



Business and Industry Advisory Committee to the OECD

Comité Consultatif Economique et Industriel Auprès de l'OCDE

OECD Conference on Labour Market Policies and the Public Employment Service

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BIAC Statement

BIAC appreciates the opportunity to submit this statement to the OECD Conference on Labour Market Policies and the Public Employment Service (PES), recognising that the effective provision of placement and related services are crucial to enhance the functioning of the labour market. The labour market background and the PES structure vary between countries, meaning that different approaches to PES strategy may be needed for the years ahead. Despite these differences, we would like to offer the following observations and recommendations.

Enhancing employability and competitiveness

An effective and close co-ordination between the core PES functions - placement; benefit administration; referral to active labour market policies (ALMPs) - is essential. To realise an activating, broadly-based labour market policy, close co-operation with employers' organisations and trade unions is important. The upskilling of the labour force and the improvement of business competitiveness should be seen as an essential objective of PES work.

Primary emphasis should be placed on becoming employed so that income support comes to be seen as an interim measure. Income support must not be set at a level which discourages the unemployed from seeking employment opportunities or becoming self-employed. Determining the period of time during which support is offered is of particular importance in this respect. Helping job-seekers to become competitive in the labour market is preferable to providing them only with income support. Long-term recipients should therefore be helped to equip themselves for employment and be encouraged to improve their skills to respond to market demands.

Temporary subsidised jobs should include practical training at the job place so that individuals can acquire new skills which are needed on the open job market. This requirement is important to avoid distortion of competition when subsidised workers are placed in private companies, but even public temporary work programmes should increasingly be seen as a special form of training and not just as temporary relief or work tests for the long-term unemployed. Such measures must be properly targeted and managed with the objective to raise the employability of the unemployed, in particular the long-term unemployed, who for the most part are unskilled workers.

Improving the labour exchange function

With respect to the placement function, it is crucial to focus on active and rapid job search assistance and frequent contacts with the unemployed, in addition to improving the quality of the general job brokerage system. A lack of flexibility and difficulty in adjusting to changes in supply and demand have frequently been encountered with public job placement systems. A criticism often mentioned by employers is a lack of understanding of companies' needs, which leads to candidates being presented who do not always have the desired profile. Therefore, careful and competent analyses of the skills of the job seekers and the requirements of job vacancies is essential, while at the same time strengthening the link with companies to allow for a better understanding of personnel requirements and to facilitate more targeted job placement.

A PES can only attract vacancies by establishing its credibility as a provider of good services. To the extent that employers are satisfied, the number of notified vacancies should increase, which in turn should give the job seekers more incentives to register. Consumer demands must be emphasised with a view to adjusting to the labour market and to reduce inefficiencies of the employment service. Unemployment and vacancies registers need to be as accessible as possible, which requires effective computerisation programmes which have full geographical coverage.

Pursuant to ILO conventions, a number of basic activities are compulsory, such as registration, careers advice, etc. In addition, the PES should monitor and support the motivation of job search efforts of the unemployed who claim income support. This control function of the PES is important to ensuring that the unemployed seek work actively and are available for it when the occasion arises. Individual, written job seeking plans, developed in close cooperation by the job seeker and the PES can be useful. The PES must also attract and serve those job seekers who are employed but looking for a better job. In addition, the role of placement services with regard to students and young people trying to enter the labour market deserves particular attention.

It is important to take into account specific sector requirements, both in placement and in training activities. If the funding comes directly from the parties of the sector, their interest and influence is naturally strong. But even state-financed labour market training programmes can and should be effectively tailored to sectors' needs. Experience shows that the most effective labour market training is that which is planned and carried out in close co-operation with companies. Some employers organisations have been involved in joint ventures with their PES, providing job placement services targeted at low-skilled and/or long-term job seekers, which have proven to be successful.

