

Matching skills with labour market shortages and contracts offering relatively little job security

Madlen Serban,

Director

European Training Foundation

19 Oct 2011

Content

- The mismatch problem and its main causes
- Precarious work and informality
- The challenge of better matching:
- Policy options for better matching
- What ETF is doing

The causes of mismatch in the ETF Partner countries

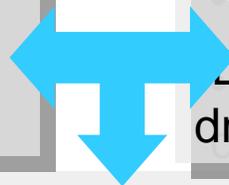
... on the demand side of the labour market:

- Economic restructuring :
private sector; SMEs
- De-industrialisation (in transition economies)
- Enterprise restructuring
- Technological change
- Large territorial imbalances

... on the supply side:

- Low education levels compared to EU and emerging market economies
- Low labour market relevance of the education system
- Few opportunities for continuing training
- Low coverage & impact of ALMPs
- Demography - migration (with brain drain consequences)

Mismatch

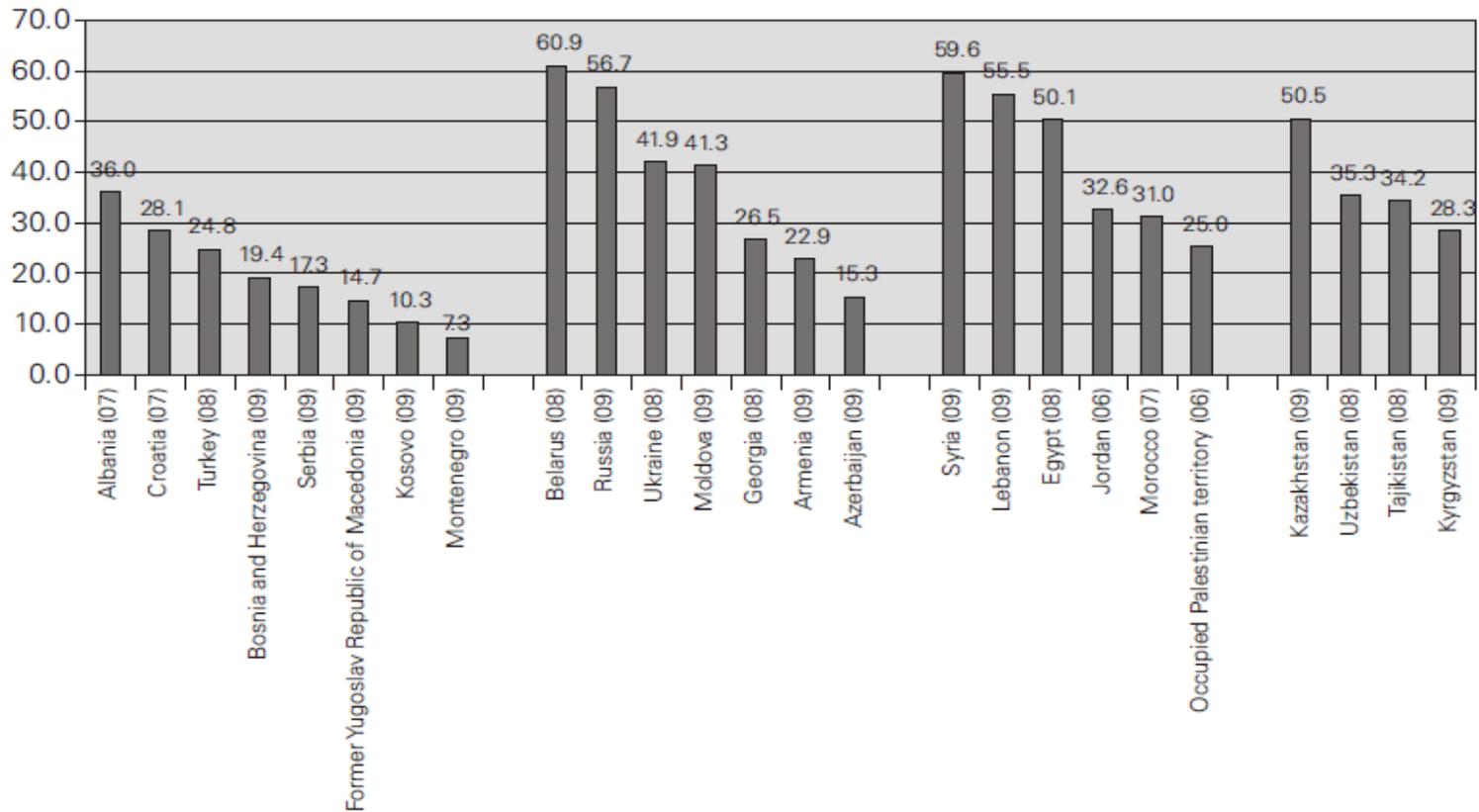


Labour market functioning :

- Inflexible employment conditions and wage setting systems
- slow adjustment of actors : employers and employees
- Weak links between education system and economy
- Limited social dialogue

Skills shortages hinder economic growth

FIGURE 5: FIRMS IDENTIFYING LABOUR SKILL LEVEL AS A MAJOR CONSTRAINT TO BUSINESS (%)



Source: World Bank (<http://www.enterprisesurveys.org/>, 17/02/2011).

