



**The European Commission Mutual Learning Programme  
for Public Employment Services**

DG Employment, Social Affairs and Inclusion

**HOW TO BEST STRUCTURE SERVICES FOR  
EMPLOYERS?**

Analytical paper

Jaap de Koning  
José Gravesteyn

December 2011

This publication is commissioned by the European Community Programme for Employment and Social Solidarity (2007-2013).

This programme is implemented by the European Commission. It was established to financially support the implementation of the objectives of the European Union in the employment, social affairs and equal opportunities area, and thereby contribute to the achievement of the EU2020 goals in these fields.

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**Authors: Jaap de Koning and José Gravesteijn**

**Organisation Name: SEOR, Erasmus University Rotterdam**

In collaboration with GHK and the Budapest Institute

# **1 INTRODUCTION: THE IMPORTANCE OF STRONG PES SERVICES FOR EMPLOYERS TO ACHIEVE THE TARGETS OF EU2020**

Job growth and the inclusion of disadvantaged groups are among the headline targets of Europe 2020. In 2020, 75 % of the population aged 20-64 should be employed and 20 million less people should be at risk of poverty. A properly functioning labour market will contribute significantly to achieving these targets. Job growth is enhanced and unemployment reduced if:

- vacancies and jobseekers are efficiently matched;
- jobseekers are employable from the viewpoint of employers.

Labour markets do not automatically satisfy these conditions. Information about vacancies and jobseekers is not freely available. Although the Internet has opened new opportunities for recruitment and job searching, employers and jobseekers do not necessarily use this medium effectively. The options offered by this medium are so huge that employers and jobseekers may not see the wood for the trees (Tang and Roobol, 2011)<sup>1</sup>. But even if jobseekers are able to apply for jobs, many among them do not stand a chance because they do not meet employers' expectations. This is not always due to a lack of competencies. It may also be caused by a weak presentation or by negative perceptions of employers. On the employers' side the search and selection process may be hampered by capacity restrictions and insufficient know-how in the HRD field, particularly in the case of SMEs.

Lack of information and qualitative discrepancies can be seen as market imperfections that call for public interventions. Hence, in principle, PES activities like collecting and spreading information about jobs and jobseekers, offering search facilities to employers and jobseekers, advising and training employers and jobseekers to optimise their search strategies, active job matching, and specific measures to bridge the gaps between employers' requirements and job seekers' competencies, have an added value.

Within this broad spectrum of PES services this paper concentrates on services for employers. In the paper the following aspects are dealt with:

- ways to create effective and lasting co-operation with employers;
- PES's core service offer to employers;
- widening PES services to employers; and
- performance measurement and results.

The paper is evidence-based. It focuses on aspects for which empirical studies are available to provide indications of effects and performance. To this end, a literature search has been done.

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<sup>1</sup> Tang and Roobol (2011) analyse search behaviour of jobseekers and employers on the Internet. They conclude that both employers and jobseekers tend to adopt a rather passive search strategy. Jobseekers only use a limited number of websites and a considerable proportion among them seem to have insufficient internet skills for effective job searching.

## 2 HOW TO CREATE EFFECTIVE AND LASTING CO-OPERATION

### 2.1 Challenges for PES in creating contacts with employers

#### *Negative perceptions of PES services by employers*

There is a need for the PES to improve the co-operation with employers. Although a number of employers are positive about the PES and want to hire PES clients, there are also many employers who are suspicious about persons sent by the PES and the role of the PES (Larsen et. al., 2011, p. 7). The latter employers have the perception that it is difficult for the PES to distinguish between motivated and unmotivated jobseekers. Job applicants coming from the PES are often perceived as being unmotivated and not trustworthy (which is especially important in the service sector).

Many employers perceive the PES as a last resort. The most important positive recommendation for the employment chances of a (unskilled) jobseeker are the recommendations from employers' own employees and former employers, but according to Larsen et. al. (2011, p. 6) they put less emphasis on recommendations given by the PES.

#### *Legal requirements to report vacancies*

A number of countries (Belgium, Czech Republic, Finland, Hungary, Luxembourg, Montenegro, Norway, Poland, Romania, Serbia, Slovenia, and Sweden) have **legislation** that employers must register any vacancy arising within their establishment with the PES (Kuddo, 2009, p. 15; Kaluzna, 2009, p. 50)<sup>2</sup>. This is intended to increase the PES market share in terms of vacancy registration (Mosley et al., 1997, p. 11). The assumption is that the higher this market share is, the more opportunities the PES has to meet and talk to employers. In many countries the PES market share is relatively low. The average PES registration rate in the EU-27 countries is 52 %, with more than half of PES estimating their share of vacancies in the national market to be less than 40 %. Only the PES of Norway, Latvia and Romania estimate their market share at 80-100 %<sup>3</sup>.

Compulsory vacancy notification has not always proved successful, since it is perceived by firms as just a further administrative burden instead of increasing employers' trust in PES (Kuddo, 2009, p. 15). The fact that there is no clear-cut correlation between the legal requirement to register vacancies and the PES market

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<sup>2</sup> Although in a number of countries employers are required to report job vacancies to the PES, in some countries, e.g. Slovenia, the PES is actually engaged in recruitment and mediation support only upon the employers' stated wish. If they do not indicate their desire for PES support, such vacancies are sometimes not openly advertised.

<sup>3</sup> An important question is whether high registration rates lead to a better filling of vacancies. There are no recent studies dealing with this question. In the older literature two studies deal with it. According to De Koning (1987) a higher registration rate only has a weak effect on vacancy filling by the PES (De Koning, 1997). Mosley and Speckesser (1997), studying the relative performance of PES agencies, find that market shares in vacancy filling do not affect regional labour market outcomes. They also find that the PES has an added value in specific segments of the labour market, namely for filling vacancies of small companies and vacancies for unskilled workers in large companies.

share indicates that legislation may not be effective.<sup>4</sup> However, Kuddo (2009, p.15) argues that it could be effective if it would go hand-in-hand with improved services. One of the reasons why the obligation to register vacancies with the PES is probably not very effective is that firms have other channels for vacancy filling than with the PES. Advertisements, informal channels and direct applications to vacancies on firms' websites do not involve the PES. Furthermore, even countries with a legal obligation to register vacancies do not have a state monopoly on job matching anymore, implying that vacancies can also be filled by private agencies.

### *How to reach more employers?*

More than 40 % of PES are in contact with fewer than 20 % of employers in their country/region (Mierina, 2008). This is often the result of preconceived ideas among employers about the types of services and applicants PES can provide. Hence, reaching a higher percentage of employers is seen as a priority by many PES. In a number of countries (Sweden, Netherlands, Canada, UK, Finland) the PES has therefore changed its business model from jobseeker-led to **employer-led**. All felt that effective employer engagement is essential because they rely on employers to provide the vacancies that jobseekers can fill. A trusting relationship can help persuade employers to recruit harder to help jobseekers (Bukowski et. al., 2010, p. 1, Zandvliet et. al., 2011, p. 12). This is particularly true for jobseekers with a weak position in the labour market like older workers (see Box 1). In the Netherlands the Employer Service Centres are a partnership involving private employer services with their own network of employers the PES can benefit from. The partnerships also involve municipalities and schools.

