

The Public Employment Service in a Changing Labour Market

by

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EXECUTIVE SUMMARY

1. The public employment service (PES) emerged in industrialized countries around the end of the nineteenth century as a result of concerns about the social and economic impact of unemployment. The early labour exchanges were mainly concerned with job-broking, that is with the process of arranging for jobseekers to obtain jobs and employers to fill vacancies, but some also became involved in new systems of unemployment insurance. In 1919, the newly formed International Labour Organization (ILO) recommended the establishment of the PES to member States through the Unemployment Convention (No. 2). For many years, the ILO sought through other Conventions such as the Fee-Charging Employment Agencies Convention, 1933 (No. 34) and the Fee-Charging Employment Agencies Convention (Revised), 1949 (No. 96) to secure a monopoly position for the PES and the abolition of private employment agencies (PREAs).

2. In the 25 years following the Second World War, the PES developed in many countries, normally combining job-broking and unemployment benefit work. Since the economic dislocation of the 1970s and the growth in unemployment in many countries, the PES has increasingly been used as an instrument for government employment policies or labour market adjustment programmes designed to tackle unemployment problems. In the 1990s, in a climate of economic liberalism and globalization, the ILO abandoned the notion of the PES monopoly and recognized that PREAs with appropriate regulation could contribute positively to the functioning of the labour market.

3. The PES now operates in a rapidly changing labour market. Powerful demographic forces are working to create an ageing labour force in developed countries while continued population growth in most developing countries is creating problems of youth unemployment. Even more formidable in their impact on the labour market are the forces of global competition and information technology. One of the results of this revolution has been a decline in manufacturing employment in the developed world. Although some transference of manufacturing jobs to developing countries is occurring, technological change will continue to cause a general decline in manufacturing employment in the long term. Service jobs are taking the place of manufacturing jobs but the transition is proving difficult, particularly for men displaced from production industries. The PES will continue to be heavily involved in assisting people who are vulnerable in these conditions.

4. While some of the new service jobs are low-skilled and low-waged, others require a wide range of constantly changing skills. Many observers believe that a new “knowledge economy” is emerging which places a premium on education and modern communications skills. In developed countries, there are large numbers of highly educated people who form a new kind of market for information about jobs and the labour market. The PES can serve this market through attractive self-service provision. At the same time, given the speed of change, people constantly need to update their education and skills if they are to compete in the labour market. There is thus a need for “lifelong learning”. The PES is potentially well placed to act as a gateway for lifelong learning.

5. The labour market is becoming more flexible, with the duration of both jobs and careers less than before. This trend is accompanied by a growth in self-employment, part-time and temporary employment and also a greater variation in working hours. This is increasing both the diversity and the amount of recruitment activity. If the PES is to retain its position in the labour market and thus be able to help its more vulnerable clients, it must adapt to servicing these new kinds of jobs.

6. The rationale for the PES role is that on the one hand it improves labour market transparency and on the other hand it offers special help to those who might otherwise be disadvantaged in the labour market. Institutionally, the PES may either be part of a government department or be autonomous, in the latter case often with the social partners (employer and trade union representatives) as part of its supervisory board. However, Australia has replaced its PES with a job network selected on the basis of a competitive market. In general, PES strategies and resources are highly variable but in some countries, the PES faces very tight resource constraints. There is no correct level for PES resourcing, but resources do need to match strategies being pursued. In countries with heavy expenditure on unemployment benefits, cuts in PES expenditure may prove to be false economies. On the other hand, some charging of employers may be helpful provided it is restricted to enhanced services which extend beyond the basic services listed in the Employment Service Convention 1948 (No. 88). Overall, the PES in many countries faces difficult problems and dilemmas and this is particularly true in developing and transition countries.

