

WHAT ROLE FOR PRIVATE EMPLOYMENT SERVICES ON THE LABOUR MARKET?

Stefano Scarpetta

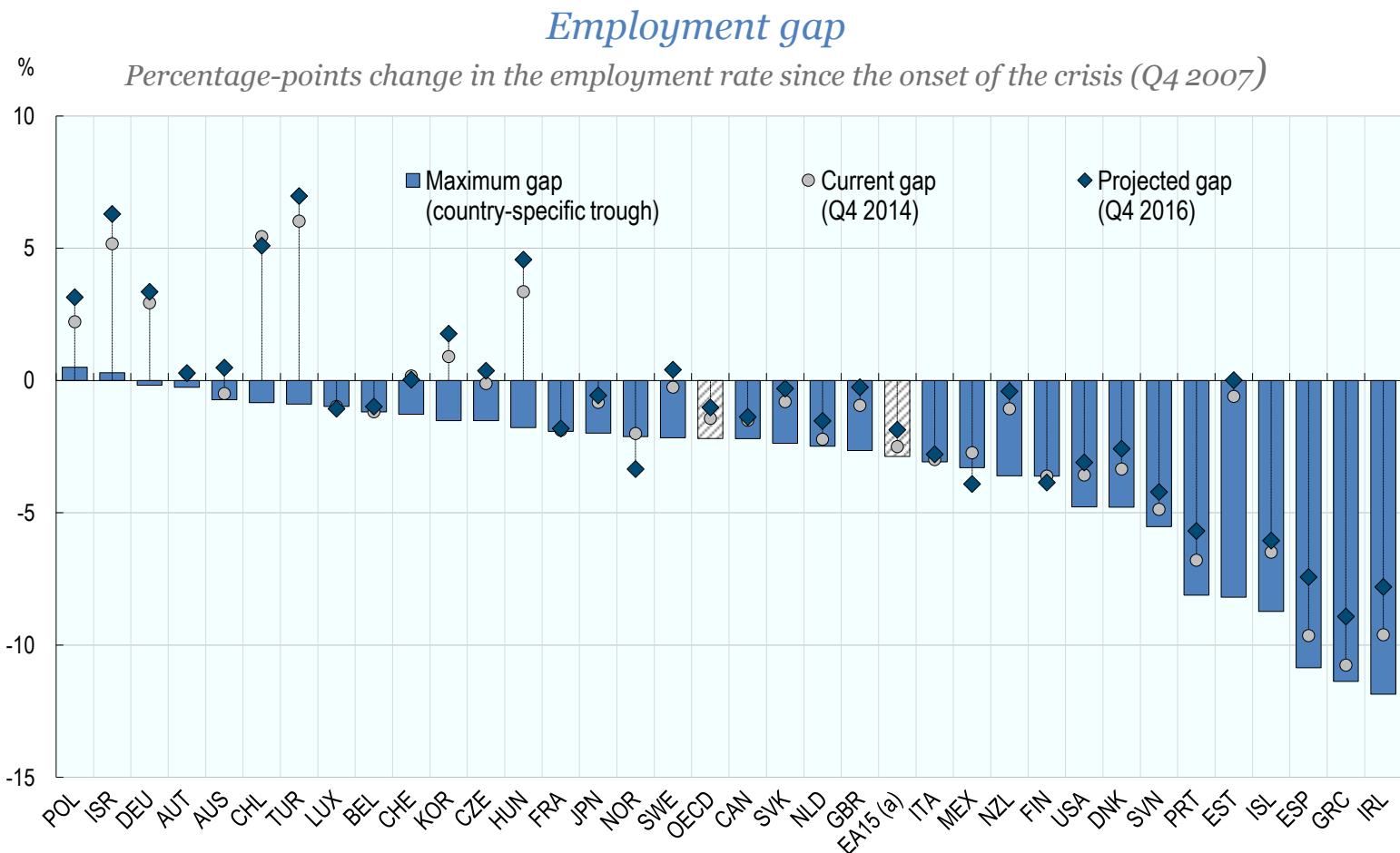
Director of Employment, Labour and Social Affairs
OECD