### *Box 1 An effective employer-oriented approach to placing older jobseekers*

Evidence-based research into the effectiveness of PES-case-workers in working with older jobseekers indicates that this requires PES case-workers to assess which firms might be potential employers and establishing personal contacts for older job seekers. This requires good knowledge of local labour markets and contacts with employers. PES case-workers need to combine a personal approach to employers accompanied with a CV and a motivated job-seeker as part of their service to potential employers. This can help to influence the selection and recruitment behaviour of employers (France, Germany, Netherlands, Romania and Sweden).

Source: Hake et. al., 2011, p. 6.

To reach more employers the PES has to tackle a number of problems. A first problem is the communication with employers as several PES mention the necessity of improving and augmenting the efficiency of the communication with them (Mierina, 2008). Other problems relate to the vacancy registration process, the normative environment, the quantity and quality of PES staff and jobseekers skills and characteristics. Mierina (2008) found that PES with small-scale bureaucracies are most efficient in making contact with clients. Besides this, the attitude and motivation

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<sup>4</sup> A graph presented by the Danish Technological Institute et al. (2010, p. 21) indicates that some of the countries with a legal requirement have relatively low registration rates, while some of the countries without such a requirement have relatively high registration rates.

of the PES staff is important as well as having sufficient information about the labour market (what skills to develop, what specialists to train).

Information about the needs of employers is essential for ensuring the efficiency of the operation of the PES. The better informed the PES is about employers' needs, the fewer problems in communicating with them. Those PES that organise internal seminars for frontline staff are best informed about the needs of employers.

## **2.2 Which channels and tools are generally used to make contact?**

### *Traditional and innovative tools*

Visiting enterprises is the most time-consuming and expensive, but also the most effective traditional tool. Many PES pay **regular visits** to enterprises and emphasise the importance of maintaining a frequent face-to-face contact and a close dialogue with employers (Danish Technological Institute, 2010, Mierina, 2008, Zandvliet et. al., 2011, p. 11). Behncke (2007, p. 22) estimates the treatment effect of a direct employer network on the employment chances of their unemployed clients. The results show that direct contact with employers can be helpful to increase the employment chances by about 3 percentage points<sup>5</sup>. In particular, the subgroup of less skilled unemployed benefits the most if their caseworkers have a direct network to employers.

Whereas most PES are in frequent contact with employers, the subjects of the dialogue appear to be rather ad hoc and in most cases it involves only a small number of employers (Danish Technological Institute et al., 2010, p. 30). The dialogue is mainly related to current vacancies, a feedback to find out if the recommended candidates correspond to their requirements, or to restructuring and mass redundancies.

Many PES consider telephoning employers to be the second most effective way for advertising their services (Mierina, 2008). However, it is felt that SMEs still prefer contact by telephone (Bukowski et.al., 2010, p. 3).

Web based tools are increasingly important, but it is more the combination of the various channels that matters than the channels themselves: internet portals, call centres (sometimes the 'front door' for employers to have access to PES services) face-to-face, etc. (Seminar, 2008, p. 11). Employers can access HR advice online, post vacancies and in some countries search for prospective employees using personal profiles (Bukowski et. al., 2010, p. 2). Registering vacancies without involving face-to-face communication through the Internet is assessed as more efficient in those countries where vacancies are not always published in PES offices (Mierina, 2008).

So far, the experience with pushing employers to use the electronic channel seems successful in most countries. According to Pieterse (2011, p. 15), experiences in the Netherlands show that employers prefer the online channel and started to use this channel autonomously. Within the framework of the PES benchmarking project, best practices in the field of electronic services to employers were identified in Lithuania and Slovenia (ÖSB Consulting and Synthesis Forschung, 2009).

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<sup>5</sup> This effect lies in the same order of magnitude as the effect of active measures like job counseling and training on job entry chances.

Other ideas for marketing activities are employers' weeks, job fairs (an employment strategy to fast-track the meeting of jobseekers and employers), speed meets (Finland and the Netherlands, a strategy to fast-track the meeting of one employer and a number of jobseekers), networking with the help of mass-media (Latvia, Hungary, Malta), an annual award for the best employer (Austria), goal-oriented visits (Finland) (Duell et. al., 2009, p. 66), but also the development of activities such as consultancy services and the prevention of (collective) redundancies (Heads of PES, 2009).

### *Special/named advisers versus generalists*

In some countries there are teams dedicated both to jobseekers and employers, and in other countries there are separate professional teams dedicated to each category of clients. It seems that **neither type of organisation is clearly prevailing**.

When advisers are generalists they have to deal with both employers and jobseekers. On the one hand, this offers more flexibility to the PES organisation, but on the other hand, jobseeker guidance is time-consuming and reduces the availability for employers.

The major advantage of specialists dealing with employers is that the quality of the services provided is higher. In the Netherlands it is noted that the satisfaction of employers with PES is positively related to the role of special advisers for employers. A potential drawback of professional teams specialised in services to employers is that services to employers and jobseekers become disconnected (Zandvliet et. al., p. 65, Seminar, 2008, p. 11). Close cooperation between advisors for employers and those for jobseekers is needed to achieve optimal matching and placement results.

The Austrian PES deploys a staff of 250 specifically trained company counsellors who provide services to employers free of charge (OSB Consulting GmbH/SEOR, 2008)<sup>6</sup>. Also ACTIRIS, the PES for Belgium/Brussels, has developed a specialised service for employers (ÖSB Consulting and Synthesis Forschung, 2009). It consists of a contact centre that receives all incoming contacts and an account management department that actually provides the services (information on active measures, helping to prepare job descriptions and pre-selection of candidates).

### *Segmentation of the service offer*

Segmentation of the PES service offer for employers can mean several things – it can relate to the targeting by PES only of certain employers considered to be particularly valuable customers in placing jobseekers. However, it can also relate to the more specific 'targeting' of the service offer to different types of employers (by sector/region size etc.).

All clients are not equally significant for PES. In general PES feel they should give priority to employers who do not need too much persuasion to work in partnership and take on jobseekers who are more difficult to help. Most PES **prioritise larger employers** because they offer a higher number of vacancies (Bukowski et. al., 2010, p. 1). However, managing big accounts requires specific competencies (Seminar, 2008, p. 11). Some PES (the Netherlands, Belgium, France, Germany, Norway,

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<sup>6</sup> Although this report deals with Azerbaijan, the Austrian service was presented as a good example.

Sweden) continue to regard **SMEs as important** as they benefit the most from Human Resources (HR) support (Zandvliet et. al., p. 23).

Some countries offer employers specialised support by adjusting the offer to different sizes of companies (Finland, Germany, Mierina, 2008), other countries by adjusting to the **sector** (for instance Belgium Flanders, Belgium Actiris).

We did not find examples of differentiation in priority or in the type of service offered according to the region.

If the PES wants to identify employers that are likely to have vacancies and to co-operate with the PES, segmenting on the basis of industry or firm size might not be optimal. It is not likely, for example, that all firms in one industry want to do business with the PES, while no firms can be reached in another industry. It might be worth-while to develop profiles of firms that are most promising to do business with. Profiles are combinations of characteristics that might include industry and firm size, but also previous use of PES instruments and other characteristics. Using profiling implies a more personalised approach to firms<sup>7</sup>.

### **2.3 Conclusions**

Many employers are suspicious about the services offered by the PES. Their perception is that the PES is not able to distinguish between motivated and unmotivated jobseekers. Many employers perceive the PES as a last resort. Legislation of vacancy notification has not always proved successful, since employers perceived this as an additional administrative burden instead of increasing employers' trust in PES.

