



The Labor Market Information System as an Instrument of Active Labor Market Policies



Impressum

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InWEnt

InWEnt – Internationale Weiterbildung und Entwicklung gGmbH (Capacity Building International, Germany) – is an organisation for international human resource development, advanced training and dialogue. Established through the merger of the Carl-Duisberg-Gesellschaft (CDG) e.V. and the German Foundation for International Development (DSE), it can draw on decades of experience accumulated by the two organisations in the field of international co-operation. Its practice-oriented programmes are directed at specialist staff and managers, as well as decision-makers from business and industry, politics, public administration and civil society from all parts of the globe. Its Development Policy Forum arranges high-calibre international policy dialogues on subjects of current concerns in the field of development policy.

Division 4.01 of InWEnt has its seat in Mannheim and conducts on behalf of the Federal Ministry for Economic Cooperation and Development (BMZ) advanced training programmes. Under the banner of “sustainable development”, its work focuses on questions of technology cooperation, system development and management in the field of technical and vocational education and training. Its dialogue and training programmes are targeted at decision-makers from the public and private sectors, junior managers and multipliers from vocational training systems.



Introduction

From 2003 onwards, InWEnt's Division Technological Cooperation, System Development and Management in Vocational Training is to present a series on everyday practice in vocational training.

The intention of this series is described in the title itself ("Beiträge aus der Praxis der beruflichen Bildung" = series on everyday practice in vocational training). The division aims to support its programs of international personnel development in the above-mentioned areas with technical documentation in both printed and electronic form.

These reports

- > originate in the partner countries, taking into account specific situational demand
- > will be tested with and for experts in vocational training in the partner countries in conjunction with respective practice-oriented training programs on offer, and
- > with a view to global learning, will be improved and adapted prior to publication according to the recommendations of the partners or the results of the pilot events.

Thus, the Division Technological Cooperation, System Development and Management in Vocational Training is applying the requirements of InWEnt's training program to its own

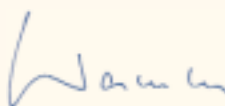
products in the above faculties: i.e. these can only be as good as their practical relevance for the experts of vocational training systems in the partner countries.

To this effect, we look forward to critical and constructive feedback from all readers and users of these special series.

This manual is one of an entire series of InWEnt publications that have been produced as a result of training seminars and courses carried out in cooperation with vocational training institutions in various countries. This manual is based on a workshop on labour market policies and vocational training held in Iran.

In the workshop participated among others chief executives of the Ministry of Labour, the Ministry of Education and further policy makers. They made valuable comments and asked just the right questions and contributed therewith to the present work of Ms. Silke Woltermann.

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An introduction to labor market policies

Labor is the primary income generating asset for the majority of a country's population. On the other side, labor is one of the major production factors in all sectors of an economy. The labor market is coordinating both the allocation of incomes and the allocation of labor as a production resource. Distortions in the labor market are therefore affecting the well-being of a large part of the society.

Persistent unemployment creates individual and social costs. As people lose their resources for living, some might drop below the poverty line and especially children suffer when their parents are unemployed. Long times of unemployment lead to losses in human capital and to psychological problems like depression.

Bad job matching poses other problems for the growth of an economy. The productivity of a worker and thereby of the company is reduced if the worker's skills are not the ones needed for the job he is exercising or his level of education and training is too low to perform well. People with high skills who are only able to find low skilled jobs are equally less productive, as they are in a way underemployed. Better quality matches do not only lead to higher productivity but also tend to increase the worker's and employer's satisfaction and by this the employment duration. The resulting lower labor turnover reduces the loss of skills and the cost of hiring new workers.

Labor markets can be distorted because of many factors. Some of the major factors are:

- > lack of information about job vacancies
- > lack of information about skills required by employers
- > mismatches of labor supply and labor demand
- > discrimination
- > inadequate levels of labor market regulation.

The state can take an active role in improving the functions of the labor market by implementing labor market policies. There are different policy instruments that can be used to increase the effectiveness of job searchers concerning the cost, speed and quality of job matches. Like in other markets, availability of information is essential for the function of the labor market. Labor intermediation services like a labor market information system (LMIS) reduce the job search costs for both workers and employers by improving the information flow between the labor demand and supply sides concerning available jobs and skills needed. A LMIS is also necessary to collect the labor market information governments need to formulate adequate labor market policies. Once policies are implemented and institutions are created, labor market information is necessary to monitor and evaluate these policies and the performance of institutions.

As the structure and problems of labor markets vary from country to country, the functions and forms of a LMIS have to be adapted according to the country's requirements. There is no general blueprint for the one and most effective LMIS.

This brochure aims to give a general idea about the functions and potential of LMIS.

What is a Labor Market Information System?

The LMIS is an active labor market policy instrument that collects, evaluates and provides labor market information to both the labor supply side and the labor demand side. The implementation of a LMIS is aimed at the following strategic targets:

- > nationwide transparency concerning supply and demand on the markets for labor and vocational training,
- > fast access to job offers and job requests, acceleration of the matching process by fast access to job offers and job requests for both employers and job-searchers
- > use of all available possibilities to support labor market functions
- > uncomplicated and red-tape-free ways of communicating offers and notices.

Why is the LMIS important?

The LMIS helps to reduce the information deficit on the labor market, so the labor market can work better:

- > If people do not have information about job openings, they may stay unemployed.
- > If people do not have information about professions, they may choose a profession where there is no demand for workers.
- > If more persons find jobs, their income increases and therefore the general well-being of the society increases.
- > If more persons make the right job choice and companies get the right workers, productivity increases.

Figure 1 shows an optimal labor market with a perfect information flow between job searchers, employers offering jobs and the institutions offering training and qualification programs. This would be the case if each of the three parties had complete and immediate information about the supply and demand of the other two parties (and when wages would adjust immediately, but wage flexibility is not within the scope of a LMIS and is therefore not discussed here). This idealistic labor market does not exist in any country of the world. Instead, we can observe that the information flow is poor and in some cases completely interrupted as shown in Figure 2. The implementation of a LMIS can reduce the information deficit by identifying the blocked channels and providing the missing information, see Figure 3.

