works** and a monthly final report based on the actual four-week plan. The agreement with the LCA also established that the local council is responsible to ensure that CWS participants actually execute the work allocated by the former. Agreements with other SPEs reviewed by this Office did not include a similar clause to this effect.
- 3.4.6 The 2019 Agreement required local councils to subscribe to an **insurance policy** covering all normally insurable risks of councils and the Foundation with respect to the engagement, employment and management of the CWS participants. This Office did not find a similar clause in the agreements with the other entities. When queried in this respect, Foundation officials stated that this was a learning curve for the organisation since no agreement was in place at the start of the concession. Over time, the Foundation improved certain contractual clauses, based on the strength of experience obtained in running the concession. In the same vein, Jobsplus contended that local councils' employees are often exposed to more dangerous and risky work.
- 3.4.7 With respect to the **performance appraisal** for participants, the NAO noted variances as to who was responsible for preparing the appraisal and the basis on which the final mark was to be awarded. The LCA agreement stated that the council was to perform the appraisal exercise, which would subsequently be endorsed by the respective Mayor or Executive Secretary.
- 3.4.8 On the other hand, the agreements with MEDE, Fondazzjoni Bormliza għall-Persuni b'Dizabilita`, Gozo Sports Board and the CSD within MGOZ stated that the appraisal was to be held at the end of the year by the Foundation's Management. However, these agreements were not totally standardised. The first three entities were obliged to submit at least two reports per participant annually while the appraisals for participants deployed at CSD within MGOZ are based on one interim report.

3.4.9 The performance bonus payable to CWS participants is dependent on the performance scores attained. However, variances with respect to performance scores and the ensuing performance bonuses payable materialised in 2019 following the signing of the agreement between the CWSE Foundation and the LCA.

3.4.10 Furthermore, the agreement between CSD within MGOZ and the Foundation does not specify the performance scores and the relative performance bonus due. On the other hand, the score and the related payable performance bonus are significantly stricter at local councils since employees have to attain a higher score to be awarded a bonus of the same value. Table 4 below refers.

Table 4: Variances in Eligible Performance Scores

MEDE, NGO & Gozo Sports Board		LCA	
<i>Score Obtained</i>	<i>Bonus (% of Salary)</i>	<i>Score Obtained</i>	<i>Bonus (€)</i>
Under 19	1%	71 and 80	€250
20 and 44	3%	81 and 89	€350
45 and 69	4%	90 and 100	€450
70 and 100	5%		

Source: CWSE Foundation's contracts with different SPEs

3.4.11 In practical terms, this anomaly implies that in 2019 participants who obtain a score of 65 and are working within the MEDE, an NGO or the Gozo Sports Board would get a performance bonus of four per cent, which amounts to €360. Conversely, those working at a local council would not get a performance bonus. Similarly, participants who work within a local council and get a score of 91 would get a performance bonus equivalent to that obtained by participants who score 70 or more with another SPE.

3.4.12 The Foundation contended that the performance bonus is not considered as 'pay' in the context of the 'Equal Pay for Equal Work' principle. The Foundation stated that entities are free to determine performance bonuses payable since they are funding it. The Foundation explained that the scoring system provided for in the agreement with the LCA was proposed by the Association itself. Furthermore, the Foundation reiterated its commitment to refine the agreements to streamline the terms and conditions over all SPEs.

3.4.13 On the other hand, Jobsplus concluded that the CWS participants are all employees of the same employer. Consequently, according to Jobsplus, it would be desirable that these participants are contractually entitled to the same rate of pay and conditions, when undertaking the same duties.

3.5 Generally, deployment matched SPEs' requirements with participants' skills

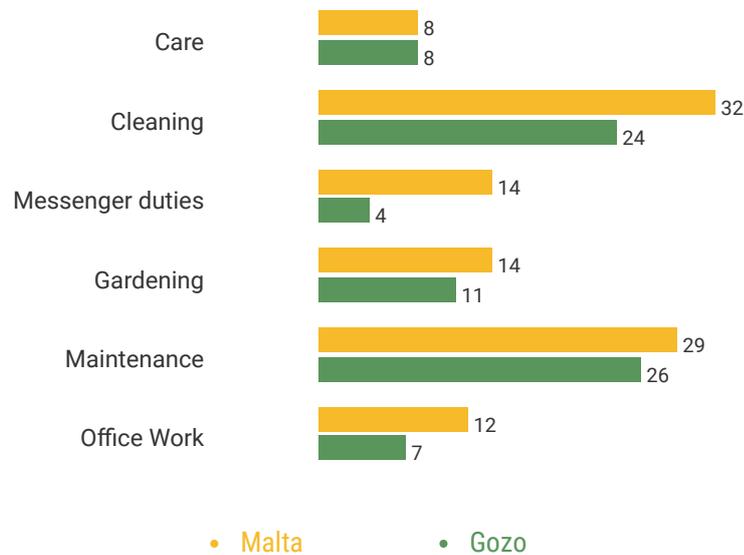
3.5.1 The aim of the Foundation's employability audit was to determine the skills, abilities and competencies of each participant. Once identified, the Foundation deployed participants in employment where their personal qualities would match the vacancies available within SPEs.