Many PES are convinced that reaching a higher percentage of employers is a priority as employers are the actors that must provide the vacancies jobseekers can fill. For this reason, the PES in a number of countries has changed its business model from jobseeker-led to employer-led. In reaching more employers the PES has to solve problems relating to the communication with employers, vacancy registration, the normative environment, the quantity and quality of PES staff and job-seekers skills and characteristics.

The most effective traditional approach is visiting enterprises on a regular basis, but this approach is also the most time-consuming and expensive one. Web based tools to reach employers are increasingly important, but it is more the combination of the various channels that matters than each channel individually. So far, the experience with pushing employers to the electronic channel seems successful in most countries. Other ideas for marketing activities are: employers' weeks, job fairs, speed meets, networking with the help of mass-media, goal-oriented visits, the development of consultancy services and the prevention of (collective) redundancies.

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<sup>7</sup> Such an approach has already been applied to jobseekers by a number of PES (Denmark, France and Germany (Collewet et al, 2010).

In some countries there are teams dedicated both to jobseekers and employers as in other countries there are separate professional teams dedicated to each client category. It seems that neither type of organisation is clearly prevailing.

As not all clients are equally significant for PES, most PES prioritise larger employers because they offer a higher number of vacancies. However, some PES continue to regard SMEs as important as they benefit the most from HR support. It is suggested to develop profiles of firms that are most promising to do business with.

### 3 PES CORE SERVICE OFFER TO EMPLOYERS

#### 3.1 *What works best in providing 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 labour market information which the PES can supply. The PES's role in labour market information is both as a producer (often as a by-product of its day-to-day operations) and as a user and interpreter. Certain countries such as Denmark have made a deliberate investment in this function. Labour market information is then provided on the Internet as a service to institutions, firms and the public. Effective labour market information delivery requires specialist staff and may not be a realistic option for the PES in countries where resources are constrained and statistical coverage is limited (Thuy et al., 2001, p. III).

Anticipating labour market shortages can help young people and their parents fine-tune their educational decisions to the labour market. And if young people and their parents do not do so sufficiently, schools, private businesses and the Government (and particularly the PES) may use the indications of future shortages to influence these educational decisions. Examples include campaigns in several countries (the Netherlands, USA ('Dream it. Do it'), Sweden, UK, Germany) to stimulate young people to choose an education in engineering and other technical studies (De Koning, et al., 2010, p. 52). Indications of shortages can also stimulate companies to adapt and intensify their training efforts. For example, if shortages are expected, companies may be willing to attract more apprentices, for example. Furthermore, anticipation of labour shortages can guide the PES in designing its own training policy. All these reactions can contribute to a more balanced labour market in the future.

The best approach to identify labour shortages is to use several instruments alongside each other. These instruments include:

- medium and/or short-term macro level forecasts;
- surveys among employers;
- surveys among school-leavers;
- foresight or scenario studies;
- sectoral studies.

In a study by the Danish Technological Institute et al. (2009), a detailed review was conducted on the use of the tools by the various PES. **Employer surveys** are most frequently used by PES. Surveys among employers are particularly used to obtain information about the short-term needs of employers for filling vacancies and to identify qualitative discrepancies between job requirements and jobseekers' competencies. It provides guidance to PES in determining on which types of firms they can best concentrate their services. Furthermore, it indicates what type of training is needed to place jobseekers that do not meet employers' expectations. In countries with a well-developed apprenticeship system like Austria, Germany and the Netherlands it is also an important source for the PES to find training positions and opportunities for traineeships.

Most PES use information from quantitative forecasts, but only few do so on a regular basis. Medium term forecasts broken down by type of education and occupation are important to guide educational decisions. As vocational courses may take four or five years, it is important that young people having to decide which course to take, have indications of the labour market situation four or five years ahead. In the Netherlands the PES co-finances forecasting studies providing this information, which are carried out every two years. This is also important for its services to employers (making employers aware of the threat of future shortages, helping to prevent these shortages from becoming reality).

Foresight studies are used by roughly half of the PES. Foresight or scenario studies are used to deal with qualitative and context-related factors (like technological developments), how these might change the world and how that affects the labour market. It is important for the PES to know, for example, what the impact is of future developments on the demand for the type of workers constituting the larger part of the PES's clientele, i.e. lower skilled workers.

**Surveys of students and graduates** are used far less frequently by PES. This source of information gives indications of how well the educational system prepares young people for the labour market, and is thus most relevant for institutions in the field of education. However, some aspects covered by these surveys are also highly relevant for PES. If the PES knows which problems young people experience in making the transition from school to work, it will more easily find ways to stimulate a smooth transition. The latter is also in the interest of employers.

In addition to these specific tools, **direct contacts of the PES with individual employers and employers' organisations** are also important ways of obtaining information about current and future shortages. Some PES use specific tools like the Danish Labour Market Balance, the Occupational Barometer of Sweden or the Competencies Atlas of the Netherlands.

The instruments mentioned so far usually look at the labour market in a rather global way. Private business is often interested in more detailed results. Hence, in many countries sectoral forecasting studies are also being conducted. The Dutch PES, for example, presents every year regional mid-term forecasts on the level of employment and the number of vacancies broken down by industry. This helps the PES in determining in which industries most vacancies will emerge and have to be filled.<sup>8</sup>

**Anticipating, assessing and preventing future skills gaps** is essential for an effective service provision to employers by the PES. Therefore, it is important that the PES takes the initiative in developing these instruments, particularly employers' surveys and forecasting studies. However, other actors (schools, ministries, sectoral organisations, research agencies) also play a critical role in this field. Therefore, it is important that the PES:

- works together with these actors;
- shares information with these actors and disseminates the information it collects;

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<sup>8</sup> The most recent publication is UWV (2011). It is broadly disseminated among relevant organizations like municipalities and employers' organisations.

- stipulates that this information is applied to policy and practice, not only by the PES, but also by the other actors.

According to Cedefop (2008) a number of countries (Germany, France, the Netherlands, Austria, Sweden and the UK) have a comprehensive system for identifying and preventing future skills gaps that contains all previously mentioned elements. However, most other countries apply at least a number of elements of such a system.

In addition to quantitative shortages it is also important that the PES identify future **qualitative discrepancies** between labour demand and supply in relation to newly emerging skills. The information needed for such an assessment can best be collected through in-depth interviews with firms developing and/or using such technologies and focus groups consisting of company and sectoral experts. Such an assessment has been made at the European level for 19 industries on behalf of the European Commission (2010) and has been widely disseminated. Annex 1 contains a list of the industries involved. One of the conclusions is that skills shortages are expected in many sectors (Oxford Research A/S (2010)).<sup>9</sup>

This conclusion, which is also based on projections commissioned by Cedefop (2009), reflects the impact of demographic developments implying a strong increase in replacement demand and reduced numbers of young people entering the labour market. Higher employment rates are needed to prevent shortages, but the unemployed and those not yet participating consist largely of lower skilled people and people with disabilities and health problems, while particularly higher skilled workers are needed. This poses a challenge to PES as employers tend to involve them mainly for lower skilled vacancies. Therefore PES must enhance their role in:

- increasing the mobility of workers, because such increased mobility will create more job opportunities for newcomers in the labour market and for the unemployed;
- offering services to employers and students for apprenticeship and training positions;
- bridging the gap between job requirements and jobseekers' competencies.