Enlarging the scope for private employment agencies

Another route for improving job-search assistance and counselling is to seek the cooperation of and support the development of private placement agencies. The role which private employment agencies may play in a well-functioning labour market has also been recognised by the 1997 ILO Convention on private employment agencies. Society will have to face challenges such as ageing populations, a reduction in labour market intake, further decentralisation and more need for flexibility. As a result, the PES will have to become a much more flexible organisation, which can probably outsource a number of activities and will benefit from public-private competition.

In some countries (e.g. the Netherlands), the role of private temporary employment, secondment and placement agencies, which often have excellent vacancy filling ratios, is becoming increasingly important. The scope for private employment agencies needs further enlarging.

Though there is a concern that this may lead to private agencies "creaming out" the better job seekers, it would still be possible for the PES to acquire and offer, as a result of enhanced competition, a reasonable amount and selection of vacancies that can be offered to the rest of the unemployed. The PES' market share in filling vacancies and the other channels through which vacancies are filled should be reported for further transparency.

In some countries (e.g. Finland), the PES has successfully developed and marketed special, payable services for employers. These include tailored placement, recruiting and outplacement services, temporary help, counselling on company training and personnel policies and other services, which cannot be offered as free services to all employers. This policy has the advantage that the PES has been able to acquire know-how and deeper understanding of the personnel policies and problems of private enterprises. At the same time, it has clearly enhanced the motivation of the PES staff and even increased the market share, quality and results of the basic, free placement and recruitment service offered to companies and job seekers. The price of such extra services should cover all costs in order to avoid unfair competition with private agencies.

Making labour market policies more effective

While certain types of measures, such as effective and well-targeted training programmes, can produce positive results, ALMPs should not be expected to substitute on a lasting basis for good policy initiatives in other areas which affect job creation. They should have a clear timetable for performance evaluation and, where and when structural unemployment declines, there should be a process for commensurate reduction in their extent and availability as a public service. The experience from countries having a high structural unemployment rate and a high rate of active measures is mixed. On the one hand, ALMPs enable the unemployed to stay in touch with the labour market, which is good. On the other, certain types of ALMPs distort the functioning of the labour market.

In some countries, a large number of ALMPs are offered, reflecting the many different institutions and government departments involved. The proliferation of ALMPs has sometimes led to similar programmes being offered to the same target group, increasing administration and information costs. Job creation programmes in the public and community sector should be scaled down as the economy improves, and participation should be more and more restricted to the long-term unemployed. ALMPs should not be evaluated in isolation, but within the broader policy context affecting incentives to provide, seek or retain jobs, which includes the compensation in unemployment insurance and income support. ALMPs should not be used to renew or prolong the unemployment insurance benefit rights of the participants since this would be counterproductive in terms of employment on the open market.

An important part of ALMP spending currently goes to temporary employment programmes. A much smaller fraction of spending goes to job brokerage, labour market information, placement and labour market training. We recommend that more emphasis be given to the latter type of activity, bearing in mind that the objective of the PES should be to facilitate adjustment to the ordinary labour market, even when the general situation is unfavourable, but not to create alternatives to this market. Sustainable job growth is best achieved through economic growth rather than through unsatisfactory job creation measures. Governments should therefore implement sound macro-economic policy, aimed at employment growth and improved opportunities for job-seekers to find work. If the government reduces taxes and the social insurance burden for citizens and business, wage cost moderation can be negotiated in collective labour agreements.

Concluding remarks

We encourage the OECD to continue with a comparative review of performance in the conception and operation of ALMPs and the functioning of the PES with particular emphasis on countries with high and persistent unemployment and high passive or active spending programmes which have not yet been reviewed. There remain continued concerns about the effectiveness of certain types of ALMPs in integrating the unemployed back into jobs or in better preparing them to match new jobs. As the PES is in most countries the principal agency responsible for the implementation of labour-market spending, efficiency-enhancing measures for this institution are of crucial importance. At the same time, the role of private employment agencies and private-public competition and co-ordination deserve particular attention in the framework of these discussions.

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