The Foundation successfully matched participants' skills and interests with current occupation

3.5.2 On the basis of the information provided in the employability audit,¹¹ a reconciliation exercise revealed that, generally, the Foundation matched the skills and interests of the sampled participants with their current duties at their place of employment. It transpired that only five participants were not matched with their preferred interests.

3.5.3 Employability audit documentation revealed that most CWS participants were interested and skilled in 'Cleaning' and 'Maintenance'¹² duties. Figure 4 below refers.

Figure 4: CWS Participants Career Skills & Interests



Source: CWSE Foundation Employability Audits

3.5.4 The Foundation was also successful with providing CWS participants with job exposure through their deployment with the various SPEs. In turn, this would equip and empower participants to seek better employment opportunities.

¹¹ In six cases, the employability audits did not provide comprehensive information on participants' skills level, qualifications and aptitudes.

¹² For the purpose of this Report, maintenance work includes the following duties: construction, electricity, general metalwork, painting, plastering, plumbing, tile-laying, woodwork and restoration works.

No formal needs analysis exercise to identify SPE requirements

3.5.5 The Foundation embarked on a formal exercise to identify the skills, qualifications and aptitudes of CWS participants. However, this organisation did not embark on an exercise to collate information from SPEs about the respective vacancies therein. While, obviously, the Foundation carried out work to enable the deployment of CWS participants, it did not furnish NAO with supporting documentation to illustrate how such vacancies materialised. Similarly, NAO site inspections did not reveal any supporting documentation to justify the vacancies filled by CWS participants. The Foundation contended that whenever a vacancy arose, SPEs would contact the Foundation and a request would be placed, either directly by the SPE to the CWSE Foundation or through the college principal, in the case of schools.

3.6 The Foundation provided minimal training to CWS participants

3.6.1 Another aim of the employability audit was to determine the individual gaps in the skills, abilities and competencies of each participant. Once identified, the Foundation was contractually obliged to provide the relevant training to each worker.

3.6.2 The employability audits determined that the majority of CWS participants had a secondary level of education. Some participants had obtained certificates from trade schools, whilst a few others had obtained ECDL certification and in some cases O-levels and A-levels.

3.6.3 One field of the employability audit requested participants to express their interest in further training. From the employability audits reviewed, the NAO determined that 41 of the 117 sampled participants had shown interest to be trained further. Participants were given the option to select training courses ranging from basic Maltese and English, cleaning courses, occupational health and safety procedures and courses on the ethical practices in the workplace.

3.6.4 NAO site visits to various work places determined that such training was not provided to the CWS participants. In cases where training was given, this was provided by the SPE itself, being either the local council or the entity at which the participant was deployed. Within this context, Foundation officials contended that training was, for the greater part, given through the entity in terms of arrangements made between the Foundation and the entity, and the Foundation is supporting the entity and its workers by allowing them to attend such courses, even during working hours.

3.6.5 The training given by the SPE was relevant to the participant's day-to-day job. Most CWS participants working as cleaners attended a cleaning course, which was organised by the Government for all cleaners employed within the public sector. Moreover, Government or private workers engaged on similar duties at SPEs also gave CWS participants on the job training. However, this training did not lead to any form of certification.

3.6.6 In the same vein, Jobsplus contended that following their enrolment and profiling of participants in 2016, it became more evident that, for many, training was not going to improve their labour market prospects in the private sector. The Agency remarked that, nevertheless, efforts were made to increase the value added of such employees for the services they offer to various government entities.