### **3.2 What works best in vacancy matching and recruitment**

In most countries PES have launched a variety of initiatives to attract employers and encourage them to list their vacancies so that they can benefit from appropriate recruitment services (OSB Consulting, et al., 2009, p. 66).

Whereas most PES are in frequent contact with employers, in most countries (Germany, Austria, United Kingdom, Luxembourg, Belgium, Latvia, Finland, Spain, Malta, Sweden, Bulgaria, Hungary, France, Lithuania, Slovenia) the dialogue is mainly related to current or imminent vacancies, training needs and lay-offs/redundancies. In

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<sup>9</sup> Other conclusions are: a) a polarisation of skills needs: a decline in skilled jobs (like craftsmen) goes together with a moderate increase in elementary jobs and a strong increase in high skilled jobs, b) up skilling and increasing educational levels in all sectors, and c) new mixes of traditional job profiles and work tasks are emerging in most sectors but especially related to sustainability (environment, ICT, internationalisation).

some countries (Denmark, Italy, Latvia, Slovakia and Sweden) the dialogue includes information from PES about the opportunities that active labour market policies offer to the company (e.g. subsidised placement, in-company training of disabled employees or employees with learning difficulties). Denmark, the Netherlands, Poland and Slovenia mentioned other forms of collaboration: cooperation with temporary work agencies, sector arrangements, organisation of job-fairs, establishment of mobility centres in companies, and information about specific subsidies for job protection (Danish Technological Institute, 2010, p. 32).

The PES help employers to find the right candidates by consulting employers, by preselecting candidates and then informing the employer about the most appropriate applicants. The previously mentioned job fairs or speed matching can be seen as a specific matching tool. Other **tools in vacancy matching include** (Danish Technological Institute, 2010, p. 32, Mierina, 2008):

- Many PES are arranging meetings between the employers and the job-seekers and some are even offering their office space for this purpose;
- In many countries (for instance Malta, Belgium Flanders) job-seekers are informed about the most recent PES vacancies by a SMS or via e-mail;
- Some PES provide employers with the option to visit job-seekers' courses;
- In France the PES formalise agreements between PES and large networked companies and industrial sectors concerning recruitment support;
- In the UK and Austria the PES provide account managers for enterprises that agree to hire their priority clients;
- There are several financial incentives (e.g. tax deductions, wage subsidies) offered by PES to employers.

Most PES aim at a high level of employer satisfaction and for some this is even the most important goal (see Section 5). Selecting the candidates that best fit employers' requirements will lead to the highest level of employer satisfaction. However, one might expect that the best candidates could also have found a job through other channels. Hence, what is good for individual employers might not be effective in terms of reaching positive net effects for jobseekers. In other words: creaming may lead to high deadweight.

One way of dealing with this problem is to follow a mixed strategy. If the PES handles a number of vacancies for a firm in a satisfactory way by sending the best candidates, the firm might be more inclined to consider accepting a long-term unemployed candidate in a future case. This is a logical strategy for PES that aims at high market shares in terms of registration and filling of vacancies. Another approach, which is followed by the Dutch PES, is to focus on employers that have suitable vacancies for the clientele of the PES and are willing to consider less ideal candidates. Finally, the creaming problem can be reduced by defining the goals of the PES primarily in terms of reducing unemployment and benefit dependency (UK).<sup>10</sup> Then employer satisfaction is still important, but a means rather than a goal.

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<sup>10</sup> Also in the Netherlands reducing the number of beneficiaries is an important goal of the PES.

All PES believed that **automatic vacancy filling services** are hugely important to increase the efficacy of vacancy filling, realise cost savings and free up resources to focus on the most difficult to help (Pieterson, 2011, p. 2; Bukowski et. al., 2010, p. 2; Mierina, 2008). Whilst vacancy matching is increasingly conducted via online databases, organisations are improving their caseload management by, for example, ensuring more accurate recording of vacancy details and jobseeker profiles. An improved online vacancy system will encourage employers to make better use of recruitment services and helps the PES to refer the most suitable candidate to an employer (Bukowski et. al., 2010, p. 2).

However, Pieterson (2011, p. 23) concludes that the use of automatic vacancy matching seems limited. Nevertheless, experiences in the Netherlands show that employers prefer the online channel to register their vacancies. Other PES organisations facilitate self-help services by offering (some) employers and/or intermediates direct access to the databases in their back-office. This implies that these employers and/or intermediates interact with the PES directly without the use of any communication channels. In Sweden some employers have direct access to the database. As a result 85-90 % of the vacancies are registered by employers themselves. According to Pieterson (2011, p. 15) this strategy bypasses the front-office entirely and is therefore a possible way to realise **efficiency gains, reduce errors and improve the speed of administrative handling**.

### **3.3 What works best to incentivise employers to offer vacancies for long-term unemployed**

#### *ALMPs*

The following ALMPs have been frequently evaluated: 1) job counselling, 2) placement subsidies and temporary wage subsidies for regular jobs, 3) training and 4) subsidised (additional) work in the public sector. In this section we discuss the effectiveness of these measures on the basis of the outcomes from meta-evaluations: Card, Kluve and Weber (2010); and Kluve (2010) and De Koning and Peers (2007). These meta-evaluations show that job counselling is the most effective measure in terms of the **short-term net effect** on job entry chances. It is likely that job counselling incentivises unemployed jobseekers rather than employers, but as a result this will help fill vacancies for employers. Job counselling is not by definition targeted towards clients that are either long-term unemployed or in danger of becoming so. However, in most countries the tendency is that clients with a strong profile in the labour market are supposed to use mainly self-service instruments. Job search assistance going beyond basic help tends to be concentrated on clients that do not easily find jobs.

Placement - and temporary wage subsidies clearly incentivise employers to hire workers that are long-term unemployed or disadvantaged in some other way. On average this type of measure has positive net effects on the job entry chances of the unemployed individuals involved. There is less evidence that these subsidies have positive effects on aggregate labour demand. Probably, the latter effects are small.

Training has a relatively poor image, but it is more effective than some older studies suggest. From the existing literature three observations can be made:

- Training is more effective for adults than for young people;

- The effects of training are often underestimated as many studies only look at short-term placement effects<sup>11</sup>;
- Training, like most other ALMPs, is generally evaluated from the perspective of the jobseeker. However, the effects for employers may be considerable as training can solve qualitative discrepancies between job requirements and jobseeker's competencies.<sup>12</sup>

Job creation schemes usually come out most poorly in evaluation studies. Most studies report only a small number of participants moving on to regular jobs. The net effects found are sometimes even negative. Job creation in the private sector is a difficult matter. Crowding out of existing jobs is difficult to avoid. Furthermore, job creation schemes are often targeted towards the most disadvantaged groups, which are difficult to place in the private sector, even on a subsidised basis. Therefore, job creation schemes have been applied mostly in the public sector and are often important for employers in the public sector to maintain their service level under budgetary restrictions.

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<sup>11</sup> Given the fact that training often takes considerable time it is not unexpected that it does not shorten the unemployment spell during which the training takes place. However, it is conceivable that training does reduce the chance of future unemployment. Kluve (2010), concentrating on more recent studies that also look at longer term effects, finds positive long-term results for training.