KEY CHALLENGES



The jobs recovery remains incomplete



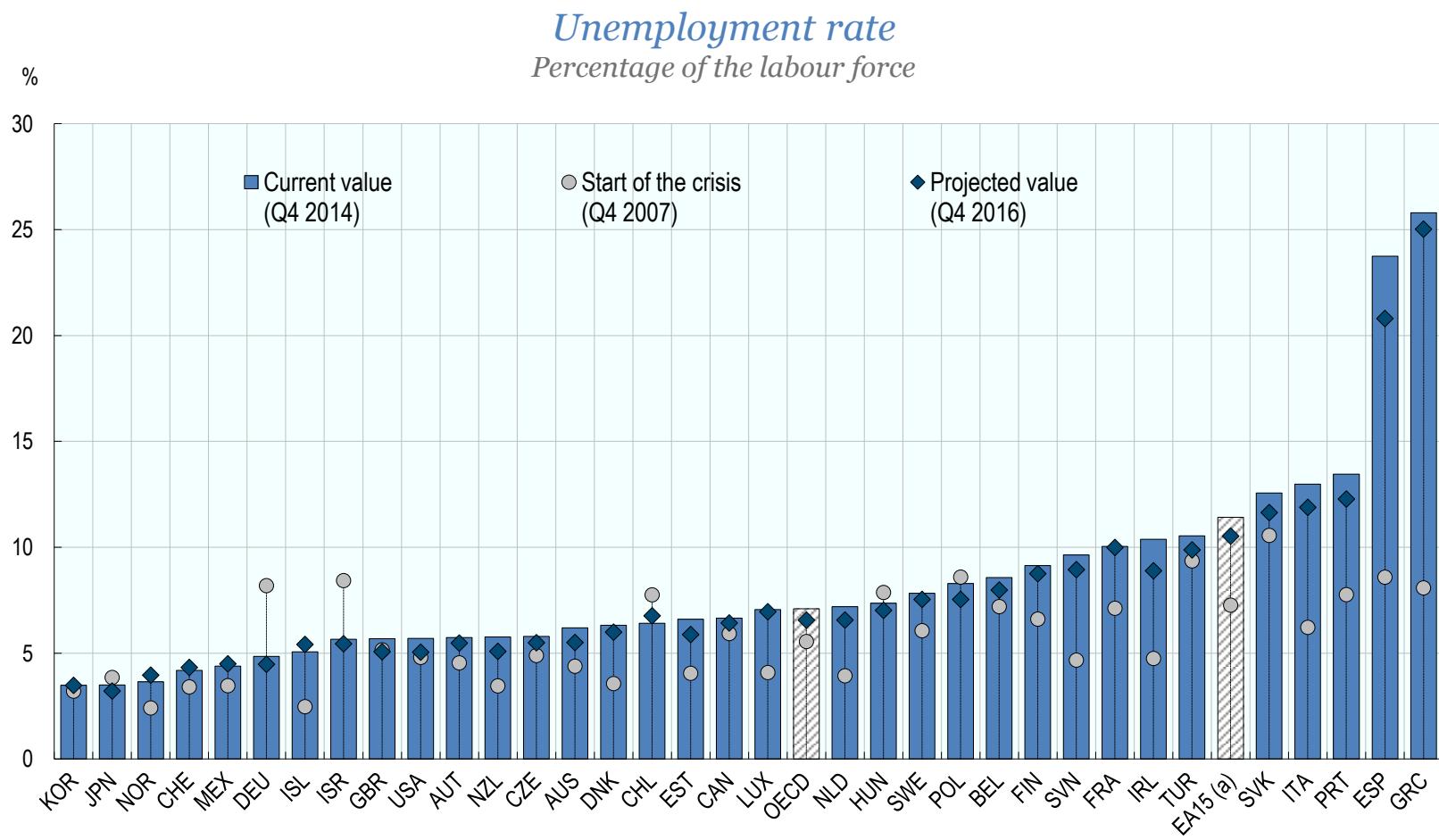
Note: Countries shown by ascending order of the maximum gap (country-specific trough).

a) Aggregate of 15 OECD countries of the euro area.

Source: OECD calculations based on OECD Economic Outlook (database), <http://dx.doi.org/10.1787/data-00688-en>.