Figure 1 Optimal Labor Market

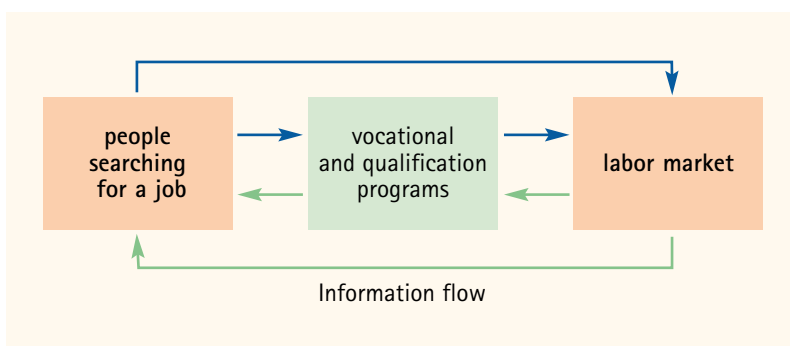
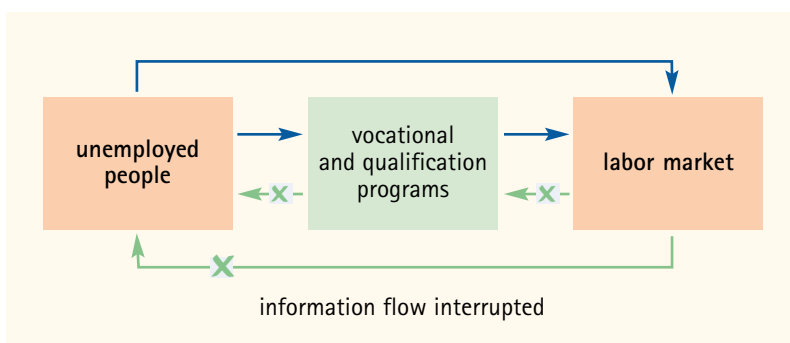


Figure 2 Labor Market with Information Deficit



The LMIS in the field of labor market policy instruments

Labor market policies are a government's instruments to influence the function of the labor market by reducing occurring distortions. They shall lead to a flexible labor market that is able to adapt in appropriate time to changes in labor demand. They also shall reduce the social costs of unemployment.

Labor market policies are divided into two major groups, see Figure 4 on this page. The first group contains instruments like the LMIS which actively influence the flow of information and thereby the matching process. Training and qualification programs and subsidized employment programs are two other types of active labor market policy instruments. This category of labor market policies is called active labor market policy.

In contrast to the active instruments, passive labor market instruments have the purpose to prevent unemployed individuals from falling below the poverty line and to allow for a more effective job search by providing benefits. In some countries, benefits are paid by the unemployment insurance; others additionally have unemployment assistance programs. In some countries, none of these programs exist and sometimes a social security system takes over the functions of passive labor market policy instruments.

Figure 3 Functions of LMIS

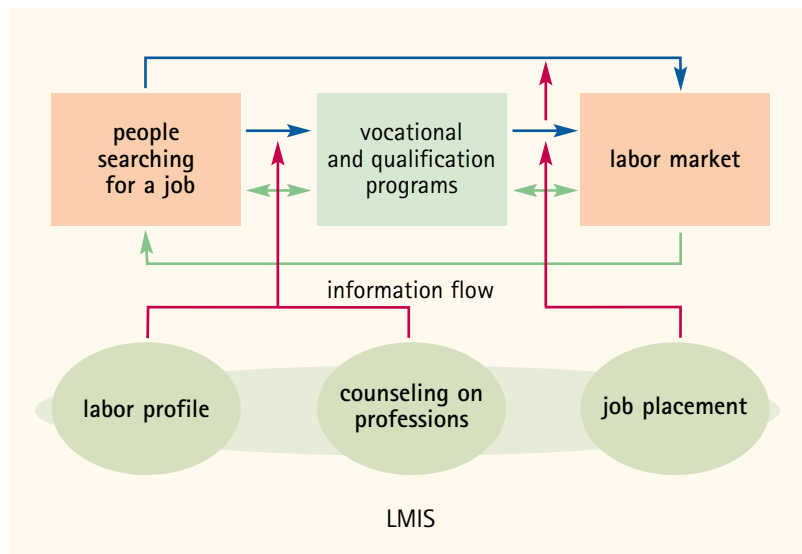
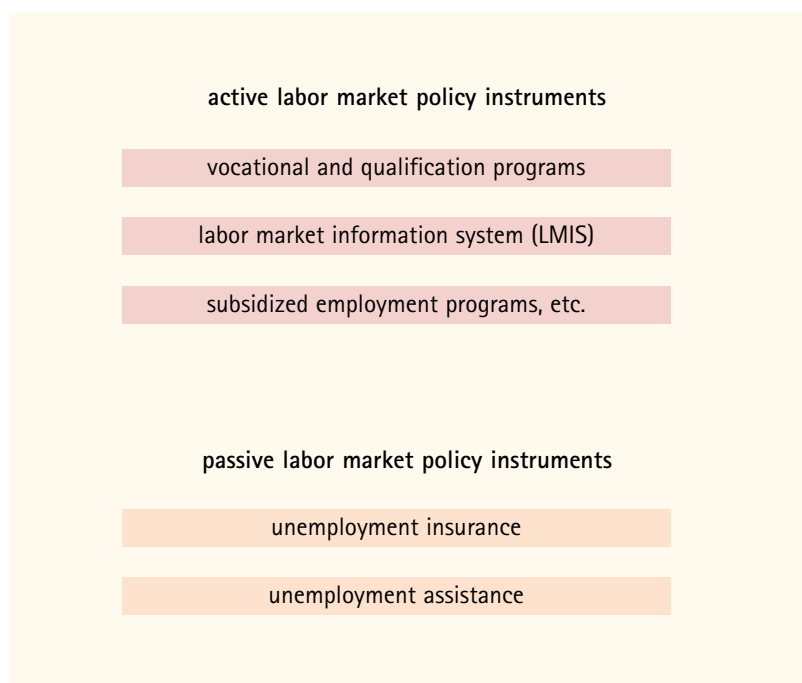


Figure 4 Labor Market Policy Instruments



Determinants of employment and the role of the LMIS

The level of employment and its growth rate depend on many different determinants. Figure 5 on the following page shows the main factors of influence. In reality, there are many more channels of impact between the depicted factors but for the sake of lucidity only the basic connections are shown. For the same reason, the financial market with its important function of providing access to credits for investors is completely left out in the figure. None the less, it plays of course an important role for the creation of jobs by affecting the creation of new businesses and the adaptation of the sectoral structure of an economy to the changing structure of demands on national and international goods and service-markets.

