



The World of Public Employment Services

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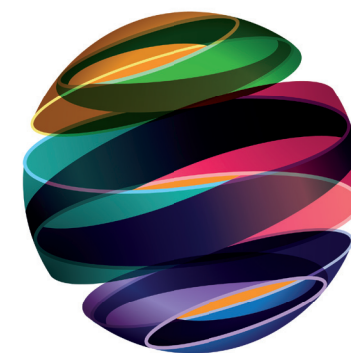
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EXECUTIVE SUMMARY

Introduction

The world economy is growing more slowly than was forecasted before the global financial crisis, resulting in challenging labor market conditions worldwide. Job numbers have not yet recovered after the crisis. Income inequalities have widened, social unrest has increased, and labor market conditions have dramatically changed. Underlying vulnerabilities associated with the slow job recovery need to be addressed, especially high rates of youth unemployment, long-term unemployment, and withdrawal from labor markets.

Public employment services have been established in most countries in the world to act as a key intermediary between supply of and demand for labor and to address labor market inefficiencies. To do so, they use a number of different approaches and instruments, planning and implementing many of the active labor market policies (ALMPs) that help workers find jobs and firms fill vacancies. They also facilitate labor market adjustments and cushion the impact of economic transitions.

To meet these objectives, public employment services usually perform some combination of five different functions: (1) Job brokerage, (2) Provision of labor market information, (3) Design and implementation of ALMPs, (4) Management of unemployment benefits, and (5) Management of labor migration. Today, public employment services need to adjust these instruments to a new and challenging context – a working world that consists of large number of labor market transitions (i.e., workers changing jobs throughout their careers) and shifts in skills demand that will require a new approach to developing and maintaining relevant skills.

Labor Market Challenges and Trends: Implications for Public Employment Services

Demographic Changes

Population aging will bring a number of key challenges to be addressed over the next 30 years. In advanced countries, population aging is already causing skill shortages in many occupations and economic sectors. On the other hand, increases in the size of the labor force in most African, Asian, and Latin American and Caribbean countries ultimately goes hand-in-hand with an increase in the number of older persons. Ensuring a well-functioning labor market will require that public employment services take a more active role in encouraging labor market participation by capable inactive people and improving the employability and skills of individuals across the lifecycle.

Globalization

A globalized economy has many implications for labor markets. For example, production tasks can be performed in different locations, and workers and firms can expand their access to global labor markets through the Internet. Globalization implies a continuous need for reemployment, upskilling of workers, and changing recruitment needs for employers. Public employment services can play a crucial role identifying and supporting these new needs.

Technological Changes

The shift toward a knowledge-based economy offers opportunities for development and advancement, but there is a risk that these opportunities will be taken up in a way that exacerbates inequality. To avoid this, there must be ongoing development of the skills and knowledge of the labor force. Public employment services can serve as a critical gateway to life-long learning, becoming a key instrument to improve the opportunities available for the disadvantaged.

Labor Market Mismatches

Labor market and skill mismatches limit the capacity of countries to adapt to changing circumstances, and they slow productivity growth. Recent evidence indicates that skill mismatches are increasing rather than diminishing. Public employment services can be an important player in reducing skill mismatches by collaborating with other labor market stakeholders to improve the development of relevant skills.

Rising Income Inequalities

Despite declines in working poverty and vulnerable employment in the developing world, income inequalities are deepening in most of these countries and in the developed world as well. Public employment services can be an important instrument in improving the opportunities available to the disadvantaged as a way to help reduce income inequality.

Labor Market Transitions

These demographic, social, and technological changes have significantly altered the labor market, causing frequent, faster, and more complex transitions between jobs, occupations, sectors, and employment status. Labor market transitions can offer opportunities, for example to develop new skills, but if not well managed, they could also potentially lead to income loss, unemployment, skill losses, and social exclusion.

This new labor market context has important implications for public employment services worldwide. Facilitating positive labor market transitions is essential to providing people with the security they need to cope with the many transitions they will face. Support should be available for these different transitions throughout people's lifetimes.

About this Study

In order to meet all these challenges and better support the strengthening and modernization of public employment services, this study aims to provide systematic, structured, and comparative information to help understand the challenges and opportunities faced by public employment services around the world.