Unemployment is declining but further progress is required



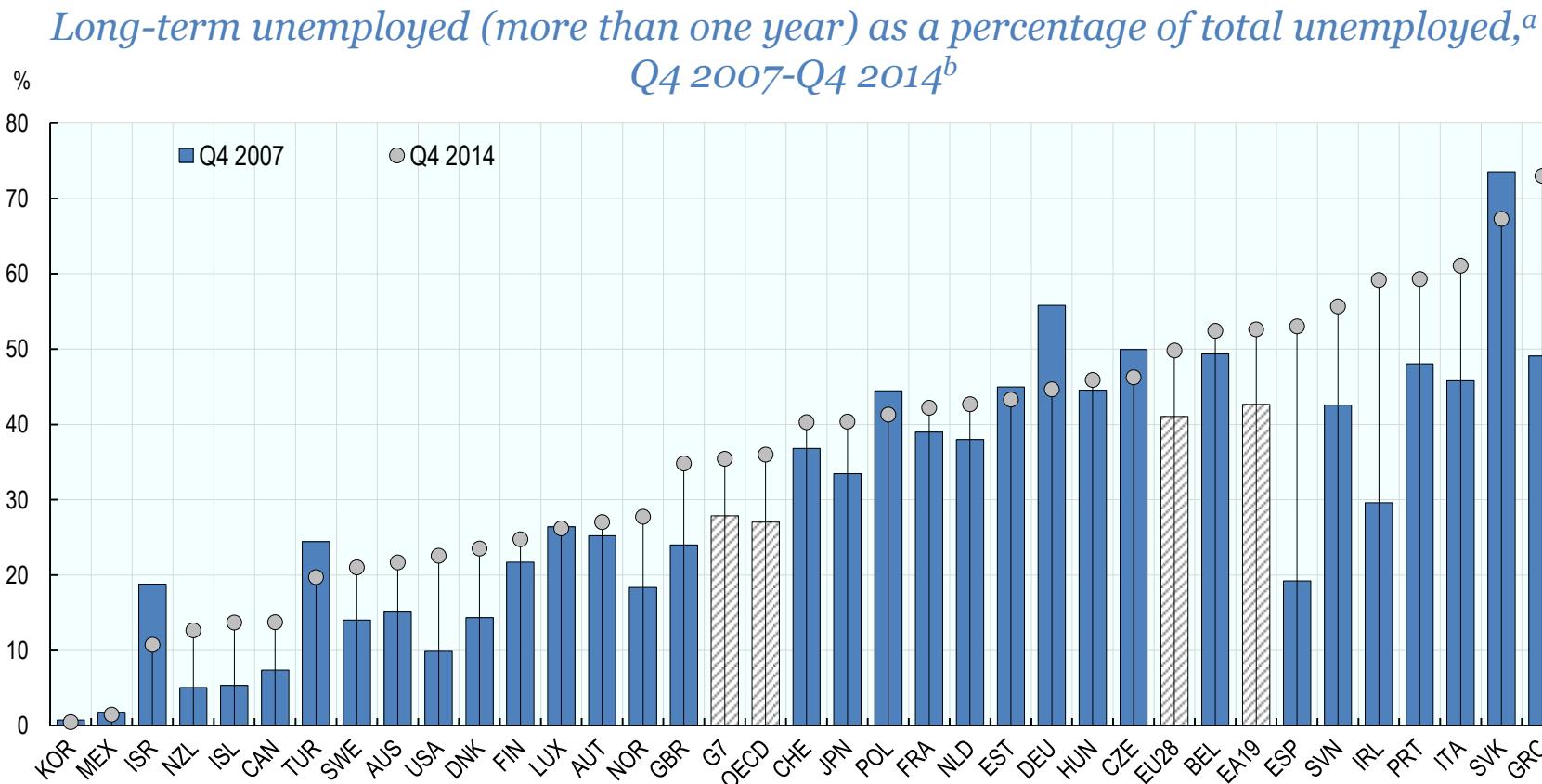
Note: Countries shown by ascending order of the current unemployment rate (Q4 2014).

a) Aggregate of 15 OECD countries of the euro area.

Source: OECD calculations based on OECD Economic Outlook (database), <http://dx.doi.org/10.1787/data-00688-en>.



Long-term unemployment remains persistently high



Note: Countries are shown in ascending order of the incidence of long-term unemployment in Q4 2014.

a) Data are not seasonally adjusted but smoothed using three-quarter moving averages. OECD is the weighted average of 33 OECD countries excluding Chile.

b) 2014 for Israel.

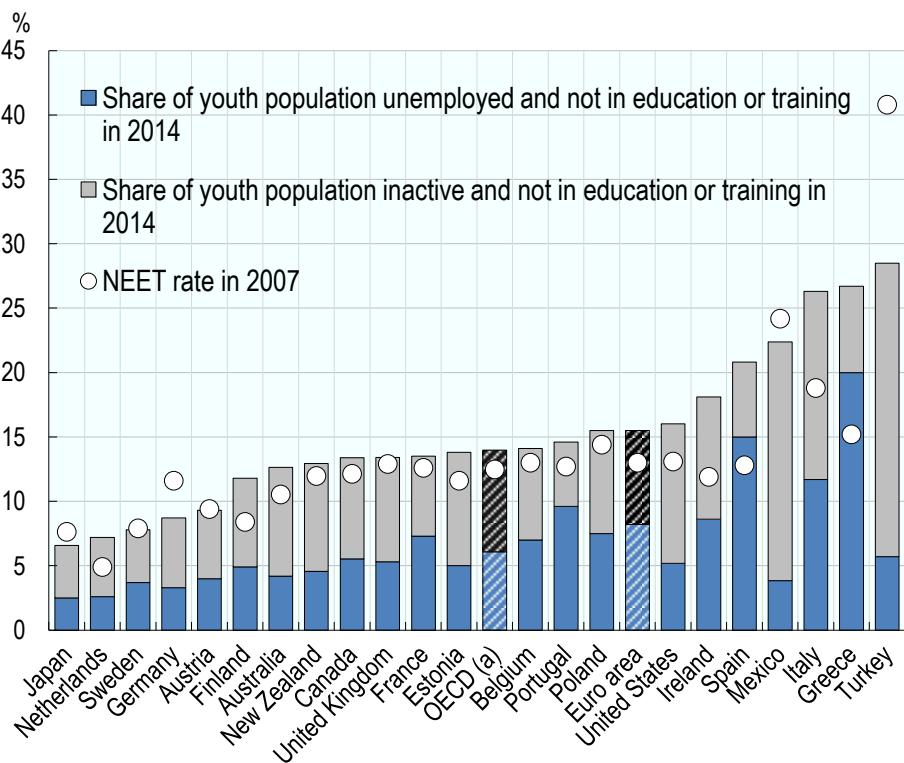
Source: OECD calculations based on quarterly national labour force surveys.



