



## **Mutual Learning Programme**

### **Peer Review on “Measuring labour market tightness to improve employment policies and reduce skills mismatches”**

15-16 October 2018, Paris (France)

#### **Executive Summary**

The Peer Review provided the opportunity to discuss the different national approaches to define, measure and use the measurement of labour market tightness in the participating countries, covering data challenges, good practices and solutions to overcome data issues. The discussions also covered how the policy makers and other stakeholders make best use of the analytical results in the policy and decision-making process.

The event was hosted by the French Statistical Office for Research and Statistics (DARES), a department of the Ministry of Labour in charge of producing statistics and studies in the areas of labour market and employment. The Peer Review brought together government representatives and independent experts from the host country and eight peer countries (Croatia, Denmark, Estonia, Greece, Ireland, Spain, the Netherlands, and Turkey). Representatives from the European Commission were also present.

Labour market tightness is an important challenge for countries to address since the number of unemployed persons remains high alongside a significant number of open job vacancies. Ensuring a good match of labour supply and demand is crucial to address the persisting unemployment levels and to contribute to maintaining competitiveness and high levels of productivity across Europe. Labour market tightness and skills mismatches are influenced by the rapidly changing labour market and working conditions, new technological developments, demographic changes, and global competition.

This subject is an important item in the European Commission’s agenda as shown by the launch of three recent policy initiatives, the [New Skills Agenda for Europe – Working together to strengthen human capital, employability and competitiveness](#), the [Upskilling Pathways - New Opportunities for Adults](#), one of the 10 concrete actions under the Skills Agenda and the [European Pillar of Social Rights](#). In parallel, Cedefop and Eurofound provide labour market and skills intelligence as well as information on current and future labour market trends, needs and working conditions.

In the host country France, available statistics have been showing that job vacancies are increasing alongside increases in the unemployment rate. France used to define labour market tightness in a traditional way (considering the number of vacancies and the number of unemployed). However, such an approach is no longer considered as meeting current needs as it does not accurately reflect labour market developments. This was the reason for launching the Peer Review to discuss and exchange experiences and good practices on labour tightness measurement.

**The key policy messages from the Peer Review can be summarised as follows:**

***The measurement and definition of labour market tightness***

- There is a growing interest in measuring labour market tightness across the participating countries. The term tightness per se is not necessarily used in all the countries but addressing the mismatch between labour supply and demand is high on the policy agenda. By doing so, government decisions on training policy funding, migration, guidance to young people, and support for employers are improved, while the unemployed can be better informed and assisted in finding the right job.
- It is acknowledged that labour market tightness should be measured because it is an important issue for European countries given that it has a negative impact on competitiveness and productivity and consequently on the overall economic growth. In addition, labour tightness has social costs in terms of preventing labour market entrants and unemployed people to reach their potential.
- There is no single definition of labour market tightness adopted by all participating countries. There are different terms and terminologies used and the discussions in this Peer Review revealed that the classical definition of labour market tightness (ratio of vacancies/ unemployed) no longer meets the information needs of policy makers and practitioners in a number of countries. Hence, nowadays some countries use a specific definition of tightness, whilst other countries are developing different approaches by using a combination of various data sources and indicators.

***Methods and data sources***

- In terms of the methods used, countries presented a range of approaches: some countries analyse labour tightness on the basis of statistical results (e.g. France), whilst other countries use a combination of both qualitative and quantitative analysis (e.g. Ireland, Denmark, Spain).
- Countries typically have similar types of data available on labour market tightness-related indicators such as job vacancies (especially from the PES), registered unemployed, however each country uses them in a different way.
- Countries mainly rely on three different data sources of labour market tightness measurement: PES/administrative data, employer surveys (or surveys of recruitment companies) and online scraping of job vacancies. Each of these has its own strengths and weaknesses. Firstly, PES and other administrative data are readily available, but they cover only a part of the labour market. Secondly, employers' surveys offer a quite comprehensive picture of business needs from the demand side but the administrative burden, response rate-related issues and the cost are amongst their main disadvantages. Thirdly, experience shows that online scraping provides real time data and good data coverage, but this has to be balanced with challenges related to double counting, data protection and labour intensiveness (as regards the analysis of the data).
- Thus, one single source does not necessarily give answers to all the questions on labour market tightness but combining different sources is useful so as to capitalise on their strengths and overcome their weaknesses and in the end to have better labour market intelligence.

### ***Use of results and stakeholder involvement***

- The appropriate use and dissemination of the information and the results of labour market tightness is crucial. For this, it is essential to have a clear purpose (or purposes) and intended audiences of the analytical results. The format of this information should be adapted depending on the user. Individual unemployed persons, PES, policy makers, employers should receive information in different formats: different products with different levels of detail and depth of information should be developed.
- User involvement in the design of these information products can help to ensure that the deliverables from the analysis of labour market tightness meet the information needs.
- Visualisation of the analytical results (e.g. tabular or traffic light visualisation for different types of occupations in terms of their tightness) is also helpful to communicate the messages and ensure a better use of the findings.
- From a technical perspective, the discussion brought to light the importance of the disaggregation level. Analysis of the labour market tightness at detailed local and regional level and detailed occupational level ensures its clarity and comprehensiveness and helps to drive the ensuing decisions in the most optimal way.
- Labour market tightness assessments are often a result of complex statistical and qualitative analysis. Hence, they should be simplified so that non-technical users understand the content. Support to the interpretation of information is also helpful to avoid biased conclusions.
- There is a choice regarding how to present the findings from the analysis. Some countries present judgement-neutral findings from the statistical analysis while other countries make policy recommendations for decisions based on the available information.
- Finally, active promotion of results and analyses of labour market tightness is important. This could be reached by means of "gatekeepers" such as expert groups or further institutional structures (e.g. guidance counsellors), who use the information on labour market tightness and disseminate it further to other users.

### **Further information**

The full report, presentations and background papers will be available on the Mutual Learning Programme (MLP) website:

<http://ec.europa.eu/social/main.jsp?catId=1070&langId=en&newsId=9205&furtherNews=yes>