Mutual Learning Programme
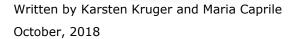
DG Employment, Social Affairs and Inclusion

Peer Country Comments Paper – Spain

Prospective analysis of employers' demand of skills and related workers' training needs: an alternative analytical approach to support employment policies to reduce skill mismatches

Peer Review on "Measuring labour market tightness to improve employment policies and reduce skills mismatches"

France, 15-16 October 2018

Written by Karsten Kruger and Maria Caprile

October, 2018

EUROPEAN COMMISSION

Mutual Learning Programme
DG Employment, Social Affairs and Inclusion

Directorate-General for Employment, Social Affairs and Inclusion

Peer Review on "Measuring labour market tightness to improve employment policies and reduce skills mismatches"

France, 15-16 October 2018

October, 2018

**Europe Direct is a service to help you find answers
to your questions about the European Union.**

Freephone number (*):

00 800 6 7 8 9 10 11

(*)   The information given is free, as are most calls (though some operators, phone boxes or hotels may charge you).

Table of Contents

1   Introduction

This paper has been prepared for the Peer Review on "Measuring labour market tightness to improve employment policies and reduce skills mismatches" within the framework of the Mutual Learning Programme. It provides a comparative assessment of the policy example of the host country (France) and the situation in Spain. For information on the host country example, please refer to the Host Country Discussion Paper.

2   Overview of labour market trends

The economic crisis had a huge impact on the labour market in Spain, with a dramatic loss of jobs and increase of unemployment in the years 2008-2013. It was in 2014 when employment started to recover - a positive tendency which has been sustained since then, although overall unemployment (17.2% in 2017), youth unemployment (38.6%) and long-term unemployment rates (7.7%), are still very high (the 2017 EU rates are 7.6%, 16.8% and 3.4%, respectively). While the crisis hit specially the construction and manufacturing sectors, these economic activities show in the post-crisis phase a less positive trend than services, which are leading the recovery in the levels of employment (SEPE, 2017).

In this context, **labour market imbalances tend to be located in two opposite extremes**. On the **supply side**, a substantial proportion of **low-skilled population** is facing serious difficulties to enter into sustainable employment. They either rotate between very short-term temporary contracts and unemployment or are in long-term unemployment. This population is composed of i) adult people who lost their jobs during the crisis, mostly semi-skilled positions in the manufacturing and construction activities, for which the labour demand remains low and ii) young people with very low levels of education (early school leavers who did not finish the compulsory secondary education or left school at this stage, without engaging in vocational training).

On the demand side, skills imbalances are found in some occupations requiring high-level skills (managers and professionals with tertiary education in engineering and life science fields) or very specific technical skills and professional experience (VET graduates in STEM fields; experienced salespersons and experienced workers in some industrial or construction related occupations) (SEPE, 2017).

Moreover, **labour market imbalances are also salient at the territorial level**, with substantial differences in employment and unemployment between regions, provinces and municipalities. Geographical mobility is slightly increasing, but hindered by housing conditions - housing prices are increasing (tenure and rental) with accentuated geographical differences across regions and areas (rural; small cities and principal cities) - and poor working conditions (job insecurity, low wage) of a relevant share of labour demand. The rate of geographical mobility for labour reasons is higher for the highly skilled occupations. However, a majority of mobile workers have low levels of education and occupy semi-skilled or unskilled jobs (SEPE, 2018a).

3   Assessment of the measurement of labour market tightness

In Spain, the State Public Employment Service play a key role in the prospective analysis of employers' demand of skills and the identification of related workers' training needs. The main **similarity** with regard to the host country (France) is the development of research on labour demand and supply to support evidence-based employment policies and reduce skills mismatches. The main **differences** rely on:

1. the structure of the public employment services: **highly decentralised** in Spain

2. the main focus of the analysis: **prospective analysis of employers' skills demand and identification of training needs that is an alternative analytical approach to support employment policies in reducing skill mismatches,** rather than an analysis that is specifically measuring labour market tightness.

These differences are relevant at both **analytical** and **policy** levels.

In Spain, the public employment services are structured in two levels, national (State) and regional (Autonomous Communities): the **State Public Employment Service** (Servicio Público de Empleo Estatal, **SEPE**) and the **Public Employment Services of the Autonomous Communities**. Together, they form the so-called National Employment Service (Servicio Nacional de Empleo).