The 2014 WAPES-IDB Survey

The WAPES-IDB Survey Project began as an initiative by the Executive Secretariat of the World Association of Public Employment Services (WAPES) and some WAPES members. The 2011 WAPES Survey was conceived as a way to better understand the institutions and policies of WAPES member organizations as well as some additional public employment services that were not yet members. The main objective of the survey was to improve knowledge and data about public employment services in the five WAPES regions – the Americas, Africa, Asia and the Pacific, Europe, and the Middle East/North Africa – and to further cooperation with partner organizations.

The 2014 WAPES-IDB survey was conducted with the Inter-American Development Bank (IDB) through its Technical Support Network to Employment Services in Latin America and the Caribbean (RED SEALC, for its initials in Spanish). The Local Economic and Employment Development Initiative of the Organization for Economic Cooperation and Development (OECD) also collaborated in the design and analysis of 2014 survey. The Institute for Applied Social Sciences in Germany was responsible for the operative implementation of both surveys. Questionnaires were answered by high management officers of 73 public employment services from 71 countries.

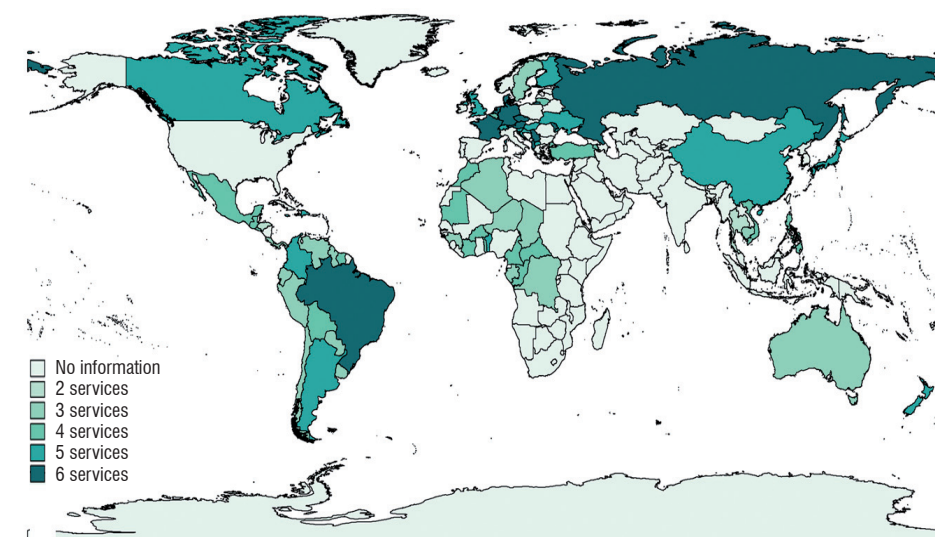
Institutional and Policy Variety in Public Employment Services

Labor markets are complex institutions and are made even further complex by the emerging labor market challenges described earlier. Accordingly, any labor market intermediation undertaken by employment services is a demanding task. A rational set-up of these services is needed if labor market intermediation is to be successful. However, there is no simple answer to how public employment services should be set up and organized and which services they should offer. Across the world, these agencies vary in their policies and instruments, the degree of maturity of their services, and the resources allocated or available for those different services. Summarizing this vast institutional diversity through empirical analysis was one of the main reasons for the development of the WAPES-IDB Survey and this study.

Public Employment Services Portfolio: Integration of Services

Job brokerage, provision of labor market information, and the design and implementation of ALMPs for both job seekers and employers are currently the core business areas for public employment services: 84 percent of these agencies provide all three services. More recently, managing labor migration measures has also become an increasingly important task for these agencies. On the other hand, administration of unemployment benefits is an assigned task for only 26 public employment services (mainly in Europe). Figure 1 shows the number of services provided by public employment service agencies across the world.

Figure 1: Number of Services Provided by Public Employment Services around the World



Source: WAPES-IDB 2014 Survey.

