



Article

Labour market & demographics

How can public employment services be made more effective?

Content available in
Spanish Catalan



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Matching a specific job with someone who has the right skills to carry it out requires time and effort, both for companies with vacancies and for jobseekers. The aim of public employment services is to make this easier and thereby reduce the cost of filling vacancies by designing, implementing and monitoring both active and passive employment policies. This article analyses in more detail how public employment services operate as an intermediary and how they can be made more effective.

Finding the right job for someone's skill set can be a difficult task for a jobseeker when they do not have enough resources to look for employment, both in monetary terms and also in terms of contacts or knowledge of the labour market. The help provided by public employment services can result in matches offering higher productivity and wages, which should make the labour market more efficient. This intermediation can be carried out directly via public employment offices and indirectly via private agents, depending on the situation. Public employment offices enjoy greater economies of scale if they centralise the information available on all unemployed persons and vacancies. However, it is important to design a system of incentives that ensures public agents make the right effort, as well as provide them with enough resources to fulfil their functions effectively.

Outsourcing this intermediary role to private employment agencies could be beneficial as this releases resources from the public services and increases competition between intermediaries, making the market operate more efficiently. However, it requires specific conditions due to high costs, both at the transaction level (because of economies of scale) and at the agency level. The incentives that spur private agents may not be the best from a social point of view if, for instance, jobseekers are discriminated against according to their employability or if a job is assigned to an applicant as quickly as possible rather than looking for the best match with the firm in the medium term. A case in point for this model is Australia, where employment services have been outsourced for several decades but the system has gradually been reformed to ensure that contracts clearly specify precise quantifiable targets and assign variable costs depending on how difficult it is to secure employment for an unemployed person.¹ The relative importance of this intermediation by both public and private agencies varies from country to country (see the graph). Compared with public services, private intermediation is not very important in northern Europe while both have a similar weight in the south. One surprising feature is the difference in the percentage of jobseekers contacting public employment offices to find work depending on the EU country: more than 80% in Sweden compared with less than 30% in Italy and Spain. This is due to the fact that both the type of services and their effectiveness vary depending on the country in question.

Employment agencies can boost the labour market, particularly by directly helping jobseekers to find work. This support can take a variety of forms, ranging from brief assistance such as helping to produce a CV or providing information on those sectors with the highest demand for workers to many other, more intensive measures. For example, advisors can use personal interviews to draw up an individual action plan to find a job. However, the quality and personalisation of this specific plan are crucial: without appropriate guidance, such support will not be effective and resources will be wasted. Similarly, employment agencies can monitor and verify the active search for a job by unemployed persons, in particular those receiving unemployment-related benefits, and sanction them if they are not actually looking for a job (for more details see the article «Unemployment insurance: can the safety net be maintained while also encouraging people to seek employment?» in this Dossier). Including active job seeking as a necessary condition to receive unemployment-related benefit is an effective means of increasing the likelihood of returning to work (OECD, 2015)² and it is used by most developed countries, although it is not always applied to all those who are unemployed. In any case it is important for this verification to be effective to prevent it from becoming merely a formality and also to ensure its design does not involve excessive costs for jobseekers, resulting in inactivity instead of a return to employment (Petrongolo, 2009).³

Public employment services can clearly establish when and how they should be involved throughout the unemployment period, with different measures for the short, medium and long term. Certain types of unemployed persons may be better off looking for work directly without any intervention, for example when their skills are in demand in the labour market and they are therefore likely to find a job quickly. But in other cases it may be more useful to provide comprehensive guidance or even retraining if the unemployed person is unlikely to find a job easily (see the article «Active employment policies: are training and employment-related subsidies effective in helping the unemployed to return to work?» in this Dossier for more information), such as with the long-term unemployed or those difficult to place in employment (because they have a disability, are of immigrant origin, etc.). In other words, it is important to identify each individual's specific needs to be able to optimise the limited resources available to public employment

services. To this end, profiled statistics on unemployed persons (classifying jobseekers according to their employability, the likelihood of them leaving unemployment or finding the right job) may be a very useful tool (Felgueroso, 2015).⁴ Several OECD countries such as Australia, Germany and Denmark use profiled statistical systems at the beginning of the unemployed period that classify individuals into a pre-established number of groups according to their specific requirements. The public employment services can therefore offer assistance more in line with the needs of each group and optimise the use of their resources. In this respect, it is important for the staff of public employment services to have the right training and support.

Public employment offices can also help to meet companies' demand for personnel by finding workers to fill their vacancies and can also help in recruitment, for example by drawing up a shortlist of suitable candidates available with no extra cost for firms. But for this to happen they need to gain the trust of business people, who often have a negative perception of the candidates offered. Public employment offices can even provide specific services proactively and establish a direct relationship with firms.

It is vital for the employment policies carried out and implemented by public employment services to be well designed in order to improve their effectiveness. There must also be good coordination between public administrations when different bodies hold the responsibility for handling unemployment subsidies and active policies. Moreover, advantage must be taken of all the improvements offered by new technologies to modernise public employment services. For example, the recent creation in Spain of the Single Employment Portal has meant that all the job vacancies published by the different regional governments are finally available throughout the country.

Lastly, there is no doubt that public employment services must make sure the activation policies implemented achieve the desired results. To this end it is essential to evaluate their impact, either via pilot programmes for new measures or other means of analysis.⁵ Ultimately, only competent public employment services that make optimal use of the available resources will be able to achieve

their key aim: namely to help anyone looking for work to find it.

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1. OECD (2012), «Activating Jobseekers: How Australia Does It», OECD Publishing, Paris.
2. OECD (2015), OECD Employment Outlook 2015, «Activation policies for more inclusive labour markets» (chapter 3), OECD Publishing, Paris.
3. Petrongolo, B. (2009), «The long-term effects of job search requirements: Evidence from the UK JSA Reform». *Journal of Public Economics* 93: 1234-1253.
4. Felgueroso, F. (2015), «En el pleistoceno de las políticas de empleo», <http://nadaesgratis.es/felgueroso/en-el-pleistoceno-de-las-politicas-de-empleo>.
5. One recent initiative in this area is the proposal by Obama's administration, requiring empirical evidence before implementing any social policy.



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Tags

Unemployment

Employment

European Union