The SEPE is an autonomous body attached to the Ministry of Labour, Migration and Social Security. It is in charge of the overall organization, development and monitoring of employment policies programs and measures, which are then implemented by the regional public employment services depending on the specificities of the local situation. Thus, the SEPE's main role is strengthening coordination among all the agents that intervene in the labour market. Its main functions are:

- Plan and promote proposals for employment policies focused on the needs of individuals and companies;

- Manage and control unemployment benefits;

- Conduct research, studies and analyses, at the state and provincial level, on the situation of the labour market and the measures to improve it.

The SEPE is composed of: central services, 52 provincial units and, a network of face-to-face offices in charge of the management of unemployment benefits. Within the Information and Statistics Department of the SEPE's central services, the **Observatory of Occupations** (Observatorio de las Ocupaciones del Servicio Público de Empleo Estatal) is the technical unit in charge of the analysis of the labour market, with a view to support the development of evidence-based employment policies at the national level. The role of the Observatory is regulated by the Employment Act[1] as follows: *'The State Public Employment Service's Occupation Observatory works across a nationwide network to analyse labour market conditions and trends, as well as the vocational training situation, in collaboration with the autonomous communities.'*.

A relevant feature of the Observatory is its **prospective approach**: research activities are aimed at anticipating labour market trends and challenges, including employers' demand of skills and workers' training needs, in order to guide and facilitate decision-making. To this aim, the Observatory organises and coordinates the work of labour market experts in the SEPE's 52 provincial units, combining quantitative and qualitative techniques to analyse the main trends in the labour market, skills demand and training needs at different levels (state, regional, provincial and municipal).

---

[1] Royal Legislative Decree 3/2015 of 23 October, approving the consolidated text of the Employment Act

The main fields of study of the Observatory as follows:

- Technological and organisational innovations and their impact on change in job requirements;

- Employers' demand of skills and related workers' training needs;

- Trends in activity sectors, geographical areas and target groups including young people, women, people over 45 years of age, people with disabilities and foreign nationals;

- Geographical mobility in worker recruitment.

In collaboration with other agents, the Observatory plays a central role in the **prospective analysis of labour demand and supply focused on the identification of training needs**.

The main result of this prospective analysis is the Observatory's "**Report on the Analysis and Identification of Training Needs**", which is yearly published and it is publicly available through the Observatory's website. It includes information on the most relevant occupations, a diagnosis of trends in employers' demand of skills and workers' training needs, and a forecast to guide the design of training provisions.

The methodology applied is as follows:

- **Statistical analysis to identify the occupations with good employment prospects**. Good employment prospects are defined by selected statistical indicators reflecting substantial share of employment, recent positive variation in employment and good quality of employment conditions. Basic indicators are: at least 0.01% of the total volume of contracts in the last six months; positive variation of total volume of contracts in the last 18 months; and indicators on contractual stability (such as duration of contracts). The analysis is carried out using the National Classification of Occupations (CNO 11) at 4 digits[2]. In addition, it is common practice to include also a small number of occupations which have been identified in prospective sectorial studies of the Observatory as emergent (innovative and forecasted to experience substantial increase in employment, in spite of their current limited share of total employment). In total, 208 occupations were selected (around a fifth of the total number of occupations) in the 2017 report.

- **Qualitative assessment of employment prospects and training needs of occupations**. In a second step, the occupations are further assessed on the basis of qualitative techniques (individual interviews and group working sessions). In the 2017 report, the qualitative assessment involved 438 experts coming from different professional fields and geographical areas: 47,5% from private enterprises or sectoral employers' associations, 8,5% from cross sectoral trade unions and employers' associations at different geographical levels and 22,2% from the staff of the public employment services of the Autonomous Communities. The remainder 22% were experts from other associations and entities participating in the labour market, such as private training centres or professional colleges. The interviews and group sessions were based on semi-structured guidelines, dealing with both employment prospects (prospective employment trends; analysis of vacancies; analysis of workers' patterns of mobility) and training needs (analysis of trends in the employers' demand of technical skills and soft competences and related workers' training needs). Employment prospects are analysed at either national and regional levels, taking into account the forecast of economic activities. For each occupation, information was collected from a minimum of 3 experts.

---

[2] The CNO is the Spanish official adaptation of ISCO-11.

- **In-depth analysis of employment prospects and training needs by professional families**. In the final step, the Observatory analyses the qualitative information gathered to elaborate a comprehensive analysis of their employment prospects, relevant changes in employers' demand of technical skills and soft competences and related workers' training needs. For this purpose, the occupations are grouped in professional families. The professional families are defined as the set of qualifications, grouped by criteria of professional affinity, which structure the National Catalogue of Professional Qualifications (Instituto Nacional de Cualificaciones, Incual). In Spain, the classification of professional families (currently 28) is the classification officially used to organise the vocational training system.