Labor market structure and flexibility

A labor market is flexible when the structure of wages and skills adapt to changes in the demand of labor resulting from changing demand for the goods and services labor produces. Labor market flexibility is essential for the smooth allocation of labor without prolonged times of unemployment and cuts in productivity. Rigidities in the labor market may arise from the way a labor market is organized.

The structure of the labor market plays a major role for the **flexibility of the labor market** and therefore also for the development of the rate of employment. The structure is, on one side, determined by legal factors like the set of **labor market regulations** and labor codes implemented. Such regulations may comprise **labor market legislation** concerning minimum wages, working hours and severance payments. Setting, for example, minimum wages too low will lead to increased social costs in form of poverty and hunger, setting them too high will, on the other side, lead to a reduction of jobs for the low- or unskilled part of the labor force. Another type of regulation influencing labor market flexibility are regulations on **non-wage labor costs** like compulsory social security contributions and payroll

taxes. High non-wage labor costs tend to reduce the creation of new jobs. The impact of the labor regulations then depends on the degree of enforcement and the possibility for both the labor demand and the labor supply side to claim these rights at the labor courts or other responsible institutions.

The **degree of unionization** is another factor affecting labor market flexibility. Unions play an important role in improving working conditions and increasing job security for their members. On the other side, the negotiated wages may in some cases increase wage rigidities and turn the labor market less flexible.

The impact of the LMIS on the structure and flexibility

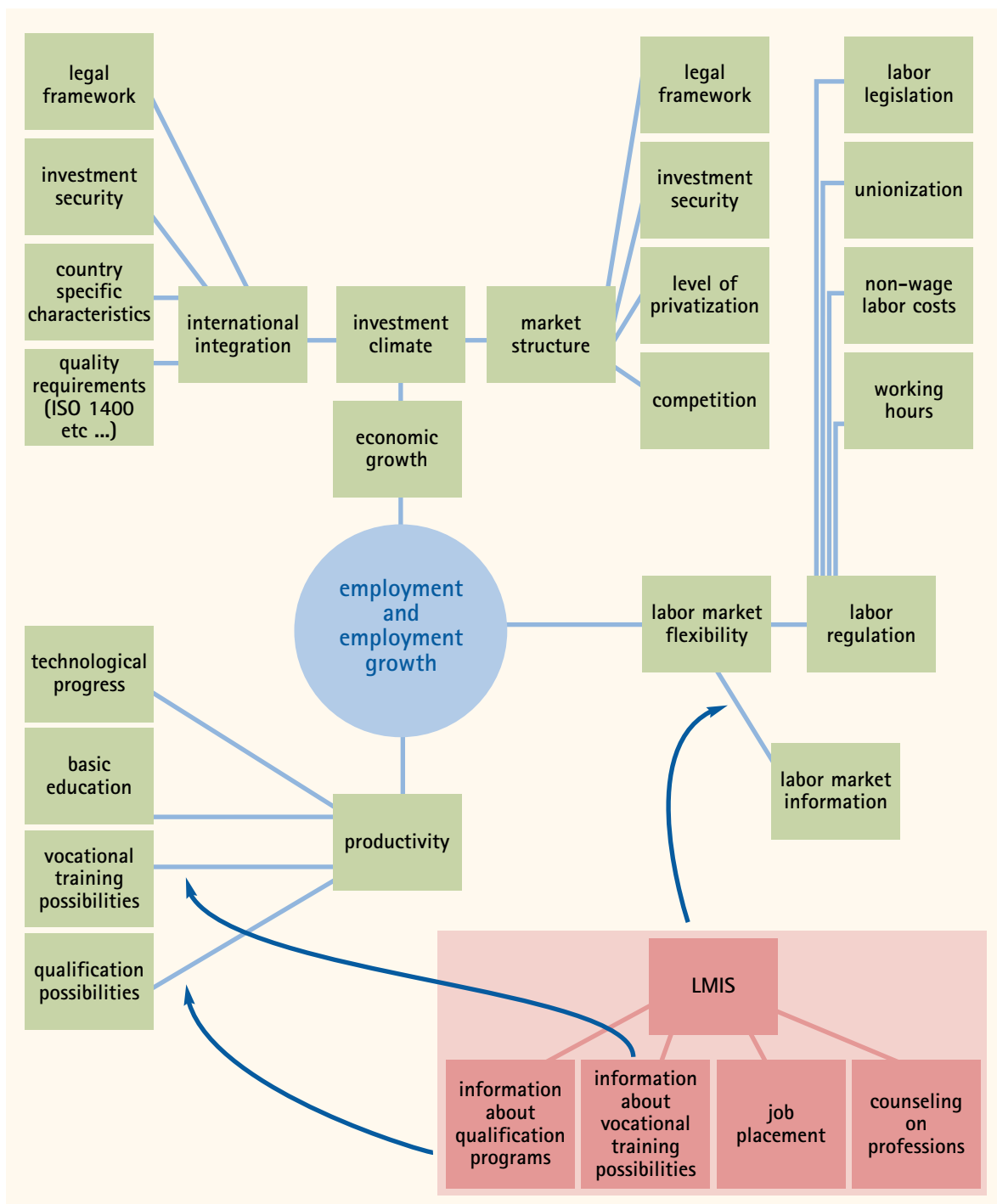
The LMIS has a positive impact on the information flow within the labor market by collecting, evaluating and providing information to all parties in the labor market. It does not directly change labor market regulation but may, by providing information, lead indirectly to changes improving the labor market functions.

Economic growth

The level and growth rate of employment also depend on the overall economic growth rate of a country. When the demand for goods and services is rising, the demand for labor will also rise.

Growth itself is affected by various factors. One is the attraction for investment that means the ability of the national market to attract investors. A market structure allowing for and promoting private activity and providing a legal framework is of major importance for the attraction of investors. Enforceable laws regulating property rights, taxation and the activities of the market partners increase investment security. The degree of market liberalization and the level of privatization influence the amount of competition on the market and by this the productivity of companies. More productive companies make more profits and tend to expand and create

Figure 5 Factors affecting the rate and the growth of employment



more jobs. They also invest in better production technologies and increase the demand for higher skilled and therefore better paid labor.