3.7 Deficiencies in the relationship between the Foundation and SPEs

3.7.1 Based on the 117 randomly selected cases, fieldwork undertaken for the purpose of this audit revealed that in certain instances communication between the Foundation and the SPEs was lacking. SPE representatives informed the NAO that, in at least four cases, the Foundation did not provide prior notification that workers were going to be deployed with their entity. In addition, all SPE representatives remarked that the Foundation did not provide them with CVs and any background information about the CWS participants. Such a situation limits SPEs involvement in the individual development of CWS participants and in the allocation of daily tasks.

3.7.2 The Foundation contended that it was not aware of any requests from entities for backgrounds and CVs regarding the participants deployed with them. Foundation officials also explained that sometimes they were not completely aware of the participant's background, as this was dependent on the participants disclosing such information to them. The Foundation also flagged that General Data Protection Regulation (GDPR) could, in any case, restrict or prevent it from sharing data pertaining to participants. Nonetheless, this Office reiterates that GDPR issues could have been resolved by requesting participants to authorise the referral of their CV to the respective SPEs.

3.7.3 NAO site visits also revealed differences in the relationship between the Foundation and SPEs in Malta and Gozo. Generally, SPEs in Gozo are in contact with, or subject to, a site inspection by a District Operations Limited representative on a weekly basis. On the other hand, the frequency of similar communication in Malta is approximately twice a year. However, the sampled SPEs contended that feedback from the Foundation was forthcoming and timely action was taken whenever problems or issues arose.

3.8 Conclusion

3.8.1 Evaluating the extent to which the Concessionaire fulfilled contractual obligations yielded mixed results. On the one hand, the Foundation identified participants' skills, qualifications and aptitudes. This exercise ensured that the Foundation deployed CWS participants with SPEs where they could best utilise their competencies. This state of affairs portrays a win-win situation since SPEs are utilising the services of CWS participants while the latter are benefiting from employment where they can practice their skills while obtaining job exposure.

- 3.8.2 The situation portrayed in the preceding paragraph could be further improved through more stringent adherence to eligibility criteria. This review showed that at least nine per cent of the randomly selected participants fulfilled the catch-all eligibility criteria.
- 3.8.3 The attainment of CWS objectives would be further facilitated through the provision of Foundation-sponsored and organised training for CWS participants. To date, such initiatives have been minimal. Matters are further aggravated since more than a third of the sampled participants expressed that their desire for further training remained unfulfilled.
- 3.8.4 The non-standardisation of agreements between the Foundation and SPEs, as well as individual employment contracts, does not ensure that a level playing-field is in place to ascertain that all stakeholders are awarded the same benefits. Moreover, the diversity of conditions brought about by non-standardisation of these agreements renders the implementation and management of CWS more complex.
- 3.8.5 The effective management of the CWS is greatly dependent on frequent communication between the stakeholders. Yet, NAO site visits revealed that, while regular communication involving SPEs and participants occurs in Gozo, the situation in Malta is significantly different as similar communication generally takes place once or twice annually.
- 3.8.6 While the CWS has provided employment opportunities for some 839 persons, the circumstances discussed within this Chapter raise the risks that the Scheme becomes an end in itself rather than the means to enable participants to improve their employability chances in more productive sectors.

Chapter 4

Monitoring of the Community Work Scheme

4.1 Introduction

- 4.1.1 Unless well-designed and duly monitored, employment initiatives such as the Community Work Scheme (CWS) may result in inefficiencies leading to the wasteful spending of public money. The absence of sound monitoring mechanisms raises the risks that the Scheme's objectives and productivity levels may not reach the desired levels.
- 4.1.2 The main objective of this Chapter is to discuss the monitoring function in relation to the CWS. This function is three pronged as Jobsplus, the Community Work Scheme Enterprise (CWSE) Foundation and the Social Purpose Entities (SPEs) all have distinct but interrelated monitoring responsibilities.
- 4.1.3 This Chapter focuses on the extent to which these three entities are effectively monitoring the various aspects of the CWS.

4.2 Monitoring of the CWS by Jobsplus is not comprehensive

- 4.2.1 Monitoring by Jobsplus is critical as this Agency is the owner of the initiative and is responsible to ensure that the Scheme's objectives are fully attained. The Concession Agreement served as the basis for the transfer of the management of the CWS from Jobsplus (formerly referred to as ETC) to the CWSE Foundation. Executive Chairperson Jobsplus stated that the set up of the Foundation was *"an expedited process which still provided Jobsplus with certain control"*. The Agency's Strategic Plan (2016 – 2018) outlines that Jobsplus' responsibilities in conjunction with the Scheme is to supervise the workings of the CWS Foundation.
- 4.2.2 The criteria adopted to enable this audit to gauge the effectiveness of Jobsplus' monitoring function included the level of scrutiny of the Foundation's financial statements, quarterly reports and operations. Other criteria adopted related to the extent to which Jobsplus was monitoring the attainment of the Scheme's overall objectives, as defined in the Request for Proposals (RfP) document and the Concession Agreement.