Use of Policy Instruments

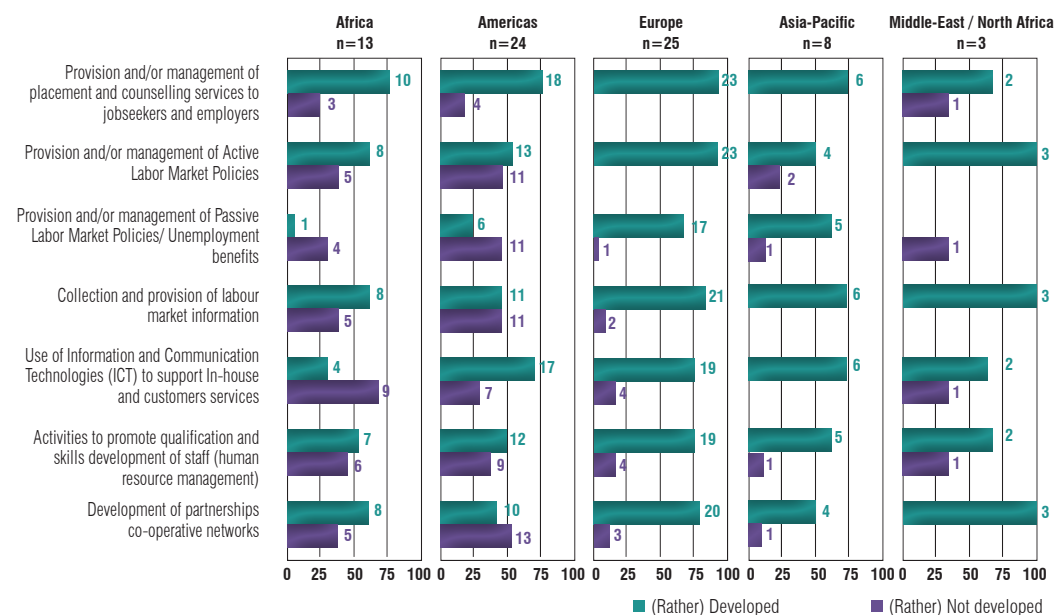
Several policy instruments are used by public employment agencies throughout the world, including personal job search interviews, personal support services for recruitment, promotion of the integration of young people into the labor market, and collection and dissemination of labor market statistics. Others instruments that are less widespread include profiling of unemployed job seekers, promoting working mobility, and participating in an employment observatory. Which and how many of these policy instruments are used has to do with different policy traditions as well as with different stages of institutional development.

Relative Level of Development of Public Employment Services

The level of development for the services provided varies within country, and by region and country. The key services considered are placement and counseling services, ALMPs, passive labor market policies and unemployment benefits, and collection of labor market information. This study also considered the use of information and communication technologies (ICT), human resource management, and partnerships and cooperative work as cross-sectional subjects relevant for most policy domains.

The level of development of public employment services varies widely by world region. Placement and counseling are the only services with a reasonable level of development across all five regions. The development of ALMPs is fairly low in quite a number of countries in the Americas and Africa. ICT, human resource development, and partnership networks are weak in Africa and the Americas, as well as in some European countries (Figure 2).

Figure 2: Development of Issue Areas by World Region (Self assessment)
(Absolute numbers next to bars; percentages at the bottom of the panels)



Source: WAPES-IDB 2014 Survey.

Note: Development levels are based on the respondents' self assessment.

A Basic Typology of Public Employment Service Models

By combining the measures of functions and services offered by public employment services, it is possible to devise a simple typology of models of provision of public employment services. This classification is not intended to rank the quality or performance of public employment services. Rather, it is displayed as a starting point for the analysis of the combination of functions and services of public employment services and their development potential.

Number of functions:

- **Comprehensive:** Mix of five or six functions.
- **Core:** Mix of three or four functions.
- **Basic:** Mix of up to two different functions.

Range of services:

- **Comprehensive:** More than 80% of the services in a given function.
- **Moderate:** Between 41% and 80% of the services in a given function.
- **Limited:** Up to 40% of the services in a given function.

