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COMMUNICATION FROM THE COMMISSION

***"MODERNISING PUBLIC EMPLOYMENT SERVICES
TO SUPPORT THE EUROPEAN EMPLOYMENT STRATEGY"***

Executive summary

While Member States remain responsible for employment policy, including organising, staffing and running their Public Employment Services (PESs), this Communication calls for concerted action on modernising the Public Employment Services as a contribution to the European employment strategy. PESs have an important role to play in implementing the strategy, with 100 000 employees providing information, brokerage, and market adjustment services to employers and jobseekers in more than 5000 locations throughout the Union. PESs help to make the labour market operate more efficiently by creating the link between the market and the people seeking work. Their contribution in terms of matching demand and supply will remain of great importance in the decades to come, particularly as labour shortages emerge with the decline in the population of working age in various regions of the European Union.

The 1998 National Action Plans for Employment confirm that the PESs have a major role to play in all Member States in implementing the Employment Guidelines – even a central one as regards the preventive strategy of offering a new start before six months of unemployment for young people, and before twelve months for adults. These responsibilities will require a serious effort by the PESs themselves as well as by Member States to develop the efficiency and effectiveness of the PES. They also give added urgency to the current reforms in most Member States aimed at adapting the PESs to operate in a new and rapidly changing labour market environment.

Member States should create the right conditions for the PESs to work more effectively in a market with a growing number of employment service providers. The aim should be to help them access a sufficient number of job vacancies, develop systematic case management procedures for all registered unemployed jobseekers, and play their part in the co-ordinated delivery of all public services to jobseekers with the ultimate aim of getting people back into work.

Within the framework set by their governments, PESs should make a constant effort to improve the quality of their services to jobseekers and employers, make better use of modern information and communication technology, and develop strong partnerships with other actors in the labour market (e. g the social partners, local authorities, benefit agencies, education and training providers).

The social partners, at local, regional and national level, need to develop their role as a full partner of the PES, creating a link between their human resource policies and activities and the work of the PESs, so as to find a closer match between labour supply and demand.

The European Commission will encourage the process of modernisation under the European employment strategy. It will ensure that due attention is given to the institutional framework for implementing policy within the cycle of formulating and updating the Employment Guidelines, and establishing and implementing the National Action Plans. It will support co-operation between PESs across Europe in order to facilitate exchanges of information and best practice on operational issues and to develop common activities at EU level. It will work to further develop the EURES network as a key instrument for European labour mobility.

The current revision of the European Social Fund regulation will enable resources to be focused more on the objectives of the European employment strategy. Modernising employment services and making them more efficient are among the activities eligible for ESF financial support.

1. Introduction

As a result of the Amsterdam Intergovernmental Conference of June 1997, the European employment strategy is now embedded within the new Treaty. The first Employment Guidelines - endorsed at the extraordinary European Council on employment in November 1997 and formally adopted on 15 December - place strong emphasis on creating jobs and preventing unemployment.

With more than 5000 local employment offices throughout the Union, and approximately 160 000 employees¹ (some 100 000 of whom directly service employers and jobseekers), Public Employment Services are a key institutional component of this new approach to employment policy, and are essential for its implementation. If Member States are to meet the ambitious targets set out in the 1998 Guidelines, the capacity of PESs may need to be increased and ongoing reforms speeded up.

The need to strengthen and modernise the PESs has been recognised in the EU for several years. With profound changes in the labour market environment, PESs in every Member State of the Union are facing challenges which call for a redefinition of their role and priorities, as well as a rethink of their institutional setting and management methods. The emergence of an ambitious European employment strategy only adds to the urgency.

Optimising the contribution made by the PESs to the employment strategy will depend to a large extent on what the PESs do themselves. Many of them are already engaged in a process of modernisation in order to improve their performance². To further this process, the heads of PESs agreed in 1997 to intensify co-operation, exchange know-how and share the operational experience they have acquired, with the support of the European Commission.

However, the environment within which the PESs operate is largely determined by governments, with the involvement of other public and private sector bodies, including the social partners. So these actors too will have to play their part.

This Communication intends to address the issue of PES modernisation from a European perspective. It seeks to improve the institutional conditions for the successful implementation of the European employment strategy.

2. The PESs: a key instrument for the European employment strategy

The fundamental aims of the Employment Guidelines are to increase employment and reduce unemployment, especially long-term and youth unemployment. These aims must be attained through co-ordinated action in four areas: employability, entrepreneurship, adaptability and equal opportunities. A substantial part of the Guidelines focuses on enhancing the functioning of the labour market. In that respect Public Employment Services, as central institutions on the labour market, have a major role to play.

¹ Staff engaged in the financial part of benefits administration not included.

² See Joint Employment Report 1997, chapter 3.4.2

2.1 The core functions of the PESs

While no uniform model exists for how a PES should be set up or for the range of responsibilities it should have, the PES in Europe has traditionally fulfilled three core functions.