- 4.2.3 This review noted that Jobsplus scrutinises effectively aspects involving payments to the Foundation. Nevertheless, this audit showed that the scope of Jobsplus' monitoring function did not cover all aspects of the Scheme.

Jobsplus conducts the appropriate level of checks prior to effecting payments to the Foundation

- 4.2.4 Prior to effecting payment to the Foundation, Jobsplus performs the necessary vetting on the monthly invoices received. To this effect, this audit confirmed that Jobsplus verification complies with generally accepted practices and that payments made are justifiable in terms of the Concession Agreement.

Jobsplus' review of the Foundation's financial statements does not cover all aspects of the CWS

- 4.2.5 In accordance with the Concession Agreement, Jobsplus receives the Foundation's financial statements. To this effect, the Foundation provided their audited 2016 and 2017 financial statements. The submission of these financial statements is intended to provide Jobsplus with information about the results of the Foundation's operations, financial position and performance. This is critical information for Jobsplus since it relates to the Scheme's sustainability. The importance of these financial statements is further emphasised since the Foundation's main source of financing emanates from public funds.

- 4.2.6 However, Jobsplus does not have the structures and mechanisms in place to enable in-depth monitoring of these financial statements. Such circumstances prohibit Jobsplus from attaining information about the Foundation's financial performance. Moreover, the Agency is not reviewing the financial statements for any significant and unusual transactions. A case in point relates to management charges payable of around €822,000 and €959,000 quoted within the 2016 and 2017 financial statements respectively.¹³ To date, Jobsplus has not enquired with the Foundation as to what these amounts represent. The absence of this information prohibits Jobsplus from making more informed decisions in conjunction with CWS or when embarking on similar Schemes.

¹³ On the premise that this is commercial information, the Foundation did not accede to NAO request to provide more information about this line item within the financial statements. Moreover, as at the time of drafting this Report, the Foundation's financial statements for 2018 were not yet available.

Jobsplus does not comprehensively monitor the Community Work Scheme's outputs, outcomes and impacts

4.2.7 As outlined in the RfP document and the Concession Agreement, the final aim of the setting-up, operating and managing of the CWS was that the participants become eligible and better equipped to seek gainful employment. Within this context, Jobsplus contended that the Scheme was intended to be a means to an end, that is, to enable participants to obtain more skills and improve their employability opportunities. Consequently, Jobsplus' monitoring of the Scheme's output, outcome and impact become imperative. Despite the importance of attaining the Scheme's ultimate aims and Jobsplus receiving various operational information from the Foundation, the Agency's monitoring function is effected by the following:

- a. Jobsplus does not have in place any kind of output measures, such as key performance indicators (KPIs). This prohibits the Agency from objectively evaluating the Scheme's deliverables. This is particularly relevant as only around five per cent of the 839 CWS participants terminated their job to find a job elsewhere.
- b. Further to the preceding point, Jobsplus is not managing the outcome and impact of this Scheme. For instance, the Agency is not measuring the Scheme's level of achievement, including the number of workers who moved from the Scheme to full-time employment elsewhere, the development of CWS participants and the enhancement of participants' employability opportunities. Moreover, Jobsplus is not evaluating the benefits reaped by SPEs through the Scheme and the relative satisfaction levels.

4.3 The opportunity exists for the Foundation to strengthen the Scheme's monitoring

4.3.1 The Foundation is contractually obliged to ensure that the CWS attains its objectives. To this end, the Foundation is responsible for the management of the Scheme. The effective execution of such responsibility demands that the Foundation has a strong monitoring function.

4.3.2 The Scheme's strategic monitoring entails that the Foundation follows up the extent to which the Scheme is contributing towards the development and employability of participants. At the strategic level, monitoring also includes that the Foundation's finances are appropriately managed to ascertain the Scheme's sustainability. The Concession Agreement outlines that the Foundation's Board of Governors are to:

- effectively manage the finances of the Foundation;
- draw up regular financial statements; and
- take all reasonable steps towards ensuring that all funds contributed and/or raised are prudently utilised for the realisation of the Foundation's objects or for any of its projects.