There is a group of 16 countries with a comprehensive set of functions as well as a comprehensive range of services in most functions; 9 other countries have a comprehensive set of functions assigned as their duty but a moderate range of services in the majority of their functions. Another 24 countries present the core set of functions and a comprehensive range of services for job brokerage and labor market information. The group has a moderate range of active labor market policies, services to target groups and management of benefits. The provision of services to support labor migration is limited. Finally, 24 countries present the core set of functions and a moderate range of services for job brokerage, active labor market policies and labor market information. The group has a limited range of services for other functions.

Organizational Model of Public Employment Services

Public employment services vary widely in their organization and capacity. There are two dominant service types in terms of legal position and service delivery structure: (1) A public agency responsible to the ministry, relying on its own organizational line structures (local and regional) for service delivery (60 percent); and (2) A ministerial department model with either internal or external service delivery structures (32 percent).

Regarding Management Boards, 50 percent of the countries surveyed reported having such a board (most of them in Europe, Africa, and Middle East/North Africa), and most of those are tripartite (with government, worker, and employer representatives). There are few such boards in the Americas and Asia. Management Boards have considerable importance for policy decisions in a number of European and African countries.

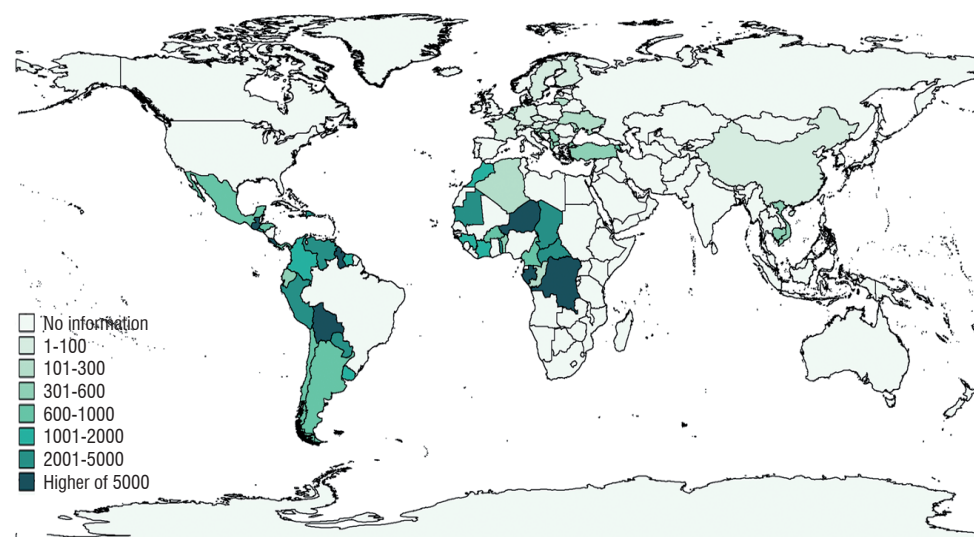
How Public Employment Services Are Moving to the Next Level

Public employment services around the world also vary widely in terms of the number and size of offices and staff: 31.5 percent of the countries surveyed have between 10 and 49 public employment service offices, and 21.9 percent have between 100 and 299 offices. Looking at the relation of offices to the number of unemployed, 15 public employment services (mainly European) have a comfortable ratio of one office for up to 2,000 unemployed persons. Public employment services with less favorable ratios are in Africa, Middle East/North Africa, and the Americas.

Concerning the total number of staff, differences across countries seem to be even larger than those concerning the number of offices. The ratio of unemployed persons to number of staff is very favorable (up to 300:1) in 20 countries (mostly European plus China, Algeria, and Republic of Congo). Less favorable ratios are found among African, Middle East/North Africa, and Latin American and Caribbean public employment services (Figure 3).

With respect to funding sources for the different market policies, public funding clearly dominates but, again, budget shares for program types and priorities differ widely across countries.

Figure 3: Number of Unemployed per Public Employment Service Staff by Country



Source: WAPES-IDB 2014 Survey.

As has just been described, public employment services vary widely across the world and face challenges on the global labor market in very different ways, depending on their capacity and outreach. Nevertheless, regarding modernization and empowerment of these services, there are three important cross-cutting issues:

- 1) The right governance approach
- 2) The skill management process
- 3) The channels used to address the needs of users.