7. Four main functions can be associated with the PES:

- Job-broking
- Providing labour market information
- Administering labour market adjustment programmes
- Administering unemployment benefits

8. Job-broking operates in a highly competitive labour market in which most vacancies are filled through other channels. The function was transformed in the 1970s with the introduction of self-service vacancy displays and is now being transformed again as the PES in several countries makes vacancy files and sometimes jobseeker files available on the Internet. Such developments offer much improvement in transparency and might at first sight seem to cast doubt upon the continuing need for the PES local office infrastructure. But despite the high potential for internet services in the home, direct interaction between staff and the public will still be needed, particularly for those who are disadvantaged in the labour market. The deployment of information technology gives rise to a number of policy issues for the PES. Firstly it needs to strike a proper balance between providing computerized self-help services and providing more in-depth help to vulnerable customers. Secondly, the PES must decide whether in its expanding internet business it should offer screening services to employers, perhaps on a fee-paying basis. Thirdly, the PES must decide how best to measure the success of its job-broking activities in an environment where it simply provides the technological infrastructure and leaves employers and job seekers to get on with job-matching themselves.

9. The PES role in labour market information is both as a producer of labour market information (often as a by-product of its day-to-day operations) and as a user and interpreter of labour market information. With the greater sophistication of many employers and jobseekers and mounting information needs among education and training institutions and vocational guidance specialists, there is a growing market for the kind of labour market information which the PES can supply. Certain countries such as Canada, the United States and Denmark have made a deliberate investment in this function; in Canada and the United States, this has meant the provision of labour market information on the Internet. Effective labour market information delivery requires specialist staff resources and may not be a realistic option for the PES in developing countries where resources are constrained and statistical coverage is limited for all but the informal sector.

10. The administration of labour market adjustment programmes has been a major growth area for the PES in recent decades. Governments and international organizations such as the Organisation for Economic Co-operation and Development (OECD) and the European Union (EU) have sought to shift the balance from passive labour market policies (which provide income support to unemployed people) towards more active policies (which improve the employability of unemployed people). While the PES has no automatic right to deliver these programmes, in practice it has become both the gateway and the gatekeeper for them in many countries. There are three main types of programme involved: job-search assistance programmes; training and education programmes; direct job creation programmes.

Job-search assistance programmes include self-help provision, group activities (in the form of job clubs, job fairs and workshops), and individual assistance (in the form of vocational guidance and intensive counselling programmes). The PES often plays a direct delivery role in these programmes. Training and education programmes are an important way in which unemployed people can become more employable in an age when lifelong learning is becoming a way of life. The PES role here is to at least refer participants to these programmes, but it may also involve the administration of courses outsourced to other providers and in a few remaining cases, even extend to running training centres directly. Direct job creation programmes are sometimes intended to increase demand in the economy or to provide work experience with a view to improving employability, or to achieving both these objectives. They include public sector work programmes, assistance to self-employed businesses, wage subsidies and work trials. As is the case with training programmes, the PES role may simply involve referring participants or it may extend to organizing and sponsoring programmes.

11. The current trend in countries such as the United Kingdom and the United States is to combine some of these functions in large scale and varied packages in order to reduce welfare dependency. This has the advantage of drawing on the strengths of the different approaches and offering a range of options to unemployed people. In some countries, there is a proliferation of schemes which need streamlining on the basis of evaluation findings. Evaluation suggests that job-search assistance can be highly cost-effective. For the PES to play an effective role in labour market adjustment, it needs both to be prepared to work in partnership with others and to build up its expertise in programme management.

12. The fourth of the PES functions, the administration of unemployment benefits, includes administering contribution-based unemployment insurance and state-funded income support. In some countries, the PES directly administers these schemes. Even where this is not the case, the PES is normally heavily involved because of its provision of job-search assistance to unemployed claimants and because it registers claimants and checks their continuing eligibility and fulfillment of job-search obligations. This sometimes gives rise to awkward tensions between the policing role which the PES plays in relation to unemployment benefit and PES job-broking work, which aims to maximize employer and jobseeker satisfaction. PES managers cannot simply separate themselves from benefit issues, as the PES has a key role to play in encouraging people to move off welfare into work. But they need to monitor the impact of this work on the PES culture and be

ready to take remedial action where necessary.