To conduct this analysis, the Observatory relies on extensive statistical information of labour demand and supply (initially used to identify the occupations with good employment prospects and subsequently used to inform the qualitative assessment and final prospective analysis). A summary of this data is also yearly published and made public through the Observatory website (report on "**Job Vacancy Profiles**", latest publication with 2018 data).

The **information on labour demand (vacancies) is complete** according to the Observatory. To gather this information, the Observatory relies on different online sources, considering vacancies either directly communicated by the companies (checking the 'work with us' web site) or made public through intermediate entities (public employment services at state and regional levels, temporary employment enterprises, general and specialised private labour portals; professional bodies and sectoral employers' associations). The criteria for selecting the vacancies are as follows:

- not included in previous reports of the series "Job Vacancy Profiles";

- representative of the most relevant economic activities in every province and region;

- covering all qualification levels;

- with high presence in online portals;

- assessed in the 2017 prospective report on training needs.

  - In principle, vacancies are mostly focused on the occupations with better employment prospects. However, the report also includes other occupations if it is considered that reskilling can substantially improve their employment prospects. In the 2018 report, a total of 2 111 vacancies were analysed and 122 occupations were selected, subsequently grouped in 17 broad occupational groups (the job vacancy profiles).

For **each job vacancy profile**, information is presented in three sections:

- **General characteristics of the vacancy** including working conditions (open-ended vs fixed contract; full-time vs partial time); geographical distribution, demanded skills, education, training and experience; and specific personal requirements for potential candidates;

- **Principal labour market indicators** as registered unemployed, registered contracts, general profile of the unemployed, general profile of the contracted persons, main economic activities of the companies contracting, and geographical distribution of unemployed and contracted persons;

- **Related occupations, education and training degrees, and training needs** which includes the list of occupations (CNO-11, 4 digits) included in the profile with a short description of their main functions; the set of Higher Education degrees, VET degrees and professional certificates associated to the

profile; and the identified training needs (according to the prospective report 2017).

Beside the reports elaborated by the SEPE, there exist a series of other reports elaborated by the Ministry of Labour or the Spanish National Statistics Institute (INE) as, for instance, the Annual Labour Market Survey (Encuesta Anual Laboral) based on the Economically active population survey, and a series of other detailed analytical reports including the Statistics on Economically Active Population Flows, which collects information regarding the follow-up of population, or specific groups, between one quarter and the previous one in absolute values, regarding its relation with labour market. Another relevant publication is the Survey about the Labour Market Situation (Encuesta de Coyuntura Laboral), which is published quarterly presenting labour market information obtained by a survey among enterprises. A third t publication, which is worth to be mentioned, is the quarterly Report of Labour Market Analysis (Informe trimestral de Análisis del Mercado Laboral) based on the data of Labour Market Survey, Statistics on Economically Active Population Flows and the data of the register unemployment and recruitment of the SEPE.

4   Assessment of public policy implications and success factors

The main objective of the prospective analysis carried out by the Observatory is to identify the occupations with better labour prospects and related training needs. It is considered an alternative analytical approach to support employment policies to reduce skill mismatches: this prospective analysis is the **main reference at the state level to support decision-making in employment policies**, namely in the fields of orientation, intermediation and training. However, **decision-making is complex in Spain due to the high level of decentralisation** of the national employment system. Active labour market policies are adapted and implemented at the regional level by the public employment services of the Autonomous Communities, whilst the Sectorial Commissions made up by social partners play a central role in decision-making as regards training policies. The data gathered by the Observatory on job vacancy profiles and the analysis carried on training needs provide **valuable information for counsellors and employment agents to improve the effectiveness of their activities** in the fields of educational and labour guidance, intermediation and training for employment, in terms of improving the employability of workers. However, **the actual impact of this prospective analysis on decision-making is more difficult to ascertain**; it is an aspect not assessed in the evaluations on training for employment policies (Servicio Nacional de Empleo, 2016).

There are two main success factors in the prospective analysis. Firstly, the combination of **rigorous collection of data** from different sources (from administrative registers to online portals on vacancies), sound **statistical analysis** and **qualitative assessment**. Secondly, the involvement of a large number of experts with different professional and geographical backgrounds, representative of the different public and private agents intervening in the labour market and the implementation of employment policies.