The level of international integration is another important factor for economic growth. Better integrated countries attract more foreign direct investment and tend to have more joint ventures. Whether a country is attractive for international investment and trade depends, equally as for national investment, on the legal framework determining investment security and the degree of enforceability of these laws. Country-specific characteristics like the existing infrastructure, climate and other geographical factors are important, too. The level of education of the labor force is another important factor, especially with rising international quality requirements laid down for example in the ISO 14000 certifications.

Productivity

As already mentioned above, higher productivity makes companies more competitive. They can sell their products in more markets and they can sell more of them. Higher profits lead to expansion of production and to investment in better production technologies and, in larger firms, in research and development activities. Better technologies require better trained workers and so increase the demand for a better educated labor force. The quality of the labor force is determined by the quality of primary and secondary basic education and of the possibilities of technical and vocational training and qualification programs offered and by the quality of these programs.

The impact of the LMIS on productivity

By informing students, unemployed and workers about new professions and the skills required to exercise them, the labor supply side is informed about the requirements and changes of requirements of the labor supply side. The LMIS should

also provide information about vocational training possibilities and qualification programs. Additionally, it can provide counseling to help people to find out their individual professional profile so that they may choose professions according to their skills and preferences. This service has an important impact on work satisfaction and by this on labor turnover, productivity and the reduction of unemployment.

The vicious circle of low skills and too high labor turnover:

In many countries, the labor turnover of low- and unskilled workers is very high. This is a problem that leads to a so-called vicious circle: If a certain group of workers is prone to short working spells, they will experience an accumulation of human capital below the average rate. There are several reasons for this. Workers which stay only for a short spell have less time to understand all the work processes. And part of the skills they learn will be firm specific knowledge that they probably will not be able to use in their next job. In the short spell, they are not always able to build social contacts enhancing the flow of information and enabling them to learn more in a shorter time. Employers will anticipate the short work spells and are reluctant to provide training and qualification for the group of workers concerned because they assume that these workers will be leaving shortly after or even before the courses end. The unskilled workers are always dismissed first in case of economic problems and production adjustment because this group has the lowest firing and hiring costs. Once an employer invests in a worker, firing costs increase because he will have to pay again to train a new worker.

So low skills lead to a low probability of receiving training, and therefore to a higher probability to be dismissed. This represents a vicious circle for low-skilled workers: low chance to learn more skills leads to short-time unstable jobs with low or no training...

What can LMIS do and what not?

To fully assess the application potential of a LMIS, the reasons for unemployment and the resulting different types of unemployment are of importance.

What is unemployment?

There are many different definitions and criteria used to define when a person is unemployed.

The economists' interpretation:

"Anyone who is not working but would be willing to work for the prevailing market wage." (Ehrenberg (2000), p.560)

A more pragmatic approach taken by most government statistics and the ILO and World Bank:

"Anyone who is not working at the time he is asked (sometimes the previous month, sometimes the previous week) but who has been actively searching for a job." Sometimes, there is disagreement about what the term "actively" means.

Types of unemployment

Different types of unemployment can be distinguished:

1. frictional unemployment

arises because labor markets are dynamic and information flows are imperfect. This type of unemployment even may be present when there is full employment as the labor market is dynamic and readjustment takes some time. Usually, frictional unemployment is of rather short duration.

2. structural unemployment

occurs because of changing patterns of labor demand, for example when new industries emerge or already existing industries are closed down, causing long-lasting imbalances in labor demand and supply. There are two different types of structural unemployment:

- > Occupational unemployment arises when there is a mismatch between the skills demanded and skills supplied within an area and the cost of obtaining the necessary skills are high.
- > Regional unemployment arises when unemployed workers in one region are not aware of vacancies in another region, and when money costs of moving or psychological costs of being far away from family, friends and their own community are high.

3. cyclical (demand-deficit) unemployment

occurs when a declining aggregate demand in the output markets leads to a decline in the overall demand for labor. The effect of such a downward business cycle is the stronger the less flexible wages are.

For what type of unemployment is the LMIS helpful?

The LMIS can reduce frictional and structural unemployment of the regional type in the short run by providing information about vacancies and so improving the job matching process.

In the medium and long run, structural unemployment of the occupational type can be reduced by providing information about the changing labor demand and the new skills required by new industries or service companies. Information about vocational training and qualification programs and the evaluation of individual job profiles are further actions to reduce the individual costs of adaptation to the labor demand. Together with other labor market policy instruments like training scholarships or moving subsidies, the LMIS can increase the mobility of the labor force and reduce structural unemployment.

When cyclical unemployment is prevailing, the reason is not missing information about vacancies that cannot be filled or a mismatch of skills but a reduction of aggregate demand in the output market and rigid wages. In this case, a LMIS has no influence on the rate of unemployment. Here, government actions to improve the economic performance or employers cutting working hours instead of employment posts are more appropriate to reduce the rise in unemployment.

Can LMIS create employment?

Labor intermediation services like the LMIS can significantly improve the flow of information in the labor market and thereby fulfill a number of useful

functions. But it cannot itself generate any employment. If all the unemployment in a country is cyclical, if there are no vacancies because of a deep recession, the LMIS has no power to address these underlying economic problems. In these cases, other instruments stimulating growth, reducing prevailing wage rigidity or reforming possibly too restrictive labor market regulations are often more productive to find ways out of the unemployment crisis.

The Functions of the LMIS

The LMIS may have different functions, according to the requirements of the national labor market. Generally, the following functions are associated with the LMIS:

- > to improve job placement and matching
- > to provide information on professions and training
- > to help people to develop a job profile and to develop skills for searching and applying for jobs
- > to collect and evaluate information necessary for governments to be able to formulate labor market policy and to identify focus groups.

The job placement and matching function of the LMIS:

Job placement is one of the core labor market intermediation services provided by the LMIS. By providing a pool of job market information, both employ-

ers and unemployed have easy access to labor market information:

- > Individuals searching for a job can find information on existing vacancies and the requirements for the jobs offered.
- > Employers have access to information about individuals searching for a job and their personal skills.

The efficiency of the job placement service relies on the existence of a database containing as well information about vacancies as information about the professional profile of job seekers. The data has to be as recent as possible. The more vacancies and seekers are registered in this database, also across regions, the more effective the job matching may be performed as the probability of encountering the right worker for the right vacancy increases. The maintenance of this database is quite labor intensive but crucial for the functioning of the job place-

ment service. Additionally, the staff using the registry has to be skilled in finding good matches. A badly maintained database with obsolete, invalid or erroneous information will deter employers from posting further job offers and searching individuals from requesting the service.