13. In the turbulent environment within which the PES now operates, organizing and managing the service has become an increasingly complex and difficult task. The first priority for PES senior managers is to establish good relationships with their stakeholders who range from their Minister to jobseeker and employer customers. PES activity needs to be set within a strategic plan which takes account of the changing political, social and economic environment. PES accountability is likely to be built around a performance management system which also monitors the performance of different units within the organization. To minimize the risks involved in such systems, performance measures must reflect underlying programme aims. In addition, periodic evaluation is needed for all major programmes if cost-effectiveness is to be maintained.

14. Three important trends are affecting the organization of the service. Firstly, there is the decentralization of authority and responsibility which is needed in order both to tap the energy of local managers and staff and to adapt services more closely to local needs. Secondly, there is the integration of services by which the delivery of the various PES functions is being closely integrated. This integration is being achieved through one-stop shops at local level and through tiered service delivery which systematically differentiates the service provided to different clients according to their needs. Thirdly, there is competitive service delivery. This is an important trend in the public services and leads to elements of the PES having to compete in the market or as is now the case in Australia, virtually the whole operation having to compete. This needs skilful management both to ensure cost-effective results and to deal with problems of staff morale.

15. PES senior managers are pursuing several management strategies in order to achieve success. Five strategies can be distinguished in this regard. First, quality management principles including customer-based planning and work process reform are being introduced. Second, the use of information and communications technology is being extended both to improve internal management and to provide services directly to the customer. Third, facilities planning and management is being improved. Fourth, a high priority is being attached to internal communications and to creating two-way flows of information between local office staff and central office. Finally, staff training and development programmes are being overhauled both in the light of changes in the objectives and techniques of the service and in the light of the environment in which it operates.

16. The success of PES programmes depends as never before on the relationship between the PES and other organizations. The handling of these relationships requires a great deal of skill. A variety of relationships and correspondents can be distinguished. First, there is the relationship with social partners; this can arise through the supervisory board of an autonomous PES or in more informal arrangements. Support from the social partners can greatly ease PES work in areas such as labour market adjustment programmes. Second, labour market programmes are now increasingly organized on the basis of partnerships between a wide range of governmental and non-governmental organizations; the importance of partnership strategies has been emphasized by PES directors in the EU and the PES is well placed to play a central role in such partnerships. Third, local partnerships designed to deliver programmes adapted to local needs or to provide services through a one-stop shop are particularly significant. Fourth, there is the relationship with PREAs. With the end of the PES monopoly, this relationship can be one of cooperation, complementarity or competition and all three play their part. It is notable that when it comes to programme delivery, cooperation is playing an increasing role. Finally, PES senior managers can gain from international dialogue with other PES practitioners through the World Association of Public Employment Services (WAPES) or through information exchange at member level in the EU or at state level in the United States.

17. The following can be considered to be the key imperatives for the PES. First, the PES must be ready

to constantly change and adapt its services in the light of changes in its external environment while striking a balance between change and stability. Second, the PES must recognize its position as an instrument of government policy, win the confidence of government and influence employment policies. Third, the PES must try and integrate the four functions identified in this study as much as possible. Fourth, the PES must try and work closely with a wide a range of partners as possible and where necessary, to exercise a leadership role. Finally, the PES must try to become a new kind of service enterprise with a new profile for managers and staff and must strive for continual improvement in effectiveness and quality.

18. It has not been possible to investigate in depth the special problems of the PES in developing countries. On the basis of what information we gathered, we recommend that developing countries should begin by seeking political commitment to the PES role. They should avoid simply introducing practices from specific developed countries but carry out a broad analysis of labour market requirements in the context of their overall approach to economic development; this should determine what PES services are appropriate. Where a large informal economy in particular exists, they should look critically at the case for job-broking services. We recommend that further research should be carried out into the role of the PES in developing countries.

19. Finally, we identify the following unresolved dilemmas facing the PES. First, there is the tension between a universal self-help service and enhanced personalized service. Second, there is the tension between providing customer-oriented services and policing unemployment benefits. Third, there is the future role of the PES in lifelong learning and vocational guidance. Finally, there are organizational issues such as private ownership and decentralization.