4.3.3 On the operational level, from the Foundation's point of view, monitoring includes:

- ensuring that participants comply with the terms and conditions of their contracts;
- identifying and following-up the individual needs of participants; and
- liaising with Jobsplus and SPEs to obtain their feedback on various aspects of the Scheme.

4.3.4 The Foundation's monitoring mechanisms, to varying degrees, cover the strategic and operational levels. While these mechanisms contribute to the Foundation's effective management of the Scheme, the opportunity exists for the Foundation to broaden further its monitoring function.

The Foundation has not followed up employability audits

4.3.5 Article 7.6 of the Concession Agreement states that the Foundation is to conduct an employability audit of each worker to determine their skills, abilities and competencies. To this end, these exercises enabled the matching of workers' skills and competencies with job opportunities, which subsequently led to the deployment with an SPE.

4.3.6 However, the Foundation did not follow-up the employability audits to determine the training and development needs of the Scheme's participants. In such a situation, the provision of training as outlined in the Concession Agreement was not satisfied. This situation materialised despite that the monthly operational service fee of €980 per registered person payable by Jobsplus to the Foundation should also cover the training cost of the individuals.

4.3.7 The NAO sample of 117 randomly selected employability audits revealed that the Foundation could not perform comprehensive monitoring or follow up the development of 29 CWS participants (circa 25 per cent) due to lack of information concerning individuals' education level, skills, psychological and physical state, as well as police certification of their conduct. The situation depicted herein poses the risk that the Foundation may not readily classify or identify individual training and development needs.

4.3.8 The quarterly reports drawn up by the Foundation list various monitoring related tasks undertaken. However, these reports do not provide information relating to developments in the workers' skills and the action taken by the Foundation to address these skills gap. This monitoring lacuna prohibits timely and accurate information upon which individual development decisions can be based.

There are significant variances in the frequency of site inspections between Malta and Gozo

4.3.9 As noted in paragraph 3.7.3, NAO on-site inspections, in relation to the sampled 117 cases across Malta and Gozo, revealed that site inspections by the Foundation's officials in Malta are significantly less frequent than those carried out in Gozo. This statement is based on feedback provided by SPEs' officials as well as CWS participants. Feedback received during NAO on-site visits in Malta confirmed that the Foundation performed inspections between once to twice yearly. On the other hand, the Foundation was performing similar inspections in Gozo around once weekly. The Foundation's Board members as well as Jobsplus confirmed that this state of affairs is due to challenges posed by work practices that may be perceived as more lax than in Malta. Nevertheless, neither the Foundation nor Jobsplus produced documented evidence to justify the frequency of inspections being undertaken in Malta and Gozo. Furthermore, it is unlikely that the inspection coverage in Malta ensures comprehensive monitoring of the Scheme by the Foundation.

There is an absence of key performance indicators against which to gauge the Scheme's progress

4.3.10 KPIs are measurable values that show the entity's effectiveness and evaluate its success at reaching targets. Therefore, it is important that an organisation has a good understanding of what is important to it, so as to choose the right performance measures.

4.3.11 The Foundation does not have KPIs in place to determine progress of the participants' work and subsequently, the impact of the Scheme. The absence of measurable targets hinders the Foundation from tracking the Scheme's progress and taking corrective action where necessary.

4.4 Social Purpose Entities gauge output levels subjectively

4.4.1 In view of their role of first-line supervisors, SPEs' monitoring function is critical. To this end, SPEs monitor attendance, productivity levels and assess participants' performance through a formal performance appraisal. The following refers:

- a. NAO on-site visits revealed that SPEs generally carry out their monitoring duties relating to participants' attendance, as well as other administrative tasks relating to vacation leave. In this respect, there is good communication and liaison between SPEs and the Foundation.
- b. The first-line monitoring function undertaken by SPEs is to varying degrees hindered since a job description highlighting the duties and responsibilities of the related community worker is generally not held neither by the Entity nor at the Foundation. The absence of clear definitions of duties – which may be standardised for all SPEs - renders SPEs' monitoring function, particularly with respect to productivity, more problematic.
- c. SPEs' monitoring of productivity levels is generally subjective and solely based on the experience of supervisors. Moreover, SPEs do not allocate formal output targets to enable the monitoring of productivity against pre-determined goals. The NAO acknowledges that some SPEs in Gozo have recently established work-logs. However, SPEs do not maintain formal logs certifying that the tasks assigned to CWS participants were carried out efficiently and to the required standards. Such mechanisms facilitate monitoring, as well as instil good governance principles in relation to transparency and accountability.