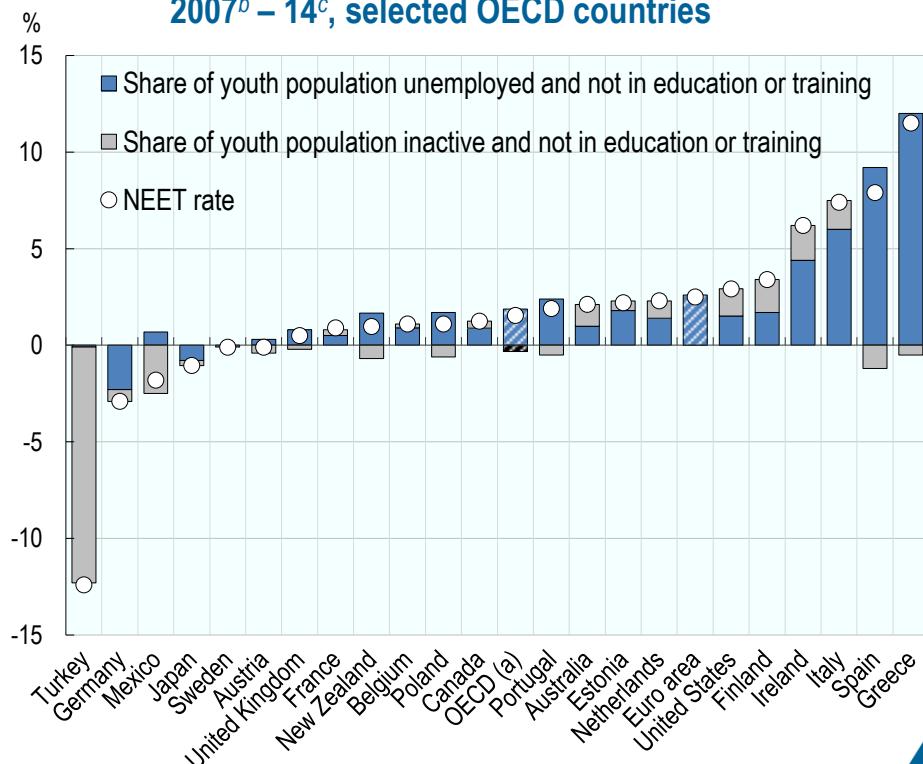
The NEET rate among youth has increased

Percentage of youth (aged 15-29)

A. NEET rate in 2014^c, selected OECD countries



B. Percentage-points change in NEET rate, 2007^b – 14^c, selected OECD countries



a) OECD is the unweighted average of 32 countries (excluding Chile and Israel).

b) 2008 for Korea.

c) 2013 for Korea and the United States.

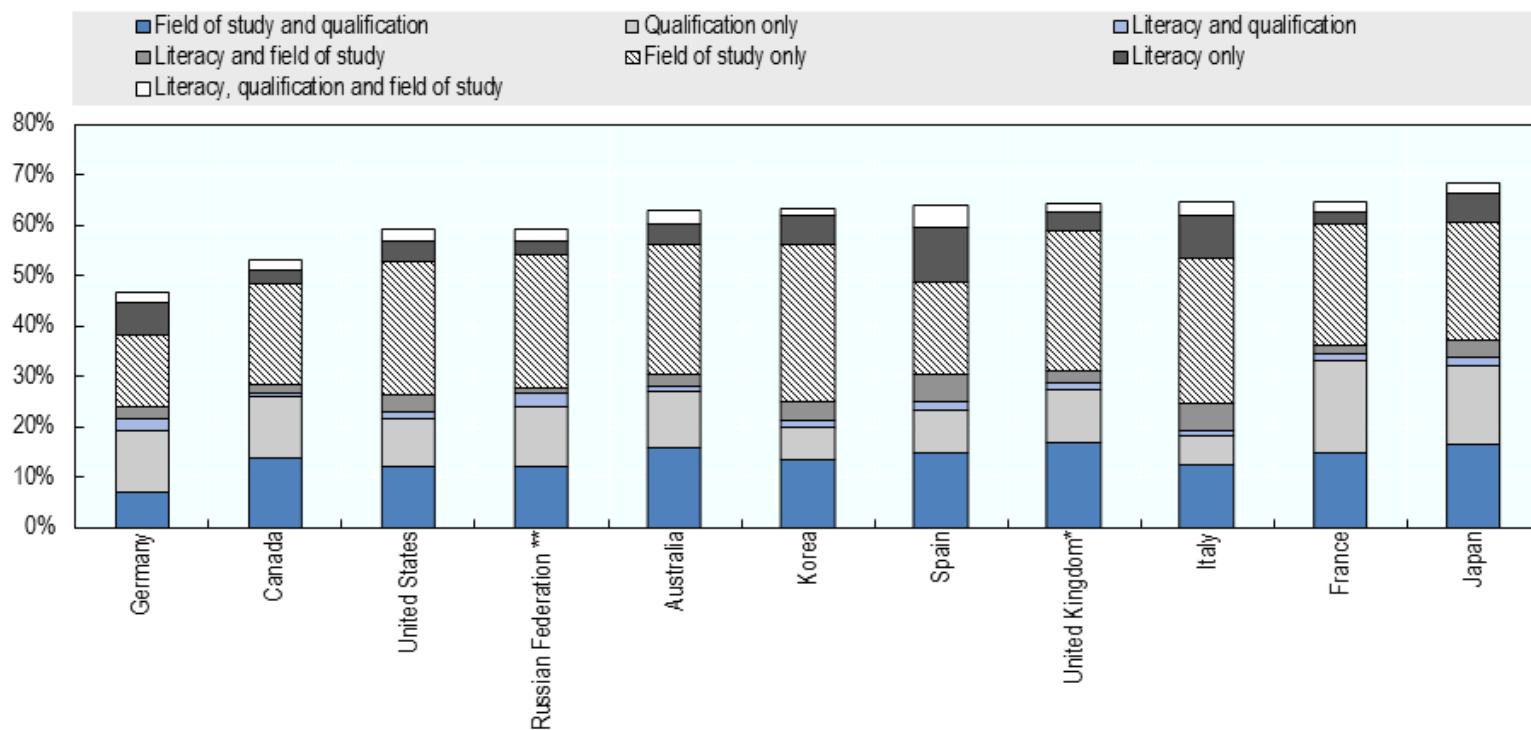
Source : OECD estimates based on national labour force surveys.