Getting Governance Right: Improving Outcomes through Better Local Implementation

To ensure that implementation of labor market policies meets its objectives, the right governance mechanisms need to be applied. Two key aspects of governance regarding labor market policies are the relationship between local flexibility and improved outcomes (vertical governance), and the importance of integrated work between public employment services and other stakeholders, particularly at the local level (horizontal governance).

Vertical Governance

Labor markets vary significantly from one place to another. Local public employment services need flexibility to tailor their strategies and approaches to better help their local clients and become a relevant actor in their specific economic and labor market context. In other words, they need the ability to adjust programs and policies to meet local needs. This is called “strategic flexibility,” and it can be employed in a number of areas, including designing policies and programs, allocating budgets, setting targeting criteria, carrying out performance management, managing local networks, and outsourcing.

Horizontal Governance

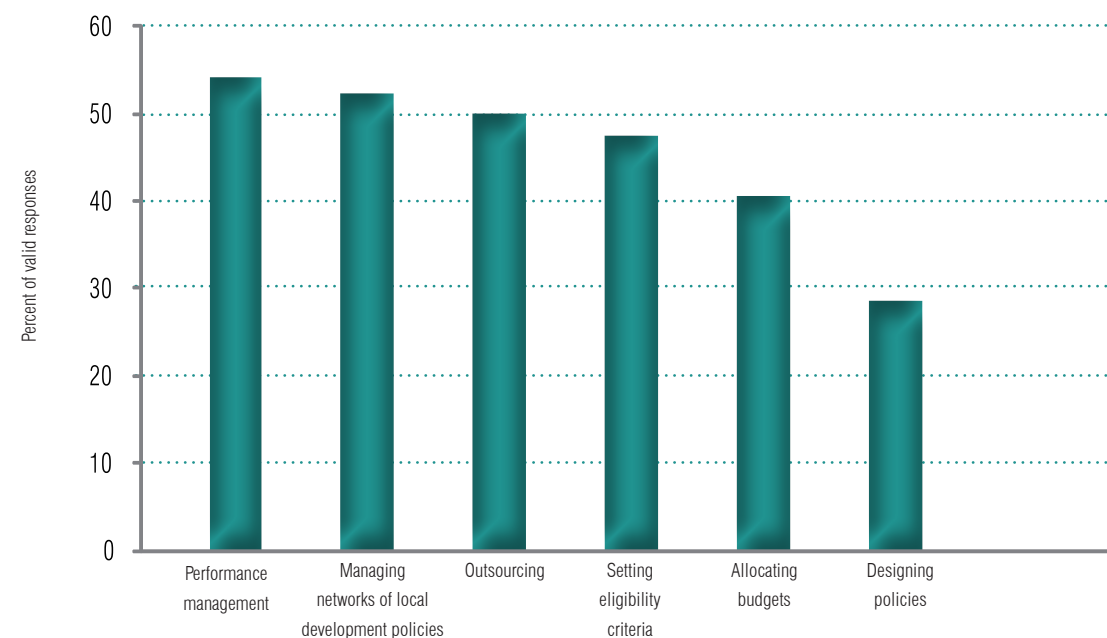
Locally integrated work is important for a number of reasons, including improving the ability of public employment services to respond to complex and interdependent issues that cannot be solved by a single agency or ministry; address inefficiencies, duplication of services, or service gaps; identify shared priorities and strategic objectives; build social capital between stakeholders; and develop horizontal accountability.

The local level is where partnerships between public employment services and other actors play out, but also where key challenges can emerge. These challenges include having to navigate an oftentimes confusing and overlapping institutional context and having to invest a significant amount of time and resources to successfully deliver on integrated work.