4.5 Conclusion

4.5.1 Monitoring of the CWS is a critical function in view of the financial materiality involved in the maintenance of the Scheme, the continued development of Scheme participants, as well as providing indicators where possible corrective action might be required. The monitoring by the three main stakeholders of the Scheme aims to ensure the Scheme's sustainability through the provision of services within communities across Malta and Gozo.

4.5.2 Jobsplus' monitoring role assumes a strategic nature. However, this Agency does not have the structures available to perform more in-depth reviews of financial and operational reports referred by the Foundation. These circumstances imply that Jobsplus is considering the CWS as the ultimate objective rather than a vehicle to improve the employment opportunities of participants outside the Scheme, in accordance with the objectives outlined in the RfP document and the Concession Agreement.

- 4.5.3 The Foundation's monitoring role mainly relates to the Scheme's operations. The absence of KPIs hinders the monitoring function as the Foundation is not in a position to objectively gauge the Scheme's progress against predetermined goals. The opportunity exists for the Foundation to further strengthen its monitoring function with respect to employability audits and the inspection regime. A more robust monitoring function in relation to these issues strengthens the Foundation's position to keep the Scheme on track in attaining its overall objectives.
- 4.5.4 SPEs' monitoring function is equally important as that of the other main stakeholders. Generally, SPEs' monitoring of administrative related issues is timely and of the appropriate standards. However, the absence of KPIs and formally established productivity levels prohibit objective assessment of deliverables by CWS participants. In turn, this also influences performance monitoring since the lack of job descriptions and formal work-logs renders performance appraisals a more problematic task.
- 4.5.5 The CWS constitutes one of Malta's active labour market policies. More effective monitoring from all three stakeholders contributes to the Scheme's sustainability and ensures that participants return to employment within more productive sectors, within the shortest time possible.

Chapter 5

Value for Money Considerations

5.1 Introduction

5.1.1 This Chapter discusses value for money considerations with respect to the Community Work Scheme (CWS). The main criterion adopted drew on a cost-benefit analysis (CBA) exercise, which assessed whether the Scheme fulfilled cost-effectiveness criteria, particularly from an economic perspective. Other considerations in conjunction with value for money assessments related to the awarding of the CWS Concession Agreement through a competitive call for proposals.

5.1.2 Against this background, this Chapter discusses the following issues:

- Internal operational considerations by Jobsplus justified the outsourcing of the CWS;
- Contract was awarded through a competitive call for proposals;
- The Scheme's optimal economic potential is dependent on output levels;
- CWS contributed to economic benefits through higher employment levels; and
- Latest increases in salaries and wages reduced participants' incentive to seek alternative employment outside CWS.

5.2 Internal operational considerations by Jobsplus justified the outsourcing of the CWS

5.2.1 In 2016, as outlined in Section 1.1.6, Jobsplus outsourced the operation and management of the CWS to the Community Work Scheme Enterprise (CWSE) Foundation through a Concession Agreement. Jobsplus considered that the best way forward for the continued development of CWS participants referred to this Scheme was to set up a Foundation with the specific task of employing these workers. Subsequently, the foundation would deploy CWS participants to socially-oriented entities.

5.2.2 Jobsplus contended that no formal studies were undertaken to determine the feasibility of outsourcing the operation of this Scheme to a private operator. Nevertheless, the Ministry for Finance approved funds for this Scheme following discussions with Jobsplus. To this effect, the latter prepared workings – which however were not made available to this Office - to determine the viability of the CWS initiative.

5.2.3 Jobsplus further justified the outsourcing of the CWS on the basis that the office’s workload increased considerably in recent years and, as a result, it did not have the staff complement in place to manage the Scheme. This situation prevailed, despite repeated requests from the Agency to augment its staff complement.

5.3 Contract was awarded through a competitive call for proposals

5.3.1 In 2015, the Privatisation Unit within the Malta Investment Management Company Limited, on behalf of Jobsplus, issued a Request for Proposals (RfP) for the Set-up, Operation and Management of the CWSE Foundation. The RfP document invited proponents to submit detailed proposals in accordance with stipulated requirements.

5.3.2 The Privatisation Unit issued a public call for proposals for the management of this Scheme. Three separate bidders submitted their proposals. Based on their proposals, the Privatisation Unit then selected a proponent to negotiate the Concession Agreement. One of the bidders did not satisfy the requirements and conditions as outlined in the RfP document and was consequently disqualified. The General Workers’ Union submitted the most favourable bid at €980 per month per worker. This was 17 per cent cheaper than the remaining closest bid. The fee covers the wage of the worker, as well as the management, operation and training cost of the individual.