Mismatch is prevalent whether by skills, qualifications or field

Prevalence of skills, qualification and field-of-study mismatch

As a percentage of employed workers, 2012^{a,b}



*The OECD Survey of Adult Skills only covered Flanders (BEL) and England/N. Ireland (GBR).

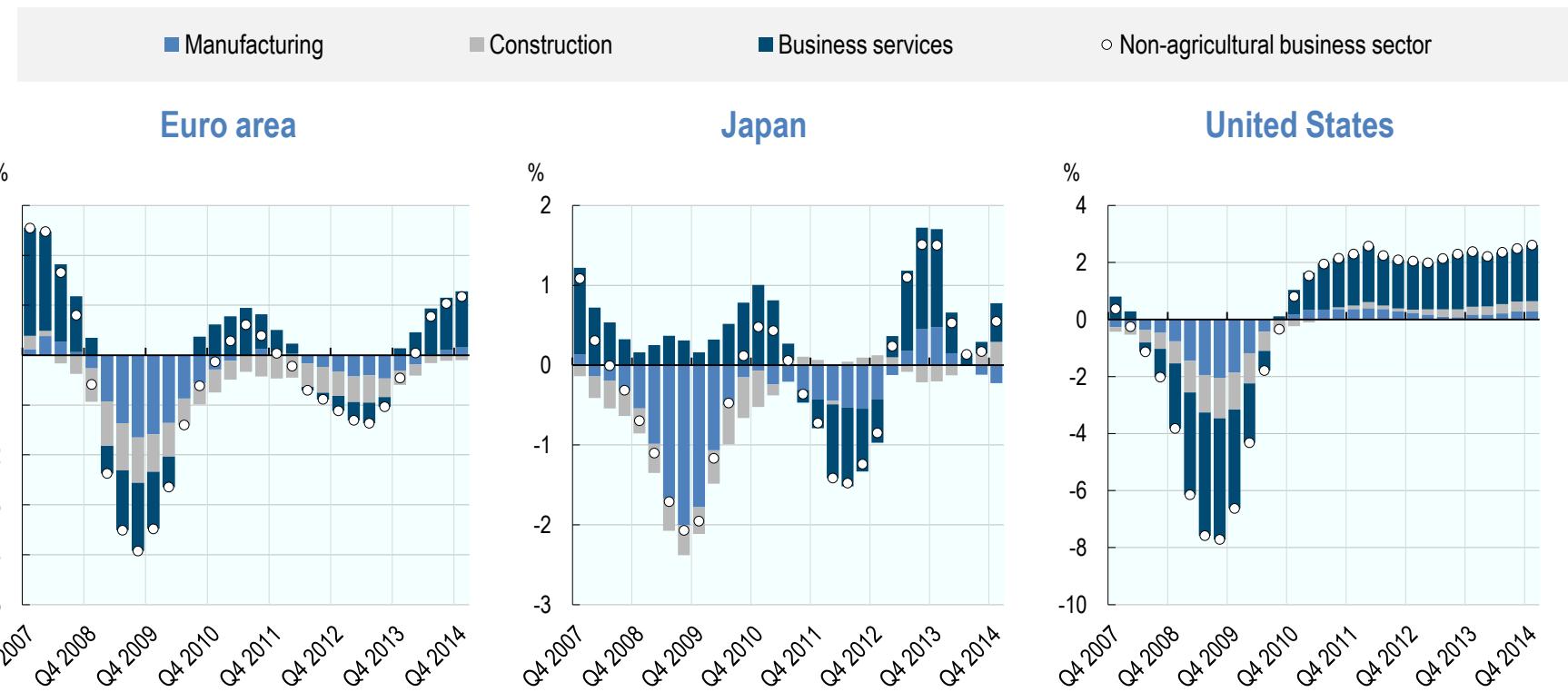
- a) Workers are classified as mismatched by qualification if they have higher or lower qualifications than required by their job; workers are classified as mismatched in terms of literacy skills if they have literacy proficiency exceeding or below that required in their job; workers are classified as mismatched by field of study if they are working in an occupation that is not related to their field of study.
- b) Occupation is only available at the 2-digit level in the ISCO-08 classification for Australia. It is not possible to assess the extent of field of study mismatch using the same definition used for other countries.

