



Labor Market Partnerships

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by Pierre Georgin

The environment in which Public Employment Services operate is being reshaped by fundamental changes in the world of work and in the way labor markets function as a result of demographic shifts, new technologies, and globalization. As the nature of work and the structure of employment evolve, workers across the globe can now expect to experience many job transitions throughout their careers. This means that they will have to continuously develop and redeploy their skills (OECD, 2016a). In many emerging and developing economies, these structural transformations are occurring against a backdrop of high levels of underemployment and the prevalence of informal types of employment (ILO, 2015). Poor labor market outcomes in turn contribute to rising inequalities not only in terms of income, but also in terms of access to quality employment opportunities. In addition, labor productivity growth, which is ultimately the main driver of improvement in living standards, has tended to decline in both advanced and developing countries since the mid-1990s, partly as a result of demographic change and mismatch between the supply and demand for skills (OECD, 2016b).

PES have an important role to play to tackle these complex labor market conditions and address the underlying vulnerabilities associated with high rates of underemployment, especially among vulnerable groups. To do so, PES have to widen the range of their

responsibilities compared to those they were initially established for in many countries. While the traditional tasks of job-brokerage and the provision of labor market information (LMI) remain at the core of their activities, PES must evolve their practices if they are to contribute to the broader objectives of boosting labor market participation, stimulating job creation, promoting inclusive growth, and raising labor productivity. It is by connecting jobseekers, employers, and other labor market actors that PES can best contribute to the achievement of these objectives.

In recent years, employment services have also had to operate in an institutional climate characterized by continued austerity measures, which means that public services have to be delivered more efficiently without compromising quality. At the same time, where other actors such as private employment agencies, non-profit organizations, and social enterprises have been gaining importance in many countries (Van Gestel, 2012), PES often only have a small market share in terms of vacancy coverage and access to key labor market information. This means PES need to engage with a range of actors to share know-how, expertise, and resources, and to offer complementary services to jobseekers and firms (OECD, 2015).

In this context, the real question is not so much *why*, but *how* PES should cooperate with other actors such as government departments, regional and local authorities, private firms, employer's associations, unions, and non-profit organizations. This chapter will review key issues related to the conditions required for these forms of cooperation to be effective. It will be argued that the local level is often the most pertinent for setting up partnerships, and that the adoption of appropriate governance mechanisms is a key success factor for such partnerships.

How can local partnerships support the work of Public Employment Services?

Public Employment Services may face very different challenges and opportunities depending on the country or region in which they operate. Strong variation can be observed across local labor markets in many domains such as the economic base, the age structure of the population, and the various barriers to employment encountered by individuals. This means that PES have to adapt their support and services to local

conditions. In the rest of this chapter, 'local' will refer to the level of local labor markets. These can be approximated using the statistical unit of "travel to work" area, which corresponds to an area within which the majority of the resident population works. At this level, local policymakers are best positioned to connect with local businesses, sectors and clusters, nongovernmental organizations, and community groups.

In many countries, Public Employment Services PES operate at the local level. In a recent survey, 80% of 73 countries reported having local PES offices, and some other countries used alternative forms of local service delivery, for example through branch offices (IDB/OECD/WAPES, 2016). Developing countries, notably in Africa, were more likely to report not having employment services at the level of local labor markets.

While operating at the local level is often a necessary condition for PES to better serve their clients, this alone is unlikely to be sufficient to address the complex challenges posed by current trends in the job market. In some instances, it is essential that employment services coordinate with other policymakers and agencies at the local level, particularly when addressing skills mismatch and promoting labor market inclusion of disadvantaged groups.

Addressing skills mismatch and avoiding the low skills trap

Recent OECD work has shown that major disparities often exist between localities in terms of both the level of skills of the workforce and the demand for skills by employers (OECD, 2016c). This can result in a variety of skills situations at the local level, as shown in Figure 13. Some local areas may find themselves in a position of imbalance, with a relatively high demand for skills and low supply of skills (skills deficit) or vice versa (skills surplus). In the bottom-left corner the supply of and demand for skills are both relatively low, creating a "low skills equilibrium" often characterized by a large share of low quality jobs in poorly productive firms. Local areas that fall into this category may be trapped in a vicious circle of unfavorable labor market outcomes as local employers do not have access to the skills they need to move to higher value-added production and individuals are not incentivized to invest in skills when they are not valued in the local labor market. To avoid this fate, local policymakers should consider ways to boost the skill supply and demand in a coordinated way. This requires a collaborative long-term strategy that involves partnerships within which PES can play a central role.