<sup>12</sup> In the future, the ageing of the population will lead to a situation in which qualitative discrepancies between the remaining inactive and unemployed on the one hand and the vacancies on the other hand, will only become bigger. Hence, the need for training will increase. However, in many countries training has become less important as an instrument of Active Labour Market Policy from training to job counselling (De Koning, 2007). In the 1990s and after 2000 we have seen a shift from training to job counselling and employment incentives. In a number of countries that have entered the EU more recently still, an increase in the use of training can be observed (OECD, 2011).

Table 1 summarises the main results.

*Table 1 Conclusions about the effectiveness of ALMPs based on meta evaluations<sup>1)</sup>*

Measure	Conclusions from meta-evaluations
Counselling	Best performance among ALMPs in terms of short-term net effect on job entry chances
Training	Mixed results with respect to short-term outcomes Recent studies point at positive long-term net effects Outcomes tend to be more positive for adults than for young people
Financial incentives for employers (primarily in the market sector) to hire unemployed persons	Positive, but relatively small short-term effects on job entry chances
Subsidised labour (mainly in the public sector)	When applied to long-term unemployed positive employment effects in the sense that most participants would not have found a regular (non-subsidised) job No effect or even negative effects on the chance of finding a regular job - owing to a lock-in effect Positive non-market effects (on health, for example)

1) Based on Card, Kluve and Weber (2010), Kluve (2010) and De Koning and Peers (2007).

### *Specific measures for disabled persons*

Return to work interventions for disabled persons include the following interventions (Table 2):

*Table 2 List of interventions for disabled persons*

1	Anti-discrimination legislation	6	Financial incentives to employers
2	Obligations for firms to hire a certain number of disabled workers or to designate a certain percentage of their employment to disabled persons	7	Requirements for employers to engage in return-to-work planning
3	Voluntary agreements with individual companies or branch organisations in which the latter commit themselves to hiring a specific number or percentage of disabled persons	8	Sheltered jobs in specific subsidised companies
4	Retraining to enable disabled persons to apply for jobs more in line with their abilities	9	Special employment protection for disabled workers
5	Workplace adjustments		

Measures 1, 5, 6 and 7 are reviewed in a recent review article by Clayton et al. (2011) on the basis of the available literature from five countries: Canada, Denmark, Norway, Sweden and the UK. According to this study the most promising measures are financial incentives for employers to hire disabled workers, subsidies for adapting workplaces and schemes requiring employers to participate in return-to-work planning. However, take-up and awareness of these measures is low, implying that the impact for the disabled as a group is limited. A review by Humer et al. (2007) of the evaluation literature regarding the U.S. 'Americans with Disabilities Act', which requires firms to carry out workplace adjustments for disabled workers and offers the latter more employment protection, shows mixed results: some studies indicate significant positive effects, but others points to insignificant or even negative effects.

Studies for Austria (Wagner et al., 2001) and Germany (Lalive et al., 2009) reveal that measures obligating employers to hire disabled workers had positive employment effects. A study by Humer et al. (2007) suggests that increasing employment protection is only helpful if it is granted to workers that become disabled while having a job. For disabled individuals without a job it is detrimental. Sheltered employment in special subsidised companies is applied for example in the Netherlands, where these companies provide jobs for approximately one hundred thousand disabled persons (1.5 % of the total number of persons employed, Van Santen, et.al., 2011). This measure is probably the most effective in terms of take-up and absolute employments effects. However, disadvantages are the relatively high costs, the suspicion of high deadweight and the very low transition rates to jobs in the private sector, even if the

employers involved receive a subsidy.<sup>13</sup> For this reason, the Dutch Government is now changing the legislation in such a way that sheltered employment will only apply to the most severely disabled (estimated at roughly one third of the disabled workers currently employed by the firms offering sheltered employment), while individual wage subsidies will be the main measure applied to the less severely disabled. Voluntary agreements with firms or branch organisations can be seen as weak versions of obligations. When making such agreements, the Government often threatens legislation, if the private sector does not put the agreements to effect in practice. We did not find examples of such agreements with respect to employment of disabled workers, but in other policy areas the experience with voluntary agreements is not particularly positive.<sup>14</sup> We did not find many studies dealing with the effectiveness of training for the disabled. The most recent ones are Aakvik (2003; for Norway) and Heyma et al. (2003; for the Netherlands). Aakvik does not find a significant effect on return to work<sup>15</sup>, while even a negative net effect is found by Heyma et al. But in the latter case the results only refer to short-term effects.

### **3.4 Conclusions**

For employers it is essential that current and future labour shortages are assessed. Then they can adjust their personnel policies to deal with the shortages. Furthermore, the Government can then develop effective policies to reduce current shortages and prevent future ones. The same is true with respect to qualitative discrepancies between labour demand and labour supply. The PES has an important role to play both in assessing and reducing shortages and qualitative discrepancies. However, other actors (schools, ministries, sectoral organisations, research agencies) are vital in this as well. Hence, it is crucial that the PES works together with these actors) by sharing information, in disseminating the information to households and employers and in developing and implementing effective policies. In collecting the relevant information the best approach is to use several instruments alongside each other (medium and/or short-term macro-level forecasts, employer surveys, in-depth interviews with firms, focus groups consisting of company and sectoral experts, surveys among school-leavers, foresight or scenario-studies, sectoral studies).

What works best in vacancy matching and recruitment? In most countries the PES have launched a variety of initiatives to attract employers and encourage them to list their vacancies to the PES. To help employers find the right candidates PES also use various tools: job matching, job fairs, speed matching, using SMS- or mail alerts, financial incentives or automatic vacancy filling services. Although the use of automatic vacancy matching seems limited, it is agreed that this tool bypasses the

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<sup>13</sup> Another option is that the (social) firms offering sheltered jobs try as a much as possible to detach to private companies. Particularly, group detachment appears to be an attractive option as it allows social firms to supervise the work done by the disabled workers.

<sup>14</sup> Examples in the Netherlands are voluntary agreements with the private sector to hire a specific number of people from non-Dutch origin. Another example includes voluntary agreements with private businesses to reduce pollution.

<sup>15</sup> This is the result of the analysis in which selection bias is corrected for. If such a correction is not made, the employment effects are significant and positive.

front-office entirely and that it is possible to realise efficiency gains, reduce errors and improve the speed of administrative handling.

To deal with the problem of creaming the PES can follow different strategies. One approach is to handle a number of vacancies for a firm in a satisfactory way by sending the best candidates, with the expectation that the firm might accept a long-term unemployed candidate in a future case. Another approach is to focus on employers that have suitable vacancies for the clientele of the PES and are willing to consider less ideal candidates.

The following ALMP's have been evaluated frequently: job counselling, placement subsidies and temporary wage subsidies for regular jobs, training and subsidised (additional) work in the public sector. Job counselling is the most effective measure in terms of the short-term net effect on job entry changes, although even for this measure the effects are relatively small. Job creation schemes usually come out most poorly in evaluation studies, which tend to look exclusively at the transition to regular jobs. However, for disadvantaged groups with very low job chances, subsidised labour may still be a good option. Finally, training has a fairly poor reputation, but recent studies indicate that the long-term effects of training are positive.