State of the Field: WAPES-IDB Survey Results

- Most public employment services work locally, although capacity is not always adequate. For example, in some places, the number of local staff is insufficient while others do not produce local data (a key input for developing local strategies), or do produce local data, but their information is outdated or not relevant for program planning. For some countries, general capacity-building at the local level in terms of staff and the availability to produce and use local data may need to precede developing local flexibility or promoting integrated work.
- Local flexibility varies significantly across country and management dimensions. In terms of specific countries, Finland, Belgium (Flanders), and Denmark reported the highest levels of local flexibility (high levels on each of the six dimensions). Benin, Vietnam, the Dominican Republic, Paraguay, Uruguay, and Sweden reported high levels of local flexibility on five out of the six dimensions. Looking at specific dimensions, local-level flexibility was reported to be highest in performance management and the management of local networks, and it was lowest for designing policies and programs (Figure 4).

Figure 4: Level of Local Flexibility



Source: WAPES-IDB 2014 Survey.

Note: The figure shows results from respondents that reported a "very high" or "rather high" level of autonomy at the local public employment service governance level. Only those services with local offices were included.

- Public employment services are finding ways to integrate work with other stakeholders, although the picture varies by governance level. In the survey, 67 percent of respondents reported fully or rather developed partnership networks. At the local level, the most frequent partners are local government (72 percent), other government departments (45 percent), employer associations (38 percent), and private companies (37 percent).

Guidelines for Improving Governance Mechanisms

There are both costs and benefits to increasing local flexibility and moving to more integrated ways of working. To balance these tradeoffs and make governance work, it is necessary to:

- Build local capacity so local actors can design tailored policies and programs;
- Balance flexibility with equity and efficiency, for example through setting national minimum standards for the type and quality of job seeker services available;
- Build accountability systems compatible with national goals; and
- Produce high-quality local data and information to help local stakeholders better understand the local context, identify local opportunities, and address other challenges.

Matching Skills for the Life Cycle: How Partnerships Can Help Public Employment Services Reduce Imbalances between Skill Supply and Demand

Skill mismatches can have several roots, including educational and occupational choices, imperfect information about opportunities in the labor market, lack of labor mobility, and changes in skills demand. At the same time, skills mismatches and skills atrophy can result from the poor management of labor market transitions over the lifecycle.

When transitions between jobs – and between jobs, training, and education – are well managed, this can have a positive impact on the economy. Matching skills and jobs has become an important policy concern. The task of public employment services today goes beyond helping job seekers find employment and firms fill vacancies. It also involves aligning skill supply and demand in the labor market. Focusing on labor market transitions and reducing skill mismatches requires a collaborative long-term strategy that involves partnerships with other labor market actors (public, private, and third-sector) to continuously develop and improve the use of skills. Public employment services can become a more relevant player by collaborating closely with other stakeholders.

How Can Public Employment Services Help

Public employment services work in labor markets characterized by different skill challenges depending on the world regions, countries, and local economies in which they operate. However, there is some common ground in terms of how these services can respond to these challenges. The six areas where the PES could do more include identification, orientation, profiling, verification, matching, and training. Each area is described in more detail below.

- **Skill identification** at the labor market level (developing and managing labor market information): Changes in labor market dynamics have prompted an expansion of the labor information role toward introducing tools to assess imbalances between skill supply and demand.
- **Skill orientation** (making information on skills available): The new labor market dynamics call for a life-cycle approach to careers guidance.
- **Skill profiling** (identifying an individual's skills, including soft skills and skills acquired through nonformal learning): Changing labor market demands and the reality of an increasing number of transitions through peoples' lifetimes have drawn attention to the need for profiling to identify transferable skills.
- **Skill verification**: The process of verifying skills is moving away from validating qualifications obtained through formal learning processes with diplomas toward validating qualifications obtained through nonformal learning methods. Public employment services need to develop competences and better link to existing skills evaluation and certification services.
- **Skill matching** (matching job seekers and vacancies by incorporating information on peoples' skills): Public employment services need to be able to better match jobseekers to appropriate jobs while eliminating labour market barriers such as a lack of employability (i.e., work readiness).
- **Skills development**: Training is becoming an increasingly important responsibility for public employment services, which also have the potential to become a gateway for life-long learning.