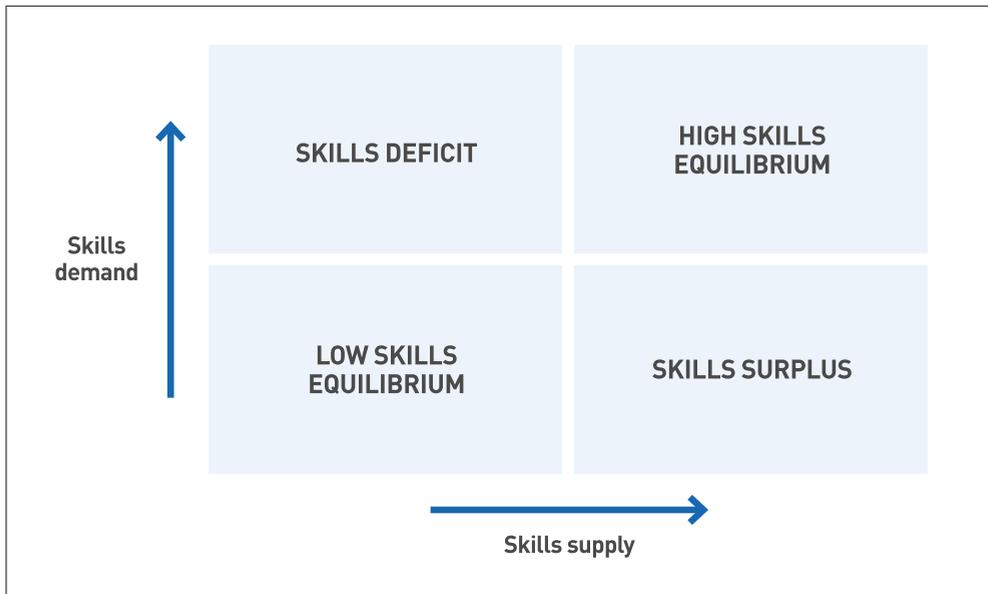


Figure 13: Understanding the relationship between skills supply and demand

(Source: Froy F and Giguère S (2010).)

Reducing skills mismatches in local labor markets has become a key policy goal in many countries given their high economic and social costs (ILO, 2013; CEDEFOP, 2014). But employment services cannot be expected to complete this essential task on their own. Aligning the supply of and demand for skills requires a complex combination of intervention, in which other labor market actors may have a key role to play. To name a few, skills identification requires high-quality LMI that PES may not have in-house; skills profiling, which aims to assess individuals' employability, can be supported by statistical and IT tools offered by various organizations; and life-long career guidance implies a range of activities by providers other than PES, such as competence assessment, advocacy, and mentoring.

On the supply side, employment services can coordinate interventions aimed at upgrading the skills of the workforce by linking up with training providers to offer a range of training programs that are tailored to the needs of their clients (classroom-based, training on-the-job, or off-the-job courses). When labor market demands are changing rapidly, PES can also facilitate job transition by profiling individuals' skills in a

way that focuses on transferable skills. To do so, it may be more effective to collaborate with organizations that have the capacity to measure and analyze large amounts of information on the level and nature of jobs and skills offered and demanded both in the short term and in the future.

On the demand side, PES may be asked to contribute to broader economic development objectives by boosting productivity and innovation within firms. At the local level, this can be realized not only by helping employers to fill vacancies, but also by encouraging human resources management practices that allow for the full use of skills in the workplace. Collaboration between employment services and research institutions may also be fruitful in helping local firms to translate applied research into new product, services, or production processes, thus shaping the demand for skills locally.