Improving the information flow

The LMIS is in a good position to collect and evaluate labor market data as it provides a central market place where individuals can offer their labor force and provide information about their skills and employers can offer their vacancies and provide information about working conditions, hiring requirements and skills needed. If no national employment survey is installed, the LMIS may be the primary source for labor market information.

The central collection and provision of information reduces the search costs for employers and job searchers equally. The easy access to this information is a crucial factor for the reduction of costs. The different ways the access may be provided is therefore very important for the acceptance of the LMIS by both job searchers and employers. A more detailed discussion of different information channels follows in the section describing the organizational forms of the LMIS.

General information on the different professions

The job placement service is most efficient for job searchers who already have exercised a profession, who probably received a profound training for it and wish to continue within this profession. But for other groups of searchers like young adults, the kind of profession they would like to exercise is far less obvious. Individuals belonging to this target group need to start one step earlier by first identifying the area they would like to work in. To do so, they need more general information on the professions offer-

ring an income generating future for them. They will need answers to the following questions:

- > What are the requirements and skills necessary to work in a specific profession?
- > Which professions are existent for different levels of education?
- > What are the wages in different sectors?
- > Which areas of the economy are growing so that the probability of finding a job is good?
- > What are new areas and new professions, for example in the service sector or in the information technology sector?

Next to the general information on the professions, the job searchers will usually need additional information about the possibilities to obtain the skills needed for the specified professions. This leads to another kind of labor market information an LMIS should provide: information on vocational training and qualification programs.

Information on vocational education and training

Persistent youth unemployment is a problem occurring in many countries, and youth unemployment levels frequently are much higher than those of adults. In some countries, this is not apparent at first glance as many young people take up poor-quality jobs in the informal sector (O'Higgins 2001).

Providing information on vocational training possibilities like courses offered by public or private training organizations is therefore an important function of the LMIS. This type of service is usually aimed at young adults and all individuals wishing to enter the labor market for the first time. But sometimes also workers who were occupied before in professions that are not requested anymore wish to restart their career in a completely different professional field and need information on vocational training.

Next to the general information on professions, young people and newcomers will need special information on how to enter the labor market:

- > information on schools for professional education
- > information on public courses for vocational training
- > information on companies offering job openings for beginners
- > which professions are existent for different levels of education
- > what are the requirements to be able to exercise that profession

Information on qualification programs

Unemployed individuals with work experience may have special requirements to be able to find a new job:

- > if their former profession is not demanded any more,
- > if they cannot work in their old profession any more because of physical problems,
- > if they are unemployed for a longer time and need to refresh their skills.

Information on qualification programs and public and private providers of such training programs helps these job seekers to improve their chances to return to the labor market. Further questions of this group of job seekers generally are:

- > Which qualification programs are suitable for what kind of profession?
- > Which qualification programs are existent for different levels of education?
- > In which sectors is demand for workers?
- > What are the requirements to be able to participate in the training?
- > If a government funded program, when does a person qualify?

Providing information on training and qualification programs gets more and more important as the

speed of technological progress is constantly increasing. Individuals trained for a certain profession cannot anymore expect to exercise this specific profession during their whole working life without further training. Additionally, the growing international integration generates more volatile markets with larger and sometime less foreseeable changes in the demand for products and services. These fluctuations lead to increased structural changes in the national labor demand, as firms move in and out of the market. The ability to adapt relatively quick to changes in the demand for skills reduces unemployment and social losses.

Job profile development and search and application skills

Job profile development

Especially young people, but also individuals with work experience may need guidance to find out which profession might be the right one for them:

- > by helping to determine personal skills,
- > by helping to determine areas of individual interest,
- > by providing information about different professions.

For adolescents who are still attending school, a first assessment of abilities, skills and areas of interests may help to make decisions on the orientation of education and school careers considering the personal job profile. Especially in areas where the access to secondary schools is poor, information on boarding schools and scholarships for able students is an important factor for the development of the region. Information about professions for the group of adolescents should provide a general overview and include information on vocational training. In some countries like Iran, there are plans to introduce compulsory courses on employment and professions at schools offering primary and secondary education. Young people who already finished school and school drop-outs will need counseling on vocational training possibilities.

Job seekers who before have worked in now outdated professions or individuals who do not wish or are not able to continue in their present professions might need counseling to determine in which direction to develop additional skills. Sometimes, acquiring some additional skills is sufficient to match a job seeker in a vacancy related to his or her former profession. Other individuals will have to train for a completely new profession. Migrants and refugees will need special attendance, as language barriers, different schooling and diploma systems and other obstacles may be present.

Search and application skills

Besides the lack of information, job searchers often need help on how to search for jobs and how to apply for a job. Here, information and help can be provided in the following areas:

- > internet skills to improve the web-based job-search
- > writing applications and CVs
- > interview-training

Job centers may provide information for job seekers where to look for jobs, how to use the libraries, and how to respond to advertisements in the newspapers or the internet. If a large part of the LMIS relies on computer based information available via the internet, courses teaching the basic skills how to use the internet and the database are highly efficient.

Information for employers

The LMIS is an equally valuable source of information for employers if the database is well maintained. Information about the professional profile of individuals looking for a job can be a good source for employers with vacancies to scan for skilled people. Job centers sometimes offer companies to make a pre-selection of job seekers, by this way reducing the hiring costs for the companies.

Employers may also find general information about the development of different sectors and professions and about private and public institutions offering vocational training and qualification courses. By sending their employees to these courses or organizing an in-house-training they may increase the productivity of the company which, in turn, later on may lead to the creation of more jobs.

Information for governments to formulate labor market policies

By collecting and evaluating information on the labor market in general and employment and occupation in the different sectors in particular, governments have access to a good base of information to identify

- > target groups experiencing comparably more difficulties to enter the labor market
- > sectors with unsatisfied demand for skilled workers
- > counterproductive effects of labor legislation and labor market policies
- > the general development of employment indicators like the rate of unemployment, unemployment insurance beneficiaries, schooling and training levels and labor demand in different sectors, to name only a few.

The insights gained by evaluating the obtained labor market information facilitate the formulation and implementation of effective labor market policies and the reform of regulations and institutions showing meager performance.

Organizational Forms of the LMIS

Job seekers are not a homogeneous group and every individual may need different types of information. Some job searchers are already well informed and are only looking for vacancies. They often do not need much help and are able to use the internet, electronic databases or the library without much further assistance. Others need a more profound counseling.