Partnerships Are Critical for Skill Matching

Developing partnerships is critical in particular for countries where public employment services have a small market share. Having more influence on the balance of skill demand and supply requires close collaboration with a variety of partners. For example, the following partners may have information on emerging and future skills needs: employers and employer organizations, which have information on current and emerging skill needs and skill mismatches; with trade unions, which may have information on skill shortages and surpluses within companies, as well as information on training policies; with education and training institutions (universities, technical colleges, and research centers), which may have access to knowledge about future labor market trends; and with private employment agencies, temporary employment agencies, and providers of specialized employment services, which are in contact with market segments with which public agencies are less likely to be in contact. These private employment agencies may also have access to information on future trends in skill supply or demand that is relevant for the unemployed.

New technologies present new opportunities for skills development. These technologies can make education and training more accessible in poorer countries and low-skill labor markets. As during the Industrial Revolution more than a century ago, it will take time before the general population can benefit from innovation. However long it takes, it is clear that new technologies will enable people to self-drive their learning process, transforming mere schooling (where structures are imposed on learners) into real life-long education (where learning is unique and personalized). Combining new technologies with a strategy to establish a culture of learning among those who are far away from education, can be a powerful way to develop skills across the world.

Delivering the Right Services to the Right People through the Right Channel

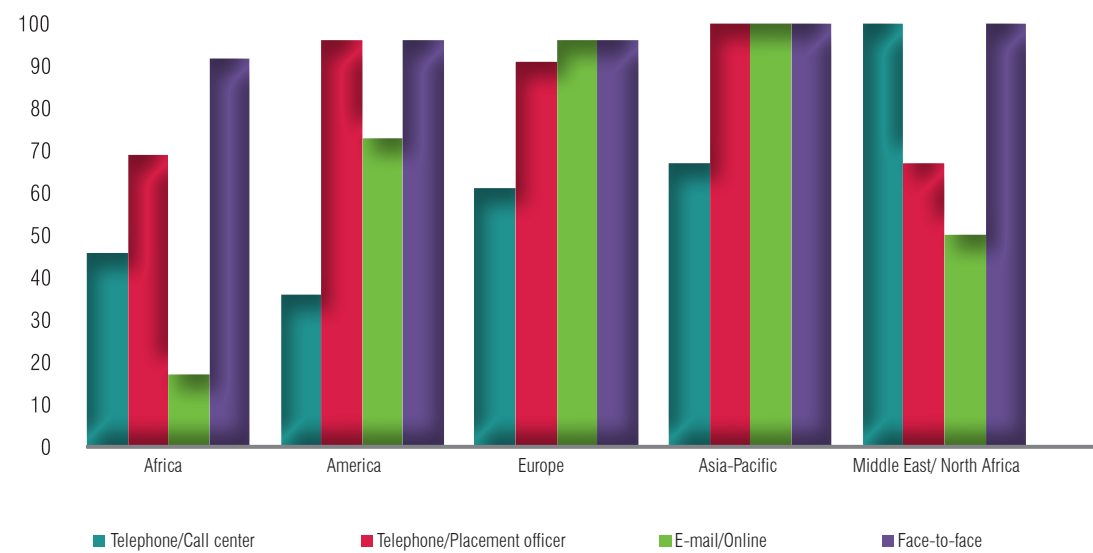
Public employment services have a variety of channels at their disposal to interact with clients and deliver services (face-to-face, Internet, telephone, postal mail). Differences between channels, services, and client groups affect which channel can be deployed in what situation. This is further complicated by the need for public employment services to find a balance between three goals: (1) succeeding in delivering services (effectiveness), (2) delivering those services as cost-effectively as possible (efficiency), and (3) keeping clients and other stakeholders satisfied (satisfaction). The strategic topic of which channels will deliver what service to which client is called multi-channel management (MCM).

Several studies have shown that a strategy whereby all channels are integrated and blended offers the greatest potential to achieve all three goals. Not every service channel is the same, and not all of them are suitable for all services. Thus, a proper MCM strategy is one that is designed based on the nature of the services provided and the needs and capabilities of the population.

With the number of channels increasing and public employment services relying more and more on a diverse set of channels, it becomes increasingly important that these agencies develop an MCM strategy based on clearly defined objectives. This will ensure that the expectations of both the agency and its clients are met within budgetary constraints.