Notes: The computation of the indicator is based on the rating of the obstacle as a potential constraint to the current operations of the establishment. For the BEEPSs 2008, the question was asked of firms that confirmed they had applied for government contracts in the past fiscal year, while in the previous rounds of BEEPS the question was asked to all firms participating in the survey. Owing to differences in scales used in the European and Central Asian countries in 2002 and 2005 (four-point scales) and those used in the 2008 surveys (five-point scales), indicators based on business constraint questions are not fully comparable. End users are encouraged to bear this in mind when analysing historical trends. Readers should download the raw data for additional information.

Skills shortages and skill miss match is also a recognised challenge to address within the EU labour markets

However, some differences appear:

- Economic restructuring in the EU has not been so intense and abrupt as in the case of the partner countries (PCs); skill depletion of older generations in the PCs has been a large scale phenomenon in particular in the transition economies
- VET systems in the PCs either were never developed or lost their dynamism and credibility to address new labour market challenges –while in the EU there have been continuous efforts for their adaptation
- Educational attainment levels in the PCs are lower than in the EU
- Approaches for early identification of skill needs are largely underdeveloped in the PCs and communication between economy and education at low level

Precarious work in the Partner Countries

Following developments in the EU flexible forms of employment have been introduced in the labour legislation of almost all ETF partner countries

Fixed term employment contracts (mainly for the youth, seasonal work), work on-demand and homework (women!).

Part-time work which, however, is rather unusual. But part-time work would be highly important to raise the low female employment rates.

These are particularly precarious in the context of the partner countries as support mechanisms for skills enhancement and upgrading, opportunities for ascendant labour mobility and income support & social protection in periods of joblessness are lacking.

In the EU the institutional setting for implementing fixed term, part time contracts and other flexible forms of employment are more developed.

Informal employment

-comprises all forms of legal work (unregistered self-employment, family workers, undeclared and under-declared labour, daily workers) which is not registered and not subject to taxation. It includes also under-declaration of wages (envelope payments)
-is the most flexible (and vulnerable) form of work
-is often (though not always) of low productivity
- gives no access to skill enhancement opportunities – often leads to de-skilling
-causes tax evasion, weakens the social security system and creates unfair economic competition
-is for individuals a way to make ends meet
-is most widespread among young and elder (retired), and women

Informal Employment in Western Balkan Countries

Share of informal employment (LFS)	
Albania	75
Bosnia & Herzegovina	42
FYROM	32
Montenegro	27
Serbia	43
Turkey	43

Croatia: n.a.

Precarious work and informality

3-tier labour markets:

- formal, protected work
- precarious work
- informal work.

→Segmentation

→Labour market inflexibility (not so much due to restrictive EPL that covers relatively small parts of the work force but rather to the lack of opportunities for shifting among different segments of the labour market)

→Poor skills management

The challenge of improved matching

As EU practice demonstrate necessary framework conditions include:

- Horizontal cooperation between the education system and business
- Vertical cooperation with regional and local levels

- Reinforcement of social partnership
- Firm commitment at policy level
- Evidence: reliable and regular updated data
- Relevance for users, providing practical solutions for businesses with skills shortages.



Policy options

- Improving labour market functioning: reinforcing law enactment; flexibilisation of EPL with prudence, tackling undeclared labour, advocating decent working conditions
- Improving governance of employment and education policies (also social partners' genuine involvement) and policy coordination
- Improving policy monitoring and evaluation for evidenced based policy development
- Implementing approaches for anticipating skills demands, starting with short-term needs assessment, focus on key economic sectors and industries
- Increasing flexicurity, with a better mix of flexibility and security

The country context is important to prioritise policies and select among different options

What ETF is doing

- Explore methodological instruments and approaches for the early identification of skill needs in the economy that are adapted to the realities of the partner countries
- Facilitate the policy dialogue among the business community and the education system - special emphasis on SMEs
- Promote evidence based policy development towards the “right mix of skills” for all citizens
- Implement sectoral studies on skill requirements (Ukraine, Albania)
- Working with partner countries on qualification frameworks for relevance, transparency and recognition of citizens' skills

Reflecting the New Skills and Jobs agenda

What ETF is proposing

- Give higher visibility to the issues of (i) skills gaps and matching and (i) the need for the creation of more flexible and more secure labour markets in the policy dialogue between the EU and the PCs
- Facilitate the exchange among EU and the PCs on practices and lessons learnt
- Inter-parliamentary groups can introduce the issue in their agenda

Thank you for your attention

more about us

European Training Foundation

www.etf.europa.eu