There are two aspects of particular importance in terms of potential transferability to the Host Country. On the one hand, the **methodology applied to gather exhaustive information on vacancies** on a selected number of occupations. On the other hand, the **combination of statistical analysis and qualitative assessment**. Both aspects have been widely tested in Spain and have demonstrated their effectiveness. For this reason, they could be considered in order to enrich the measurement of tightness indicators in the Host Country.

5   Questions

The **practical use of the Principal Component Analysis** is an aspect which could be further detailed. In particular, the main questions are:

- How is the Principal Component Analysis used for classifying occupations along the two main axes?

- How can this information be used to guide employment policies at different levels (from central decision-making to local implementation)?

List of references

SEPE, Observatorio de las Ocupaciones, 2017, Informe de prospección y detección de necesidades formativas 2017, Madrid: SEPE Available at: https://www.sepe.es/contenidos/que_es_el_sepe/observatorio/pdf/DETECCION_NECE SIDADES_FORMATIVAS_2017.pdf

SEPE, Observatorio de las Ocupaciones, 2018b, Los perfiles de las ofertas de empleo 2018, Madrid: SEPE Available at: https://www.sepe.es/contenidos/que_es_el_sepe/observatorio/perfiles/documentacion _perfiles.html

SEPE, Observatorio de las Ocupaciones, 2018a, Datos básicos de movilidad 2018, Madrid: SEPE Available at: https://www.sepe.es/indiceObservatorio/buscar.do?tipo=3&indice=3&idioma=es

Servicio Nacional de Empleo, 2016, Plan anual de evaluación de la calidad, impacto, eficacia y eficiencia del conjunto del subsistema de formación profesional para el empleo, Madrid: Sistema Nacional de Empleo Available at: https://www.sistemanacionalempleo.es/pdf/PLAN_EVAL_FPE_2014.pdf

Annex 1 Summary table

The main points covered by the paper are summarised below.

Overview of labour market trends

- Persistent high levels of unemployment, in spite of employment growth.
- Low-skilled population facing difficulties for accessing sustainable employment.
- Employers facing difficulties for hiring workers with particular skills and professional experience.
- Persistence of geographical mismatches in spite of increasing geographical mobility.

Assessment of the measurement of labour market tightness

- Focus on the prospective analysis of skills demand and training needs to improve workers employability and reduce skills mismatches.
- Combination of extensive data gathering, statistical analysis and qualitative assessment.
- Methodology to gather exhaustive information on vacancies of a selected number of occupations of particular interest for employment policies.

Assessment of public policy implications and success factors

- Prospective analysis is the main reference at state level for supporting decision making in employment policies. The actual impact is difficult to ascertain, given the highly decentralised structure of the national employment system.
- The outcome (extensive data and analysis) is of high value for supporting local employment agents in the fields of orientation, intermediation, training and other active labour market policies.
- Success factors are the combination of quantitative and qualitative techniques and the involvement of a large number of experts, representing all the different agents participating in the labour market and the employment policies.

Questions

- How is the Principal Component Analysis used for classifying occupations along the two main axes?
- How can this information be used to guide employment policies at different levels (from central decision-making to local implementation)?

Annex 2 Example of relevant practice

Name of the practice:	Prospective analysis of employers' skills demands and identification of training needs
Year of implementation:	2015 onwards (on the basis of Law 30/2015 of 9 September, regulating the system of vocational training for employment)
Coordinating authority:	Public State Employment Service, through its Observatory of Occupations
Objectives:	Anticipating trends and challenges in employers' demand of skills and workers' training needs, in order to support decision-making in the field of employment policies, namely in the fields of orientation, intermediation and training for employment
Main activities:	1. Identify the occupations with better employment prospects on the basis of statistical indicators. This statistical analysis is directly carried out by the Observatory and is mostly based on administrative registers.

2. Carry out a qualitative assessment of these occupations, focused on the analysis of relevant trends in the employers' labour demand and workers' training needs. The qualitative assessment involves a large number of labour experts, representative of the different public and private agents intervening in the labour market and the implementation of employment policies.

3. Carry out an in-depth analysis of employment prospects, relevant changes in employers' demand of technical skills and soft competences and related workers' training needs. For this purpose, the occupations are grouped in professional families. The analysis relies on extensive statistical information of labour demand and supply, alongside on the outcomes of the qualitative assessment.

As an additional outcome of this prospective analysis, the available information is compiled into a set of job vacancy profiles. It includes indicators on labour demand and supply and additional information on education and training. |
| Results so far: | The prospective analysis is the main reference at the state level to support decision-making in employment policies on a yearly basis. In addition, the data gathered on job vacancy profiles and the analysis of training needs are of direct use by counsellors and agents directly involved in employment policies |