The most promising measures for employers to hire disabled workers are financial incentives for employers, subsidies for adapting workplaces and schemes requiring employers to participate in return-to-work planning. However, the impact for the disabled as a group is limited, because take-up and awareness of these measures is low. Measures obligating employers to hire disabled workers have positive employment effects.

## 4 WIDENING PES SERVICES TO EMPLOYERS

The opinion of the Heads of PES (2009) is that the PES should orient their business models more towards **consultancy services** and their role in **preventing mass layoffs**, although matching should remain a core PES activity. In their vision the future of employer services lies more in consulting and less in matching. This includes more co-operation with private employment services to use their networks to place PES customers and the necessity of rapid and flexible responsiveness to changing employer demands. PES can lead partnerships, develop good cooperation, adapt and take into account the particular needs of companies. An example of such a partnership is the Employer Service Centres in the Netherlands. In these centres employers can lay down all their questions about vacancies, training facilities, employees, advice on HR-issues, etc. The partnership is a cooperation between UWV Werkbedrijf (the Dutch PES), municipalities, sheltered workplaces, private employment services, and/or training centres.

PES have the advantage of a strong **territorial presence** which particularly interests companies. Their tools are competitive more especially as their services are free. To be efficient, the relationship between PES and employers has to be sustainable and built up over the long term (Seminar, 2008, p. 11 e.v.).

PES delivery systems are complementary to the internal **Human Resource Services** of companies (Seminar, 2008, p. 11 e.v.). The PES in the Netherlands, Belgium, France, Germany, Norway and Sweden regard SMEs without a HRD-staff as important clients, as they benefit the most from Human Resources (HR) support from the PES (Bukowski et. al., 2010, p. 1). Jobcentre Plus (UK) also offers tailored support for SME's. In 2010/2011, Jobcentre Plus (UK) introduced an online HR/recruitment service for employers who do not have (or do not wish to use) their own system (Bukowski, 2010, p. 3). PES support employers with information and advice in relation to age diversity, age-management practices, work ability and human resource development (Hake, 2011, p. 20). Box 2 contains a good practice example from Germany.

*Box 2 The WeGebAU initiative in Germany (continuing education for low qualified and older employees in private enterprises)*

This initiative is legislative and implemented by PES which assists SMEs to invest more in the qualifications of employees older than 45. Employees have to be released from work to participate in vocational training and fees are paid by the Federal Employment Office which also offers information, advice and guidance to the employers and employees. Employees receive a voucher to purchase training of their own choice. In special cases, partial wage compensation by the National Employment Agency is also possible.

*Source: Barry J. Hake, The role of public employment services in extending working lives, sustainable employability for older workers, Analytical Paper, The European Commission Mutual Learning Programme for Public Employment Services, DG Employment, Social Affairs and Inclusion, September 2011, p. 10.*

The PES can offer their support to organisations with developing **solutions** in the case of **crisis** or announced **mass layoffs** (OSB et. al., 2008). In some countries (Sweden, Italy) the registration of mass dismissals with PES is required by law. This ensures

timely anticipation of mass dismissals and the possibility of intervening early (Heads of PES, 2009).

Services to **maintain sustainable employability** focus on awareness-raising activities and support in the **development of age management strategies**. Public information campaigns to develop effective responses to increasing age diversity in the labour force are launched (Finland, France, Germany, Luxembourg, the Netherlands, UK), to promote public awareness and to counter the negative attitude of employers about older workers. These campaigns have targeted employers with: a) the provision of information, b) the provision of tools to manage age-awareness and diversity management of ageing work forces, and c) voluntary agreements between PES, employers and social partners (such as 'working life agreements' in Norway). Such developments are demonstrated in one-stop desks, local mobility centres and competence centres which provide integrated support at the local level for employees in identifying educational and training opportunities which facilitate sustainable employability (Hake, 2011, p.12).

Local PES activities can include **active support, supply of information and assistance to employers about workability**. PES can support workability with a network of partners while protecting those unable to continue working and providing support services for employers in the field of occupational health issues which contribute to the workability of employees. PES interventions could include, for example, the provision of information or the exchange of experiences and information about 'good practices' between companies (Hake, 2011, p.12).

PES expertise is required to provide services to employers to address negative attitudes towards older workers and to assist them with workforce planning and measures which can assist in maintaining employability and workability throughout working life. This often calls for strong partnerships with social partners and other organisations, in particular training providers and those responsible for the accreditation of prior learning (Hake, 2011, p. 1). Successful PES measures aimed at extending working lives include a) assistance in providing access to in-work training through subsidies, b) training and retraining measures, c) help with the accreditation of prior learning, and d) employer subsidies. The Labour Mobility Centres in the Netherlands represent a good practice example (Box 3). In the meantime, these centres have been integrated into the service centres for employers.

### *Box 3 Labour Mobility Centres*

In the Netherlands one of the Labour Mobility Centres helped a medium-sized office company that needed to make an inventory of the capacities of its personnel so that it could seek new markets. The centre organised the validation of prior learning and competences for their employees. Results demonstrated that 30 % of the employees could be offered a competence certificate. This new insight into employees' competences means that the company had developed a number of new products and thereby strengthened its market position: because employees are now aware of their own competences, they are also better equipped to consider career progression.

Source : Barry J. Hake, *The role of public employment services in extending working lives, sustainable employability for older workers, Analytical Paper, The European Commission Mutual Learning Programme for Public Employment Services, DG Employment, Social Affairs and Inclusion, September 2011, p. 15.*

While basic services such as vacancy advertising and the search for potential jobseekers are free of charge, the Finnish PES has also developed **specialised services which employers pay for**. These include tailored placement services, recruitment (selection and screening of jobseekers), outplacement, advice on company training and personnel hire. In 2006 and 2007, the profits from personnel hire, which involves the Employment Office playing the role of a temporary work agency, exceeded EUR 10 million, whereas profits from the other activities totalled less than EUR 2 million. Officials indicated that competition with private companies mainly occurred in the area of personnel hire. In some cases of international recruitment employers prefer to use PES offices as they have official contacts. For example, the Finnish PES have established good co-operation with PES organisations in the Russian Federation, the Baltic republics and China (Duell et. al., 2009, p. 66).

Job fairs and speed meets are employment strategies to fast-track the meeting of jobseekers and employers. Companies participate in job fairs to screen candidates for existing or future job openings. Companies also participate to introduce themselves as a desirable place to work and to promote their company. Companies gain exposure at job fairs, and they can also potentially make rapid hires of highly qualified applicants (Kuddo (2009), p. 48).

Summing up this section, we first mentioned the vision of the Heads of PES, who believe the future of employment services lies more in consulting and less in matching, although matching should remain a core PES activity. By providing consulting services PES can influence, among other things, the hiring strategies of firms in favour of the more disadvantaged groups in the labour market. Services to maintain sustainable employability focus on awareness-raising activities and support in the development of age management strategies. Local PES activities can include active support, supply of information and assistance to employers about work ability.

## 5 PERFORMANCE MEASUREMENTS AND RESULTS

Almost all PES use **employers' satisfaction** as one of their key performance indicators. Some PES (Belgium Flanders, the Netherlands and Slovenia) even specify targets with respect to employers' satisfaction. It is measured on the basis of surveys, mostly on a yearly basis, but in some cases even more frequently (the Netherlands). The PES from the UK defines its objectives primarily in terms of off-flow from unemployment and reduction in the number of beneficiaries. Recent employer surveys have not been held in the UK.