Some information channels are less accessible for certain groups of job seekers, especially when special skills like computer knowledge are required to be able to perform the job search. But sometimes even reading skills may be a barrier. Countries providing a LMIS therefore usually offer different channels of information to be able to serve the various needs of job seekers, employers and government institutions.

Most LMIS use the three following main organizational forms of information channels to provide information:

- > computer-based LMIS
- > libraries on information about professions
- > individual job counseling

In the following sections, the different functions, service types and target groups of each information channel are described in detail. The necessary requirements for the implementation of the channels are discussed in the following chapter.

Computer-based LMIS

An already widely used and further expanding channel in the OECD countries is the access to electronic

job-market databases. The computer-based LMIS may provide information on the job market itself, but also on courses offered:

- > information on job openings
- > information on individuals looking for a job
- > vocational training for young people (first entry)
- > qualification programs for people with work experience
- > advice for the application process and the preparation of the necessary documents for applications

The main target group for the computer-based LMIS is composed of job seekers with a recent work history and good skills who are very likely to find a new job quite easily. These job seekers have already identified their individual professional area and usually need no or little further assistance besides the information provided by the database. For this group, the computer based LMIS is a cost-effective matching instrument. But increasingly, also more general information on professions is provided via internet, and sometimes even the assessment of training needs or basic professional profiling tests are available on-line.

Next to informing the labor demand and supply sides, an electronic database itself is a valuable source of information for the government. The data can be used for the evaluation and monitoring of implemented labor market policies and for the formulation of further policies and instruments. Additionally, labor market data can be useful to assess impacts of other economic activities and regulations like alterations in trade policies or tariffs on the development of employment.

The access to electronic databases can be organized in different ways. Sometimes, the database is only accessible by the staff of job centers, job seekers and employers have to address their requests directly to the staff. Another possibility is the stand-alone solution where job seekers access the database

themselves at computers stationed at the local job center. During the last years, the use of the internet has proved helpful for the efficient use of the LMIS database. Information can be processed in a central place and immediately provided to all users. Some job centers offer an internet-based access for job seekers and in some countries like Germany, job seekers and employers can access the database from any location providing an internet connection.

Job center libraries

A job center library allows a person to search independently for information, no appointment has to be made, there is no registration and the entry is free for all. This assures a low entry barrier for many job seekers.

Libraries may contain:

- > short information leaflets on professions
- > detailed information files on professions
- > information on vocational training
- > information on university studies
- > information on qualification courses for job changers
- > films about professions
- > films about the application and job search process like job interviews

Libraries, like the computer-based databases, provide nearly all their information in written form and are therefore less accessible for people with low reading skills. Some job-center libraries in Germany carry videos about professions and their requirements and provide the necessary equipment to watch them. They are mainly aimed at young people but can be a good alternative to reach people with low reading skills, too.

Individual job counseling

Neither the computer based information channel nor the job center libraries can completely replace individual job counseling.

Next to computer-based labor market information, additional counseling may be necessary to allow people to find a suitable job. Counseling may include:

- > developing a job profile according to the individual skills, specially for young people
- > helping to find the right qualification and training courses
- > helping with writing application letters and CVs
- > basic help with the internet
- > help for people with low reading skills

Counseling can never completely be replaced.

Introducing a LMIS

General information on the labor market

The most complete form to collect labor market data is via national employment and industry surveys. But not all countries perform this labor intensive data collection. Some countries identify only some regions that reflect a characteristic image of the economically active population and collect data in these regions, concluding then from this data on the overall situation on the labor market. Afghanistan chose 42 districts within thirteen provinces to perform its first labor market survey (Agnew 2003). In Brazil, only data in the seven major metropolitan areas is collected for the monthly labor survey. Besides these surveys, there are several other sources to obtain the crucial information concerning the labor demand side.

Information on the demand-side of the labor market

The labor demand side is the side of the labor market that is determined by external factors like national and international demand on the markets for products and services, production technology and quality requirements. Therefore, this side is the one that has to be observed very closely to perform labor intermediation in an appropriate and efficient way.

Growing market sectors and new jobs

In some countries, producers are organized in their own organizations. These can be addressed for information and asked to make surveys between their members concerning changing skill requirements, lack of qualified workers in particular professions and needed qualification programs. If qualification and training programs shall be created and provided by public institutions, a close cooperation with the concerned industry is elementary. Contents, duration and teaching methods of the programs should be developed in joint action to create courses as close as possible to the demand of the market. Information about qualification programs offered by the private industry can also be collected.

To assess the general economic development, information about the registered companies, their profits and paid taxes (if available) can be used to evaluate the development of the product markets and to identify new and growing sectors.

Vacancies:

To obtain more information on vacancies it is very important to create an easy mechanism for employers to register their vacancies with the job center. Registration should be cost free to assure that also low skill-jobs are posted with the public job service.

The IDB encourages public employment services in Latin American countries to not only focus on formal sector jobs but also to allow the registration of vacancies in micro-enterprises, small businesses and self-employment (IDB 2003, p. 254). Especially in countries with a large share of unregulated work, these types of occupation are often the only source of employment for disadvantaged groups on the labor market.

Collection of information on vacancies in Iran

In public job centers in Teheran, there are special employees responsible for the collection of information on vacancies. A district within the area of activity of the job center is assigned to each of these employees. Their task is to hold contact to employers within their assigned district and to check for vacancies and vocational training possibilities. By this direct contact they assure that almost all open vacancies are also registered with the public job center. There are no registration costs for the employers.

Information on the supply-side of the labor market

If there is no national survey and no studies have been performed on the national labor market, first basic information can usually be gathered at medical centers, food aid or family planning centers. Information should be gathered in a central place and made available to all actors on the labor market.

Job seekers registration in Iran

In Iran, job seekers may register directly with the public job center within their district. But they also have the possibility to register by filling out registration forms that are available at the post offices and are sent without further cost to the job centers. On the registration forms there are questions on the labor history, skills and some personal characteristics. By this way, job seekers in remote areas are given a low cost possibility to use the services of the job centers. A problem reported though is that many people do not respond to all the questions on the form and information is therefore often incomplete.

Job centers

Creation and location of job centers

If job centers shall be created, it can be a good idea to use already existing infrastructure like medical centers or centers where family planning or food aid is offered to set up the job centers. People are already used to the location of these centers, they do not have additional ways or costs to visit the job center and they pass more frequently if they have access to further public services.