Source: OECD calculations based on the Survey of Adult Skills (PIAAC) 2012.



Many of the jobs destroyed as a result of the crisis will not come back in the recovery

Annual percentage change, employees in the non-agricultural business sector,^a Q4 2007-Q4 2014



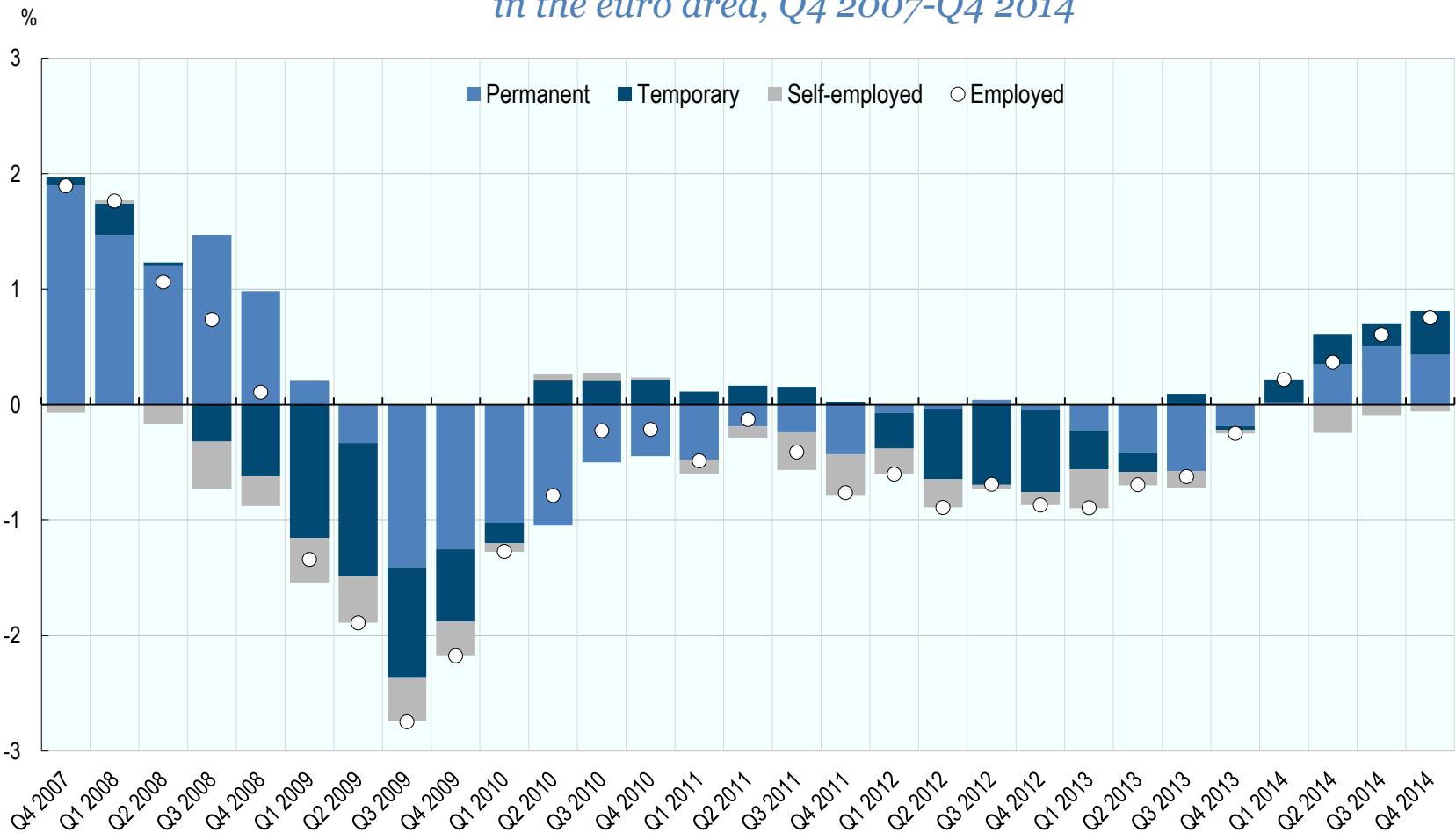
- a) Manufacturing refers to mining, manufacturing and utilities and business services to trade, transport and communication, accommodation and food services, financial services, real estate and business services.