In some countries (Austria, Estonia, Hungary) a number of components of employers' satisfaction are measured, such as satisfaction with the expertise of staff, the quality of the jobseekers sent and whether deadlines are followed. The German PES believes that measuring satisfaction is not only about the quality of the services they provide (deadlines, quality of staff), but also about measuring their satisfaction with the proposed candidate, as this helps demonstrate the value for money of their service offer.

A number of countries also use other employer-related performance indicators like **market share in vacancy filling** (Austria, Estonia, Finland, France, Germany, Slovenia, Netherlands) and **vacancy duration** (Estonia, Finland, France, Germany). Filled training positions are used as an indicator by France and Germany.

All PES use jobseeker-related indicators in addition to employer-related indicators (or like the UK: instead of employer-related indicators). This ensures that enough attention is also paid to effectiveness from the viewpoint of placing jobseekers (see Section 4 concerning the danger of creaming and deadweight).

Performance measurement forms the basis for **performance management**. PES use the information on performance indicators to improve their results. Nunn et al. (2009) give information about the performance indicators and performance management systems by PES in a number of countries. Table 3 summarises this information for Austria, Finland, France, Germany, Slovenia and Sweden. For the Netherlands, more recent information was available. Targets are often set both nationally and regionally (Finland, France, Germany, Sweden) and serve as incentives to improve performance.

Performance measurement is also used in a different way. The results of the employers' surveys mentioned earlier also serve as a basis for improving service quality and developing new services (Hungary, Netherlands, Sweden, Slovenia).

Simply comparing outcomes with others can already provide incentives for improvement. Such **benchmarking** can be done in the following ways:

- by comparing different PES offices in a given country;
- by comparing the results or effects of PES activities in different countries.

**Germany** in particular has a system that provides information about performance indicators to all levels within the PES, stimulating PES offices and teams within PES offices to compare themselves with other offices and teams. Furthermore, results are frequently evaluated to discuss how performance can be improved.

A reliable measurement of performance is only possible if:

- the relevant indicators are measured in an objective and reliable way that conforms with the official definitions;
- performance indicators are corrected for contextual factors that are beyond the control of the PES, like economic development.

Both conditions are essential prerequisites to avoid **perverse effects** of performance management systems. If definitions are unclear and indicators can be manipulated, targets can be reached without any real achievement. <sup>16</sup>

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<sup>16</sup> For example, in their evaluation of the new Dutch PES act of 1991, De Koning et al. (1995) found that some of the PES offices artificially increased their placement figures by including cases where vacancy fillings without any PES involvement were registered ex post and then counted as a PES placement. Mosley and Speckesser (1997) found for Germany that market shares on the basis of PES administrative data were much higher than those measured on the basis of surveys.

*Table 3 Performance measurement and performance management systems in selected countries*

<i>Country</i>	<i>Performance measurement system</i>	<i>Performance management system</i>
Austria	The Data Warehouse functions as a general source of labour market information and a feed for the performance measurement framework of the PES. Several result indicators are computed on the basis of the information.	Performance indicators are linked to the Management by Objectives System. The PES uses a Balanced Scorecard System.  The information is accessible to all staff.
Finland	Administrative data are used to compute indicators related to vacancy duration, jobs filled through the job-matching service and job entries of clients engaged in training or subsidised work.	The regional allocation of indicators is agreed upon in negotiation on performance targets and confirmed by the central government. The Regional Development Centres supervise the employment offices, which are judged on the basis of the indicators mentioned.
France	Many indicators are linked to vacancies and jobseekers. Both results of job-matching and specific active measures are included.	Indicators are linked to tasks and tracked at the national level. They are also watched by the regions.
Germany	The Central Data Warehouse delivers data on performance indicators at the level of employment offices (indicators like the number of placements, integration in vocational training, number of people flowing off unemployment, etc.).	The Labour Ministry set targets for the PES as a whole. The ten PES Regional Directorates agree with their local jobcentres on performance targets.
Netherlands	Based on the social security system, information is available for each individual person about subsequent jobs and benefit periods. Also, information on vacancies (flows and stocks) is available. On the basis of this data, a broad range of indicators, with respect to job entries and vacancy filling, can be computed. Client satisfaction is also measured.	The Ministry of Social Affairs sets targets for the PES. Regional performance of PES agencies in terms of the number of unemployment benefits is measured on the basis of a statistical model. An experiment is launched to base pay for performance on the basis of the model's results.
Slovenia	The electronic labour market information system allows, among other things, the quarterly and monthly tracking of off-flow levels.	The use of the Management by Objectives system dates back to the 1990s. Targets relate to measures such as the levels of off-flows into jobs from unemployment and inactivity and the number of unemployed individuals participating in employment programmes.
Sweden	Their measurement system includes a set of indicators with respect to the duration of unemployment for short-term and long-term unemployed, client satisfaction, the percentage of clients having an activity plan, the perceived effectiveness of the plans and the number of immigrants registered with the PES starting work or beginning training.	The Ministry of Labour sets targets for the PES. The PES uses a Management by Objectives System. Operational targets are transformed to county level. Customer satisfaction targets are set by the PES itself. The PES uses a Balanced Scorecard System.

*Source: Nunn (et al., 2009), except for the Netherlands.*

The Dutch PES is a good practice case in the sense that it **adjusts the** performance indicators of regional offices to account for the influence of factors that are beyond the control of the PES. Such correction leads to dramatic changes in the rankings of the offices. Offices that are among the worst performers on the basis of uncorrected indicators may turn out to be among the best performers after the correction. This

result has earlier been obtained for both Germany (Mosley and Müller, 2004) and the Netherlands (Van Donk and De Koning, 2007). Hence, using uncorrected indicators gives the wrong signals and leads to rewarding bad performers and punishing good performers. The variation in performance among offices remained considerable after correcting, indicating that there is certainly room for improvement in performance.<sup>17</sup> The German PES has now also taken this into account and has developed a cluster model through which the performance of local agencies can be compared with others whilst contextual factors are completely excluded. The clusters are developed scientifically. Even if the indicators are reliable and comparable, and adjusted for factors beyond the control of the PES, performance management can have perverse effects. PES offices may, for example, be tempted to keep vacancies for their own use and not exchange information with other offices.

As an example, we add a recent experiment in the Netherlands where performance measurement has been connected to **performance pay** with the objective to improve performance (see Box 4).

*Box 4: Performance measurement and its use for performance management in the Netherlands*

The Dutch PES (UWV) commissioned the development of a model that explains the number of claimants of unemployment benefits for each local UWV establishment. The model explains this number from a set of explanatory variables that are beyond the control of the local office. The unexplained residual is then seen as an indicator of the local office's performance.

Experiments have been launched with a system consisting of pay for performance. In a number of offices managers obtain a bonus if they perform better than what the model predicts for their office. An evaluation will be conducted to see if pay for performance improves performance.

The UWV approach was inspired by a similar model developed for municipalities. The incentive created by this model is that municipalities that are able to reduce the number of beneficiaries to such extent that their expenses on benefits are lower than what the model predicts, can keep the difference and use it to other ends; municipalities spending more than the model predictions have to pay the difference from their own resources.