5.4 The Scheme’s optimal economic potential is dependent on output levels

5.4.1 NAO carried out a CBA to determine the Scheme’s feasibility from an economic perspective. This Office compared the monthly cost paid by Jobsplus to the CWSE Foundation during 2018 with the relevant savings incurred during the same period. The evaluation considered the Scheme’s monthly outflows, which in 2018, amounted to €1,220 per participant¹⁴ and monthly inflows comprising of payments, which were either recovered by Government or not incurred, as CWS participants were now in registered employment. The exercise considered six scenarios depicting individuals and household setups who were receiving a range of social benefits related to, or influenced by, long-term unemployment. The scenarios considered ranged from single persons living alone to a couple with three children.

5.4.2 As outlined in Table 5, through the employment generated by this Scheme, Government recovered participants’ income tax, as well as national insurance contributions. On the other hand, as a direct result of the Scheme, Government no longer incurred payments related to unemployment or social assistance benefits and annual statutory bonuses in relation to participants.

¹⁴ During the period from 2016 to 2018, the operational service fee per participant increased from €980 to €1,220 per month. This increase reflects minimum wage adjustments and a further increase of €200 per month as outlined in the 2018 Budget speech.

5.4.3 This CBA exercise also considered the increase in productivity through the participation of unemployed individuals into the labour market. While unemployed, the Scheme's participants were not productive. Now that the Scheme's participants were in employment, they were, to varying degrees, making productive contributions. However, as Social Purpose Entities (SPEs) assigned and gauged productivity levels subjectively and informally, this CBA exercise could not draw on any reliable evaluation of output levels. To mitigate this limitation, this exercise determined the productivity level required to obtain the Scheme's break-even point. This productivity level was estimated at 40 per cent. The added-value, in financial terms, of such productivity levels was assumed to be similarly represented by 40 per cent of CWS participants' salary.

5.4.4 Regardless, the estimated break-even productivity levels are not intended to imply that this level of output is in any way acceptable. Furthermore, the assumed productivity levels referred to in the preceding paragraph are not based or reflective of actual output levels by CWS participants. Table 5 provides an illustration of the referred variables as outlined in the cost-benefit analysis.

Table 5: CWS Cost-Benefit Analysis¹⁵

(Based on Maximum Salary)	2018					
	Single person living alone	Single person living with another person	Couple	Couple + 1 Child	Couple + 2 Children	Couple + 3 Children
Outflows						
Monthly Cost of the CWS per person	(1,219.78)	(1,219.78)	(1,219.78)	(1,219.78)	(1,219.78)	(1,219.78)
Inflows						
Monthly Unemployment Benefit/Social Assistance	560.65	560.65	595.96	631.28	666.60	701.91
N.I. based on monthly salary	204.64	204.64	204.64	204.64	204.64	204.64
Tax based on monthly salary (Single Rates)	39.73	39.73	39.73	39.73	39.73	39.73
Increase in Work Value gained by Govt (Assumed at 40 per cent of monthly salary)	409.27	409.27	409.27	409.27	409.27	409.27
Statutory Bonuses (per month)	36.04	36.04	36.04	36.04	36.04	36.04
Overall Saving (per person/per month)	30.55	30.55	65.86	101.18	136.50	171.81

Source: Jobsplus and MFCS data

5.4.5 The above analysis outlines how at near break-even productivity levels, derived at around 40 per cent, the Scheme registered an overall monthly savings ranging from around €31 to €172 per participant. On extrapolation over the cohort of 846 total participants, as at end of December 2018, the CWS generates an overall yearly economic benefit estimated at over €660,000.

¹⁵ Due to its marginal influence, the payment of performance bonuses by SPEs was not considered in this calculation.

- 5.4.6 This amount will further increase since through their employment, in certain cases, CWS participants will not remain eligible to the same level of social security benefits they were entitled to when unemployed. These generally relate to means-tested benefits such as energy benefits, children's allowance benefits, free medicines benefits (pink form) and milk grant benefits.
- 5.4.7 This exercise also excluded savings made by SPEs through this Scheme, comprising the profit element included in rates, had the same works been outsourced by the respective SPEs.
- 5.4.8 Moreover, the Scheme's economic potential will further increase at productivity levels, which are higher than the break-even point derived for the purpose of this exercise. As outlined in Chapter 3 of this Report, the opportunity exists for increased productivity in the operation of the CWS. Considering the inherent risks associated with the Scheme, such as unauthorised absenteeism, the Scheme's optimal economic potential remains directly dependant on the level of productivity.