Source: OECD calculations based on the European quarterly national accounts, on the Current Employment Statistics survey for the United States and on the labour force survey for Japan.



Changes in the composition of employment by type of contract

*Annual percentage change in total employment by work status
in the euro area, Q4 2007-Q4 2014*



Source: OECD calculations based on the European Labour Force Survey (EU-LFS).

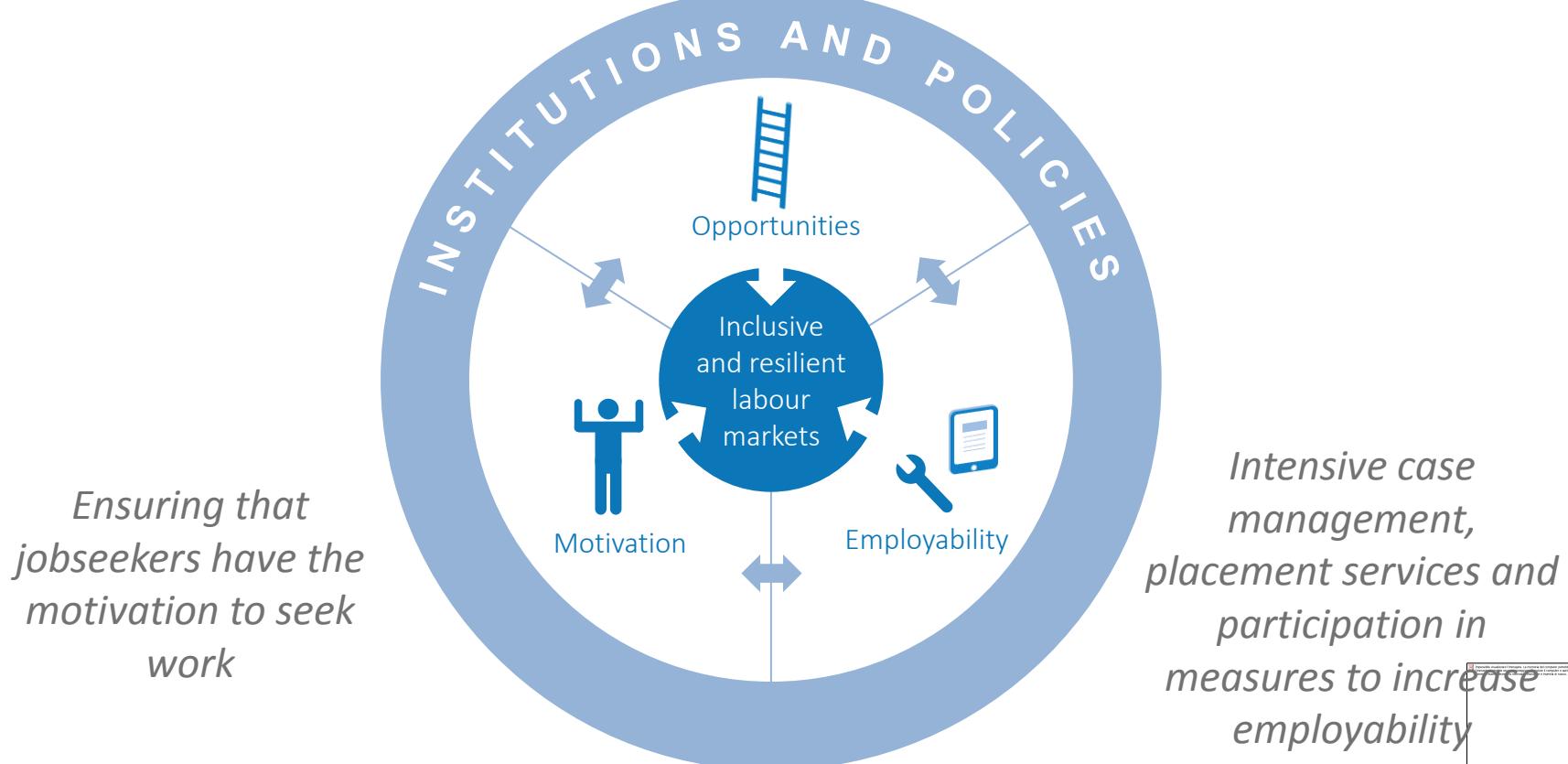


KEY BUILDING BLOCKS FOR FOSTERING MORE INCLUSIVE AND RESILIENT LABOUR MARKETS



The central role of the Employment Service

Addressing demand-side barriers and expanding employment opportunities for jobseekers





Effective and efficient labour market policies and institutions

How can the employment services achieve more with less?

Which role can PPPs and contracted out services play?

How to address the challenges of decentralised systems?

How to manage performance and ensure continuous improvement and learning?



Effective and efficient labour market policies and institutions

How can the employment services achieve more with less?

Far-reaching changes in NLD:
2/3 of local PES offices closed

Transition to e-services as one solution
(e.g. in EU, BRA, MEX, IND, DEU)

Saving costs, while also increasing service availability and accessibility?