With support from the European Commission, PES across Europe also compare their relative performance (**external benchmarking**). Initiated by the Austrian PES, 13 PES<sup>18</sup> have co-operated in the project 'Mutual learning: - Benchmarking among public employment services' (ÖSB Consulting and Synthesis Forschung, 2007). Seven performance indicators were identified including vacancies filled and achieving

<sup>17</sup> There are different ways of measuring the relative efficiency of PES offices. Van Donk and De Koning (2007) and Koning (2009) use linear regression models. An alternative approach is to use frontier functions. A particular variant of this method is data envelopment analysis (DEA). An example of the latter approach to the PES is Sheldon (2003). One of the conclusions of this article is that bigger PES offices tend to be more efficient than smaller ones.

<sup>18</sup> In addition to Austria: Belgium/Brussels, Belgium Flanders, Finland, France, Germany, Ireland, Latvia, the Netherlands, Slovakia, Slovenia, Sweden and the United Kingdom). In the meantime the composition of the group has changed somewhat.

customer satisfaction from employers. For each PES that could provide the data for an indicator, a radar chart was produced indicating relative performance (where the indicator for the best performer was set 100). The differences were considerable. The indicator for vacancies filled, for example, ranged between 28 and 100, in 2005.

Obviously, differences in contextual situations must be taken into account. Five context variables have been distinguished: by combining the two types of indicators it became possible to judge whether a top ranking position of a PES had to do with organisational practices rather than contextual differences.<sup>19</sup> On this basis, good practices in the area that are captured by a given indicator can be identified. In a more recent report 15 good practices are listed (among which the ACTIRIS case is mentioned on page 4).

An important question is whether the activities of the PES lead to **better labour market outcomes**. Most studies dealing with this question refer to specific active measures (see Section 3.3). Far less research has been undertaken to measure the (net) impact of PES job brokering on labour market outcomes.<sup>20</sup> A few studies (Van Donk and De Koning, 2007, Koning, 2009), using panel data from PES agencies, have found a significant positive effect of the PES staff/client ratio on the client outflow rate, indicating that the PES indeed has an added value. Van Donk and De Koning estimate that a 10% increase in the staff-client ratio leads to a 2.8 % increase in the outflow rate. For a broader perspective on measuring and managing performance in terms of impacts on the labour market, we refer to OECD (2005).

Summing up this section, we first emphasise that performance measurement forms the basis of performance management, which aims at improving performance. PES use a variety of performance indicators. The key employer-related performance indicator is employers' satisfaction. Other employer-related indicators are the market share in vacancy filling and vacancy duration. A reliable measurement of performance is only possible if the relevant indicators are measured in an objective and reliable way in accordance with the official definitions, and if the indicators are corrected for contextual factors like economic development, that are beyond the control of the PES. There is indeed evidence that the activities of the PES improve labour market outcomes.

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<sup>19</sup> The contextual factors taken into account are: 1) unemployment rate, 2) persistence ratio of the unemployment register, 3) customer related work load pressure, 4) working age related work load pressure and 5) public expenditure on labour market policy as a percentage of GDP. These indicators reflect the labour market situation (variables 1 and 2), but also input-related variables (3, 4 and 5).

<sup>20</sup> There is also a type of study that uses OECD time series data on industrialised countries to analyse the impact of labour market institutions on labour market indicators like the unemployment rate. Public expenditure on active labour market policies is usually included as one of the policy variables. If the latter variable is significant, it points to a net effect of active measures (including job brokering) on labour market outcomes. However, the results obtained are mixed. Some authors find a significant effect, but others do not.

## 6 CONCLUSIONS AND FUTURE CHALLENGES

Conclusions:

- In reaction to the relatively poor image of the PES and of jobseekers registered with the PES, most PES have changed their organisation from jobseeker-led to employer led.
- In most countries vacancy registration with the PES is not a legal obligation and when it is, firms may still choose for other channels to fill their vacancies. There is no evidence that compulsory notification is effective.
- The quality of the PES staff as well as the degree to which they are informed about the labour market (what skills to develop, what specialists to train) and about employers' needs, are critical in pursuing a successful employer-led strategy.
- In general, it is difficult to say what works best: specialised teams dedicated to either employers or jobseekers or teams dealing with both. However, some activities like advice on human resources management and legal matters definitely require specialists. Furthermore, contacts with employers improve if specialised staff is burdened with this task. But for activities directly linked to job matching and vacancy filling, it is probably more effective to have generalists.
- Whether PES should prioritise certain types of employers depends on their overall objectives. PES aiming at high market shares tend to serve all types of employers. If the primary objective is to concentrate on segments in the labour market suffering from market failure, the PES should target specific types of firms (specific industries, SMEs) facing recruitment problems. For PES having to deal with budget cuts, the development of profiling systems for vacancies might be important to better determine which vacancies are most interesting for the PES.
- Although matching should remain a core PES activity, the PES should orient their business models more towards consultancy services and preventing mass layoffs.
- PES should continue with the further introduction of electronic services. They are effective and cost-saving, not unimportant, and appeal to employers. However, electronic services cannot completely substitute face-to-face contacts. The latter remain critical as the job matching process relies heavily on trust.
- PES must be aware of the danger that an employer-led approach could lead to creaming and to lower net effects for jobseekers. Hence, it is important that the PES tries to create a slipstream effect for more disadvantaged jobseekers or prioritises employers and vacancies that are suitable for those jobseekers.
- Active measures for disadvantaged groups have moderate net effects and they are also of some use for employers as these measures may help filling vacancies. Training is undervalued as a reintegration measure as it appears to have positive long-term effects on employability. Revaluating training requires a shift from a short-term perspective in active labour market policy to a longer term perspective.
- Almost all PES use employers' satisfaction and indicators for vacancy filling as performance indicators. Both surveys and administrative data are used to measure

these indicators. The results are spread within the PES organisation and are used to compare the performance of regional offices and teams. However, as these indicators are strongly affected by context factors beyond the control of the PES, they may give the wrong signals. Hence, these factors must be taken into account in evaluations or, even better, be adjusted for.

The challenges for the PES are quite different for the short-term compared to the long-term. In the short run, unemployment will probably increase considerably. We will have to wait to see whether the new approach by some PES to PES services that relies heavily on e-services, is recession-proof. Budget cuts reduce the possibilities for PES to react adequately to such a situation. Mass long-term unemployment may still require the use of active measures similar to the ones used in the past. However, lessons learned, like the danger of lock-in effects, should be taken seriously when designing new measures. In the long run, labour will become a scarce commodity owing to the ageing of the population. Up skilling workers in firms, enhancing job mobility and bridging qualitative discrepancies between vacancies and those still without a job, will become the main topics. For the PES, this may require a considerable change in orientation. Furthermore, PES staff may need different competencies than those that are currently available.

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## **ANNEX 1: SECTORS INCLUDED IN THE STUDY ON THE EVOLUTION OF SKILLS NEEDS**

The study (European Commission, 2010) covers 19 individual sectors (listed in the table below) together covering around 60 % of total EU employment.

Sectors included in the study	
Automotive	Furniture
Building of ships and boats	Health and social work
Chemicals, pharmaceuticals, rubber and plastics	Hotels, restaurants and catering
Computer, electronic and optical devices	Non-metallic materials
Construction	Other services, maintenance and cleaning
Defence industry	Post and telecommunications
Distribution and trade	Printing and publishing
Electricity, gas, water and waste	Textiles, apparel and leather products
Electromechanical engineering	Transport and logistics
Financial services	