Labor market inclusion of disadvantaged groups

High levels of unemployment, particularly among certain disadvantaged groups such as youth and immigrants, remain a key labor market challenge in many countries. Encouraging the inclusion of those farthest from employment into the labor market is a particularly difficult task given the heterogeneity of individuals' profiles and the multi-faceted nature of the barriers that they face to access employment opportunities. The fact that PES are operating at the level of local labor markets is a crucial asset in this domain, as this proximity is a necessary condition for the adoption of a truly client-oriented approach. Yet proximity in itself is not enough. Strong coordination is required with other organizations working in fields such as training, education, housing, and childcare to provide a comprehensive response to the issue of labor market inclusion of disadvantaged groups.

In more remote local areas, it is obviously more difficult for PES to ensure sufficient proximity with clients. Yet it is often in the population living outside of the main urban centers and in rural areas that the greatest labor market challenges are observed. A place-based approach may be needed to offer services that are tailored to the specificities of these local areas. Partnership arrangements with local stakeholders may be the best option to deliver such services. Depending on the local context and the specific challenges and barriers faced by the local population, partners may include

local governments, private agencies, and NGOs. The latter may, for example, have an important role to play in reaching disadvantaged youths living in deprived suburban areas and showing a certain lack of trust towards traditional public institutions.

These two examples clearly show the benefits of adopting a horizontal approach that involves all those that have a stake in the labor market. In particular, PES should consider partnering with other actors and organizations to broaden their coverage of vacancies and workers, access external sources of information, and increase their capacity to address complex and multi-faceted labor market challenges faced by individuals and firms. Local or regional contexts are often ideal to build effective “coalitions of purpose” between various policymakers and organizations. In many instances, the search for good local data can be a catalyst for action, encouraging people to collaborate across policy silos to build concrete engagement around critical issues. For this reason, PES can play a central role in setting up partnerships at the local level, by acting as a focal point where detailed LMI is gathered and strategic decisions are taken by a range of local actors in a coordinated way. While a recent OECD-IDB-WAPES joint report (2016) provides a detailed picture of the potential partners for PES, the following section of this chapter will focus on the conditions required for the establishment of successful partnerships.

Conditions for successful partnerships

Building successful partnerships around Public Employment Services is not an easy task for several reasons. First, it requires that PES develop a strong culture of cooperation, which is not as straightforward as it may seem given that in most countries, these public agencies have been designed to carry out tasks for which they had overriding responsibility on their own, like inspecting the labor market. It also means breaking down policy silos within public administration and building trust between potential partners coming from the public, private, and not-for-profit sectors. There are a number of general factors to bear in mind when setting up partnerships (OECD, 2014):

- **Organizational structure:** To be efficient, a partnership should have a recognizable and autonomous structure to help establish its identity. The structure should have stability and permanence as well as flexibility, and it is helpful if there is a certain independence from political influence. It is also important to review lines of communication to ensure that all partners are kept informed and involved. Sufficient human and financial resources are also needed.
- **Preparation:** Preparatory work is crucial for developing a steady and effective partnership. Careful research into the local context in which the partnership will be operating must be part of this phase. The labor market challenges and opportunities of the area should be assessed and effective measures designed. One of the most important aspects of this phase is to identify the right partners and establish clear roles for each.
- **Work plan:** Partnerships need to develop a long-term strategy if they are to work effectively and last. When partnerships are set up at the local level, this strategy should include a vision for the local area focusing on the desired outcome, an action plan identifying shorter-term priorities, and a coordinated working program including activities and measures that will contribute to the achievement of long-term outcomes. The work program should indicate the interests and targets of all partners and include activities and measures that will contribute to the improvement of socio-economic and labor market outcomes.
- **Implementation:** In this phase partners are in regular contact to coordinate implementation, to extend and supplement the working program with new measures, and in some cases to test new approaches. Public relations activities should inform the wider public of the targets, activities, and measures of the partnership.
- **Monitoring:** A comprehensive monitoring system should be used to assess a partnership's achievements, determine improvements to be made, and adapt further planning. A partnership should be evaluated periodically and should publish reports to demonstrate the added value of its work (for more details, see OECD LEED Forum, 2006 p 25-28).