5.5 The Scheme contributed to economic benefits through higher employment levels

- 5.5.1 Apart from the micro level analysis associated with the economic viability of the Scheme, as well as the effects on the individuals concerned, the CWS also contributes within a macroeconomic perspective. Within this context, the higher employment levels also result into higher economic benefits.
- 5.5.2 A lower unemployment rate will result into increases in the Gross Domestic Product, as well as contribute to a rise in economic demand. On a macro level, higher employment will improve business and consumers' confidence. This will subsequently encourage an increase in economic growth in the medium to long-term through more consumer buying power.
- 5.5.3 CWS also reduced the level of unemployment, which is a major influence leading to poverty, stress as well as social problems. Conversely, higher employment levels reduce inequalities and prevent the risks of relative poverty. Moreover, from a government's perspective, the CWS has reduced government welfare spending. As outlined in Table 5, the Scheme has also generated more revenues to government, namely income tax and national insurance contributions, through the employment of CWS participants.

5.6 Latest increases in salaries and wages reduced participants' incentive to seek alternative employment outside CWS

5.6.1 Budget measures introduced in 2018 improved the working conditions of employees within the CWS by increasing their salary by €200 per month.¹⁶ This initiative improved the financial conditions of CWS participants. On the other hand, it could be argued that such an increase does not incentivise participants to seek alternative employment, particularly within more productive sectors. Originally, the final aim of the Scheme was that these workers become eligible and better equipped to seek more gainful employment. Nonetheless, given the improved working conditions, the risk exists that the Scheme becomes an end in itself as participants become increasingly reluctant to seek more gainful employment within more productive sectors. This point is clearly evident as in recent years only 42 persons left the Scheme to seek alternative employment.

5.6.2 Jobsplus officials contended that, over the years, the Scheme's main objectives - that CWS was to be a vehicle facilitating more gainful employment to participants - had to be reviewed. This state of affairs materialised as employability opportunities pertaining to a number of participants became increasingly elusive. This is symptomatic of 'deadweight loss' brought about by allocative inefficiency of resources. Such circumstances prohibit equilibrium between the demand and supply in the labour market with respect to CWS participants.

5.7 Conclusion

5.7.1 The CWS satisfied two principal value for money criteria to determine the economic viability of the Scheme. Firstly, the costs in conjunction with the outsourcing of the management and operation of the Scheme were based on the cheaper bid through competitive tendering. Secondly, CBA highlighted that the Scheme's optimal economic potential is largely dependent on output levels. The CWS also fulfilled macro-economic criteria. To this effect, employment within the Scheme has contributed to government finances and economic growth.

5.7.2 This Chapter has revealed instances where the economic potential of the Scheme could be higher. From the CWS perspective, maximising the Scheme's economic potential could be jeopardised when productivity levels fall beyond expected norms. Unfortunately, this audit has noted instances where some SPEs lamented about low productivity levels. On a macro-level, the Scheme's economic potential will not be fully attained as the main stakeholders generally view CWS as the ultimate objective. Moreover, the recent improvement in salaries reduced CWS participants' incentive to seek alternative employment opportunities outside the Scheme.

¹⁶ This initiative was in line with proposals made in the electoral manifestos of the main political parties during the last general election.

2018 - 2019 (to date) Reports issued by NAO

NAO Work and Activities Report

April 2019 Annual Report & Financial Statements 2018 - Works and Activities

NAO Audit Reports

June 2018 An Investigation of allegations on Dingli Interpretation Centre

June 2018 An Investigation into the Findings of the Local Governance Board

June 2018 A Review of the Pension due to a former Member of Parliament

July 2018 Performance Audit: A Strategic Overview of Mount Carmel Hospital

October 2018 Performance Audit: An evaluation of Government's deal to design, build and operate the Malta National Aquarium

October 2018 Follow-up Reports by the National Audit Office 2018

November 2018 Performance Audit: A Strategic Overview on the Department of Fisheries and Aquaculture's Inspectorate Function

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November 2018 An investigation of matters relating to the contracts awarded to ElectroGas Malta Ltd by Enemalta Corporation (Abridged)

December 2018 Report by the Auditor General on the Public Account 2017

December 2018 Performance Audit: An evaluation of the regulatory function of the Office of the Commissioner for Voluntary Organisations

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