In remote areas, the costs of setting up a job center are sometimes too high and are not compensated by

the possible gains from matching few people. In peripheral urban areas without planned infrastructure, it is sometimes impossible to set up a job center. In both types of areas, other possibilities have to be considered to provide access to labor intermediation services. One could be the possibility to allow for registration for job center services by mail, as presented above in the box. Another possibility could be to use library busses to visit remote areas or places with difficult access. But also schools or military bases are possible goals for a special visit with a library bus. To be able to provide full service and to turn the written information most effective, counselors should always accompany the busses. See also the box on library busses below.

Incentives to attract people to use the job centers

First of all, the service provided by the public employment agencies should be free of charge for job seekers. The registration of job offers by employers will be increased if no or only a very small fee is taken.

Setting public employment services up in combined centers providing also other services usually leads to increased requests of service. Countries like Germany are reforming their public job center locations to include private job centers and additional public services to elevate the attractiveness of the centers.

In some OECD countries, counseling is compulsory or strongly encouraged for those collecting unemployment insurance or social security benefits or other kinds of benefits.

Planning activities like the Day or Week of Labor and Education, organized by the job centers, also helps to inform people about the services provided and increases the request of services.

To particularly reach adolescents and young persons, counseling can be implemented in schools, universities and military bases on a regular base, informing students about the services of the job centers and giving first information.

Requirements for a computer-based labor market information system

Stand-alone systems in job centers

This is the system most OECD countries started with when first introducing a LMIS. Within this system, information about offered vacancies and job seekers is available in digital form and can be accessed at stand-alone computers without internet connection directly at the job centers. Access is available either directly for both labor market parties (employers and job seekers) or via the staff of the job centers. This system is technically less demanding and more stable and accessible as no internet connection is required. It may therefore be better adapted in certain regions and situations. On the other side, the stand-alone system is much more labor intensive as information has to be updated frequently and manually. The information provided by such a system will also be less updated as the transfer has to be made by mail. Sometimes job centers using the stand-alone solution only provide regional information as this is more easily available.

Job-center-based internet systems

This solution of a LMIS provides relevant information via computers that are based at the job center. The information contained in the databases is updated via internet. With the technical progress that took place during the last decade, the transfer of information from a central institution to all job centers via the internet is a fast and effective way.

An advantage of such a system is that it allows for central data management so that all parties have the same information. All nationwide data may be fed into one database available to all job centers in

the country. In cases of regional unemployment, this feature may be of special importance, as regional disparities can be relieved by providing information about job openings in other areas.

A reliable internet connection is required to perform the data transmission. Without such a connection, information will soon be out-dated.

Internet-based labor market (virtual labor market)

Chile and Mexico have recently developed internet based LMIS that are available from all computers and directly connect job seekers with job vacancies (see www.sence.cl and www.infoempleo.cl for Chile's on-line job intermediation service). The internet-based solution can be accessed 24 hours from any computer with internet access, so that people can use the service even from home if they have the technical possibilities.

Well maintained, an internet-based service offers up-to-date information, and if the access to the internet is easy, the barriers for usage of this solution are very low. On the other side, this system is less effective in areas where few persons have access to the internet or where it is very costly. Regions with an unstable net may produce many frustrated users. Additionally, knowledge about how to use the internet is necessary to turn the system effective. The service page has to be very carefully designed as no direct additional help is available.

A last but not the less very important point is that with all computer-based systems, reading skills and familiarity with the computer are absolutely necessary. In areas with high analphabetism rates and low internet access, the above presented systems are only useful in combination with personal counseling. But even job seekers with the necessary skills to navigate in the computer-based databases will often need further individual counseling.

Requirements for libraries

Libraries are best set up in the job centers and should be open for all registered and not registered visitors of the center.

A library may contain general written information on professions, as well short leaflets as entire books. Directories containing employers classified by industrial sectors may help to identify possible employers.

Additionally to written material, films about professions, but also about the application process, job-interviews or assessment centers are often helpful. Films are very useful to inform people with less reading skills, but they are also fine for providing especially young people with first labor market information.

To equip a library with informational material, written information and/or films on different professions have to be produced and collected.

To give general information on the library and help with the information search, there should always be staff present in the library. This staff has to be trained for basic counseling service.

In remote areas or areas where the access is difficult and where a permanent installation of a job center is too costly or not possible, library busses may be a solution. For example Argentina, Brazil or India already have circulating libraries in some regions that could be used also for job intermediation purposes. In Germany, the public job centers install temporary job centers in regions with low coverage of permanently installed job centers. See also the box on library busses in Brazil. Busses should be accompanied by staff to help with first questions and the registration with the job center. Library busses are certainly not able to substitute completely for job centers but they may be a good place to make a first contact with the public employment service.

Library busses in Brazil

The National Bank for Development in Brazil BNDES encourages the installation of library busses operating in areas where no libraries exist. The original idea was to create and increase incentives to read in areas with an increased share of poor people with low education and low skills. But from the beginning it has been stressed that the busses may also serve more specialized purposes and one of them could be to provide labor market information and form the interface between the population of disadvantaged regions and the public employment service. Library busses in Brazil are equipped with up to 4.500 books and additional periodicals and staffed with up to seven counselors orientating the visitors. The busses used are old busses that no longer serve in public transport. Another interesting possibility is to bring information material in book cases and leave it under the administration of another social or community service for one or two weeks. On the day of exchanging the book cases, additional counseling could be offered in general and on the material, and in the meantime, people can take books home and study them. A survey between the library bus users showed that most of the users found the bus less intimidating than visiting a library. The busses are all well frequented and the rate of not-returned books is very low.

Requirements for Counseling

Job counselors have a key function in the labor intermediation service as in most cases they are involved in the job search process, starting from the registration of the job seeker. Job counselors help

job searchers to identify their individual job profile and to identify their professional area. The behavior and motivation of the counselor often is crucial for the motivation of the job seeker.

Because of this important role of the counselors, the involved staff has to be specially and carefully trained. Psychological capabilities are as well necessary as general social skills and a good knowledge about the labor market and its development. If many migrants or refugees are present in the region, additional language skills and communication abilities may be necessary for the counselors.