E.g. through online benefit applications
(e.g. in AUS, GBR, TUR, ESP, and ITA)



Effective and efficient labour market policies and institutions

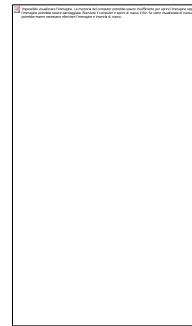
Which role can PPPs and contracted out services play?

Experience in AUS and GBR shows ...

Providers need to be paid on the basis of outcomes they achieve

Most-effective providers should be able to expand

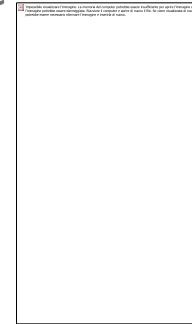
Accurate measurement of performance is key





Private agencies in the labour market

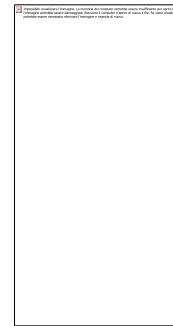
- Restrictions on private employment agencies relate to fees, types of employment, licensing by the authorities, etc. have been eased.
- Temporary work agency (TWA) assignments in OECD countries represent a fraction of total employment, but they account for large share of job starts in some countries.
- Significance of TWA work for the overall employment services:
 - Major source of job vacancies for the unemployed
 - TWA assignments may convert to a permanent post, or provide work experience that allows other placements e.g. “reverse marketing” of the hard-to-place unemployed
 - There is a risk of cycling between short-term contracts and benefits





Experiences with outsourcing

-
- PES often outsource a high percentage of their budget for individual jobseeker services, e.g. job clubs, training.
 - Where PES outsource the individual case management function, PrEAs tend to be one of the successful bidder.
 - Outsourcing of case management is structured variably, e.g.
 - Targeted on all registered unemployed vs. specific groups;
 - Voluntary jobseeker participation and freedom to switch provider at any time vs. assignment or multi-year commitment to the provider
 - Purchaser defines provider processes vs. provider autonomy (“black box”)
 - Fixed fees vs. payment for results; e.g. payment for 6-month job outcomes
 - Since the mid-2000s, the recourse to outsourced case management has increased in some countries, UK (Work Programme, 2011) and Ireland (JobPath, 2015). There is also some non-OECD business (Saudi Arabia).





Effective and efficient labour market policies and institutions

How to address the challenges of decentralised systems?

Usually, federal funding for unemployment benefits

Employment services managed by the regional or local level (e.g. CAN, CHE, ESP, ITA, DNK)

DNK: national authorities define key procedures

CHE & DEU: comparative benchmarking of local offices



Effective and efficient labour market policies and institutions

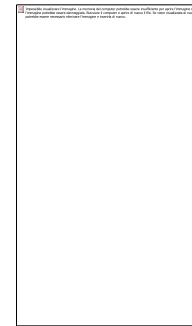
How to manage performance and ensure continuous improvement and learning?

Test locally and evaluate before national rollout

In OECD, expenditure on PES and ALMPs ranges from 0.01% to 2.1% of GDP

Performance indicators should show relation between inputs and final outcomes

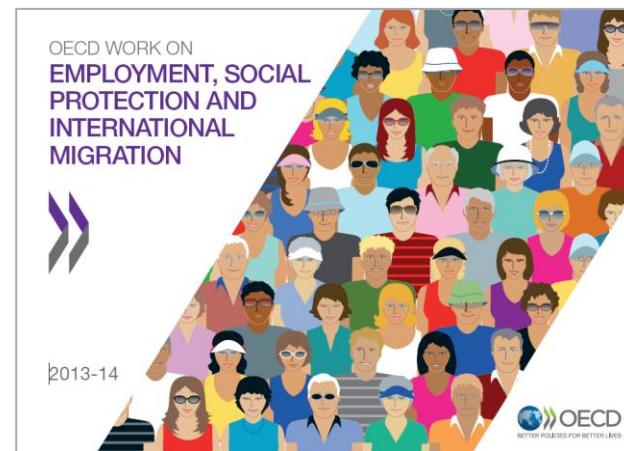
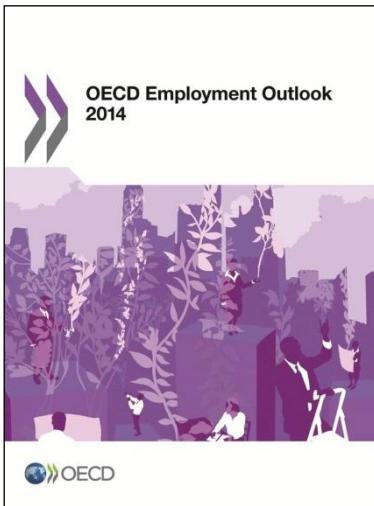
Evaluation is crucial to ensure effective and efficient spending





Thank you

Read more about our work



Email: stefano.scarpetta@oecd.org

Website: www.oecd.org/employment/outlook

Follow us on Twitter : @OECD_Social