In developed countries, the Internet has taken on an increasingly prominent position as a channel as part of an integrated service delivery strategy. In countries with very high Internet penetration rates and highly skilled populations (e.g., Singapore, Scandinavia, the Netherlands), the Internet has become the leading channel in the strategy, with most other channels taking more of a support role. The WAPES-IDB survey data, however, show that despite increased use of electronic channels by public employment services, most agencies still use all available channels. More importantly, most survey respondents generally view the full range of channels as important for their service delivery, although there are large regional differences (Figure 5). For example, whereas in Europe and Asia online channels are increasingly the main service channels, in Africa, the Americas, and the Middle East/North Africa, the face-to-face channel remains by far the most prominent one. However, the push forward to more ICT-driven processes is the most mentioned innovation in both developed and developing countries, particularly in terms of adding new channels and delivering more services via mobile phones.

**Figure 5: Deployment of the Different Channels for Personal Support Services by Region
(% of Public Employment Services in the Region)**



Source: WAPES-IDB 2014 Survey

Outlook

As stated throughout this report, there is considerable diversity among public employment services around the world. However, despite these organizational, institutional, and developmental differences, there are several short- and long-term labor market challenges that need to be addressed by public employment services.

Short-term Challenges

- Continually high rates of unemployment (especially youth and long-term unemployment).
- A widening gender gap and cyclical increases in unemployment seen during the crisis that could become structural.
- Deteriorating matching efficiency (the ease with which job seekers find work) as skill gaps and mismatches persist.

Long-term Challenges

While addressing these short-term challenges is an immediate priority for public employment services, long-term changes also need to be taken into account.

Changes in the labor force

- Growth in the labor force will slow (or even shrink) while the composition of workers will skew older.
- A new generation of young people who have suffered the effects of the global financial crisis will enter the market. This generation have “scarring effects” from entering the labor market during the crisis, and may be less likely to trust in government and public institutions.
- The workforce will be more global because as global migration continues.
- Technology will increasingly allow workers to be physically located in a different location (or even country) than their employers.
- Cities will take on increasing importance as the main location of workers.

Changes in the kinds of jobs

- Precarious employment is rising – temporary employment and contracts for services are widely used in OECD member countries. The growth of the “gig economy” in which workers are employed only on a particular task for a defined period is also a trend to be considered.
- Demand at different skill levels is changing and the divide between low- and high-skilled labor is growing.
- Skills will become obsolete more rapidly, highlighting the importance of life-long learning.

Changes in the way to find jobs

- New technologies are changing the way people look for jobs.
- Job transitions will be more frequent and the absolute dichotomy of employed/unemployed will become less relevant.

Addressing These Challenges

Public employment services will need to address these challenges by:

- Playing a more active role in coordinating employment and life-long learning by providing career guidance, upskilling, enhancing job quality (as opposed to simply providing job placement), and providing post-job-placement support to ensure that disadvantaged workers achieve long-term success.
- Adjusting policies and programs to better meet the needs of older workers (skill upgrading, mid-life career counseling, etc.), young people, and international migrants (language classes and facilitating recognition of foreign credentials).
- Enhancing employer engagement, for example by partnering to upskill workers or addressing job quality and productivity.
- Adapting their businesses models to new actors and technologies – as new platforms open up to link job seekers with employers (e.g., social networking sites, mobile apps), public employment services must consider adapting their business models.



The World Association of Public Employment Services (WAPES) is a global, not-for-profit organisation of public employment services, with over 90 members from the world regions: Africa, Asia-Pacific, Americas, Europe, and Middle-East-North Africa.

WAPES is a platform for exchanging experiences and knowledge and a global speaking partner in the field of employment and labour market issues. Within its capacity-building for members, it organises conferences, workshops, peer reviews, trainings, study visits and other consultancies as well as studies and surveys on public employment service's strategy and performance.

WAPES was founded in 1988.

For more information on WAPES, please visit www.wapes.org.



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Through the "Technical Support Network to Employment Services in Latin America and the Caribbean" (Red SEALC, for its initials in Spanish), the IDB Labor Markets and Social Security Unit generates knowledge and supports the design and implementation of programs to strengthen the institutional capacity of public employment services.

For more information on the IDB, please visit www.iadb.org/labor/.



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