Good qualification of the counselors is the first requisite and counselors should be trained in courses especially designed for them. After completing their courses, counselors should undergo regular qualification courses to help them to use the best counseling techniques and to allow them to stay up-to-date concerning the latest developments of the labor market. To qualify their labor-intermediation counselors best, some countries like Germany and Iran introduced special study programs in this area.

Job counselors should be exempted as much as possible from administrative tasks so that they can concentrate on the counseling itself. It is advisable that counselors specialize either on certain branches of the economy or on the counseling of special target groups to allow for a high efficiency of the counseling.

Counselors are also important in executing some of the government's labor market policies. If for example, a government wants to promote self-employment or the creation of small-scale businesses, job counselors are in a prime position to influence job searchers decisions. They may encourage adolescents and young adults to learn a certain profession or experienced persons to open up their own business and so create new jobs. To be able to act in a line conform to the government's intentions, counselors again have to be trained frequently.

Main Questions before introducing LMIS

- > How to get information on labor demand?
- > How to improve the quality of labor market information?
- > How to improve information on required skills for professions?
- > What about the promotion of certain professions and self-employment?
- > Which are the target groups of the LMIS?
- > What are the organizational structures that can be used for installing a LMIS?
- > What are the guidelines for training the job counselors?
- > How can job searchers and employers be informed about LMIS and how to make them use it?
- > Are there any job vacancies? What kind of unemployment is prevailing? That means, can a LMIS be helpful by providing information?
- > Can the unemployed be reached?
- > How is the mobility of the unemployed?
- > Are there people who can be trained as counselors?
- > Can labor market information be obtained?
- > How to fund the system?
- > Is there infrastructure that can be used, for example already existing other centers where job centers could be located, a computer network to pass around vacancy information to other regions?

Private and non-profit job centers

With unemployment rates rising throughout the last decade, governments have been rethinking their labor market intermediation instruments to turn them more effective. In the reform process, some of the OECD-countries and also some Latin American countries like Argentina or Peru allowed private and non-profit job centers to operate in the area of job intermediation along with the public job centers. This step has been subject to much discussion as private job centers certainly have advantages compared to the public centers, but the disadvantages have to be weighted carefully.

Private job centers are often considered to be more effective in matching employers' and job seekers' wishes as they may specialize their service on selected branches or professions. As they have to operate cost effective, the matching process itself is often performed in a more efficient way. Contrary to the public employment service, there is no nationwide administration to be maintained with high overhead costs.

On the other side, as companies and employers have to pay when they use the service of the private job center, companies tend to use private centers for their more important posts where a good match is crucial and screening costs are high. The cost of service and the focus on white-collar and managerial posts lead to an elevated share of highly skilled job seekers with superior education and good job experience to use these centers. For blue-collar and menial workers, the service is often less attractive as the administrative fees are usually high compared to the expected future income. Additionally, private centers tend to screen job seekers before registering them to assess the probability of a successful matching as difficult cases increase the center's costs. Disadvantaged groups of the population like low-skilled workers, female workers, disabled, youth, racial or ethnic minorities, are very unlikely to be accepted by private job centers.

If a government allows private job centers to operate in labor intermediation, it should therefore exercise great care to prevent a splitting in the intermediation services, leaving only the disadvantaged groups for the public placement service. This would diminish the incentive for employers to report attractive vacancies to the public centers and by this impede even more a successful intermediation of these target groups. Panama passed a law in 1995 allowing the operation of private profit-oriented employment agencies, but placed them under the oversight of the ministry of labor (IDB 2003).

The German government permits private centers to operate along the public service but installed several restrictions. Private job centers have to accept job seekers sent by the public employment service, even if they are long-term unemployed. Any job seeker unemployed for more than three months is entitled to use the service of a private employment service. These job seekers are supplied with vouchers entitling the bearer to register with a private labor intermediation service. Additionally, it is planned to locate the private centers at the same location as the public job centers, along with other public service providers. At these one-stop-centers, not only labor intermediation is offered, but also additional services like the registration for rent-subsidies or the collection of social security benefits.

Monitoring and Evaluation of the LMIS

The labor market data collected by the public employment service is a good source to analyze the general development of the national labor market as well as the effectiveness of the implemented labor market policies, especially the LMIS itself. Monitoring is necessary to assess the effectiveness of the implemented labor market policy instruments: How well are the resources used and functions performed to reach the target groups and numbers? Evaluation is necessary to assess the extent to which the used instruments have been the right ones to reach the target groups and realize the aims of the policies.

Several indicators may serve to evaluate the LMIS. Concerning the labor demand side, it is for example interesting to assess the number of job openings versus the number of vacancies registered with the public employment service. By this indicator, the acceptance of the LMIS on the employers' side can be judged.

On the labor supply side, one of the important indicators is the number of registered job seekers matched versus the number of individuals registered with the service, indicating the efficiency of the service. If available, the number of those persons reporting that they are searching a job versus the number of persons registered with the employment service yields an impression about the acceptance and the image of the public employment service within the population.

Concerning the matching process, the number of registered job seekers per job center employee and the number of matched job seekers per employee give insight about the efficiency of the services provided.

Not all of these indicators will always be observable because of missing data but when creating or improving existing surveys, the needs for the evaluation of the LMIS should be considered and as much as possible of the needed information should be sought to be collected.

To be able to analyze and evaluate the collected data and the performance of the LMIS, analysis technology like computers and data analysis packages are necessary as well as staff trained to use these technologies and to interpret the results. To identify the effect of policy instruments or estimate the impact of factors like a person's labor history on the development of the nations occupation, sometimes more technical estimation methods have to be used (Pfeiffer and Lechner 2001).

Conclusions

- > The LMIS is a labor market policy instrument to improve the information flow in the labor market.
- > The LMIS can reduce labor market rigidities in the case of frictional and structural unemployment.
- > The LMIS can improve the adaptation of the labor force to the requirements of the labor demand by providing information on needed professions and skills.
- > The LMIS has no effect on the rate of cyclical unemployment and cannot create jobs.
- > There is no general optimal setting of a LMIS; the structure of the system has to be adapted to the needs of each country.
- > There are many different organizational forms to offer the different functions of the LMIS, but the function of job counseling cannot entirely be substituted by the other functions of the system.
- > The quality of the database and well qualified and frequently trained job counselors are crucial for the quality of services offered by the LMIS.
- > Evaluation and monitoring of the LMIS are necessary to be able to assess if the offered services are efficient in reaching the target groups and target numbers.

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