In addition to these practical aspects, the effectiveness of local partnerships largely depends on the existing foundations at all levels of governance. Governance mechanisms can play a key role in facilitating or impeding coordination efforts at the local level. Labor ministers of the G20 countries have acknowledged that robust cross-sector coordination is necessary to support job creation, particularly at the local level, and that such joined-up approaches require adaptable and flexible policy management frameworks to be effective (OECD, 2015).

For employment service actors to be able to take a leadership role in improving labor market outcomes in local areas while also meeting national goals, it is important that some degree of flexibility is introduced in the management of employment programs and policies at the local level. The OECD defines local policy flexibility as “the possibility to adjust policy at its various design, implementation, and delivery stages to make it better adapted to local contexts, actions carried out by other organizations, strategies being pursued, and challenges and opportunities faced” (Giguère and Froy, 2009)”. A notable difference exists between two types of flexibility: operational and strategic. Operational flexibility applies to the delivery of programs, and refers to the leeway given to individual PES officers to decide on the service that should be offered to a particular client. Strategic flexibility applies when local PES can adjust programs and policies to their local labor market and priorities agreed jointly with other partners. The achievement of strategic flexibility may require that national governments provide sufficient latitude when allocating responsibilities in designing policies and programs, managing budgets, setting performance targets, deciding on eligibility, and outsourcing services (Giguère and Froy, 2009).

Another important condition for PES to effectively contribute to employment and economic development objectives is the existence of local capacities, which have been found to be somewhat mixed among local PES offices (OECD/IDB/WAPES, 2016). Insufficient local capacity impedes not only the effective delivery of services to clients, but also the ability to make the most of the flexibility needed to design tailored programs and to coordinate interventions with other partners. Where capacity issues are observed, it may be necessary to invest in capacity-building activities before granting local flexibility.

Conclusion

In the coming years, Public Employment Services in all countries will have to deal with the immense task of improving short-term labor market outcomes while preparing people and firms for a new world of work that will be fundamentally transformed by digital technologies as well as globalization and demographic shifts. At the same time, Public Employment Services are increasingly expected to contribute to broader objectives of raising labor productivity and promoting inclusive growth at the national, regional, and local level. Given the complexity and multi-faceted nature of the challenges ahead, the approach and practices of employment services will have to evolve to make way for more horizontality and collaboration. In practical terms, this means opening up their governance, service delivery, and quality assurance to a range of actors in the public, private, and third sector. It is at the level of local labor markets that Public Employment Services are best positioned to partner with policymakers, local businesses, education and training providers, and NGOs to address challenges such as reducing skills mismatch and integrating people from disadvantaged groups into the labor market. While setting up partnerships in itself is not an easy task, the effectiveness also depends on the existence of appropriate governance mechanisms granting some degree of local flexibility to tailor employment policies and programs, as well as sufficient local capacities within local public employment service offices.

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The new world of work is characterized by globalized employment, a mobile yet vulnerable workforce, and the challenges of demography and rising income inequality. Technological changes in both the demand for and supply of skills have a cross-cutting influence on how labor markets develop. In this book, different stakeholders from international organizations in the private and public sector discuss which role Public Employment Services and Workforce Development Agencies ought to play in the labor market today and in the future, why cooperation is crucial, and what kind of support digital services and software can provide for a more effective and efficient delivery.

Managing Workforce Potential – A 20/20 Vision on the Future of Employment Services seeks to inspire decision-makers in and around the labor market to reflect on governance, services, and partnerships to better cater to the new world of work.

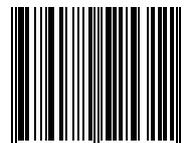
Why this book?

As a world leader in Public Employment software solutions, WCC believes in sharing knowledge. It is our vision that combining what we know and sharing this with the world leads to maximum value across the board. This is why we take initiatives to both exchange and expand expertise. For example, we started the PEPTalk webinar series, which provides a platform for Public Employment Services to share their knowledge about best practices and their vision on the labor market. This book is another example; with its publication, we aim to contribute to an all-round clearer vision on the developments in public employment.

*The term **20/20 vision** is used to express normal sharpness of vision. It means you can see clearly at 20 feet what should normally be seen at that distance.*



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