Information: PESs offer a unique and usually nation-wide service as providers of labour market information. The information they provide includes extensive data on vacancies and potential applicants. They assist people choosing a new career, and those wanting to re-focus their career perspectives. They provide information on training and retraining opportunities. They can offer information on human resource issues to employers considering specific investments or reorganisations. And they provide an important source of information on labour market developments for the formulation and implementation of labour market policy.

The fact that all unemployment benefit claimants are registered gives the PESs extensive coverage of jobseekers, particularly the unemployed. A valuable service can thus be offered to employers. Coverage of vacancies by the PESs is also considerable. Statistics indicate that, during the early 1990s, between 35% and 40% of vacancies occurring each year were notified to the PESs in Germany, Sweden and the United Kingdom. The figure is lower in other Member States, but in most cases exceeds 20%. Several Member States – France for example – have recently increased their share of notified vacancies.

The use of modern technology by the PESs improves the quality of, and access to, information on labour market supply and demand. Information can be provided not only on the local and regional labour markets, but also on the national and even the international level, thus increasing job and recruitment opportunities. Through Internet and other media, information can also be made available at any time and any place.

Wide coverage of, and free access to, PES information enhances market transparency. It can be argued that this is as important a contribution to the functioning of the labour market as placement services. It helps ensure both equitable access to labour market information and increased quality and efficiency of the matching process.

Brokerage: Brokerage services are the core business of all PESs. Over time these services have been developed in a variety of specific forms catering for the differentiated needs of jobseekers and employers with vacancies. They range from fully open presentation of vacancies to more selective mediation between jobseekers and employers, and from quick job matching procedures to intensive job search assistance.

The share of the total market that different national PESs obtain in the filling of vacancies varies considerably. Figures for the EU show that Member State PESs intervene in between 10% and 30% of total hirings, although the number of unemployed people receiving some form of help from PESs in finding employment is substantially higher. The PES is often the most important source of assistance to those jobseekers who have the most difficulty finding a job. In addition, employers who have difficulties filling vacancies usually use the PES as at least one of the channels for search and recruitment.

Through their extensive and varied brokerage activities PESs help to ensure wide and effective market participation, a more effective matching process and a more equitable spread of market opportunities.

The available evaluation literature³ indicates that individual job search assistance, which forms an integral part of a PES's brokerage activities, is one of the most effective active labour market measures for (re-)integrating unemployed jobseekers. If provided at an early stage, it helps reduce the duration of unemployment, especially for disadvantaged jobseekers, and results in considerable savings on benefit expenditure, at a relatively low cost to the public budget.

Market adjustment: A distinctive feature of Public Employment Services is their close involvement in implementing labour market policies which help to adjust mismatches between supply and demand.

In 1995, around 185 billion ECU (3.3% of Union GDP) was spent on income support for the unemployed and active labour market programmes, ranging from counselling and brokerage to training and subsidised employment. One third of this sum (65 billion ECU) went on active measures, which were to a large degree organised through PESs. The share of national GDP spent on active labour market programmes ranged from 0.37% in Austria to 3.00% in Sweden. PES involvement in labour market training puts them in the front line of government moves to bridge the skills gaps which hamper growth and employment in specific sectors or areas.

In 1995 expenditure on income support for the unemployed came to some 120 billion ECU, or nearly twice the amount spent on active measures. Unemployment benefit systems have an important influence on labour market behaviour. Being guaranteed a certain standard of living makes it easier for employees to accept structural change and the ensuing need for frequent re-skilling. It also gives unemployed workers time to search for suitable jobs. Excessively generous benefits, though, may have disincentive effects on jobseekers. By linking unemployment benefits to active job search efforts and/or participation in active programmes, PESs can alleviate such disincentive effects and enhance labour market efficiency. Moreover, PESs are a major element in transforming passive income support schemes as far as possible into active labour market measures (of various kinds).

Different countries have different ways of involving their PESs in the implementation of passive and active policies. At one end of the spectrum, the German 'Bundesanstalt für Arbeit' covers all aspects of active and passive labour market intervention, while at the other end, the French 'Agence Nationale pour l'Emploi' is primarily engaged in information and brokerage. Other PESs lie somewhere in the middle. The VDAB in Belgium or FAS in Ireland combine information and brokerage with responsibility for training without being directly involved in benefit administration. The UK 'Employment Service' combines information and brokerage with the payment of benefits, while training programmes are to a large extent run by external agencies.

³ Review done by the Organisation for Economic Co-operation and Development in 1993 and updated in 1995 (OECD Employment Outlook 1993, Ch. 2).

Nowhere do PESs try to organise all service delivery by themselves. Increasingly over the past decade, they have tended to bring in and co-operate with many other players responsible for specific parts of service delivery, sometimes as subcontractors to the PES.

On the other hand, even where PESs have a more restricted remit (say, information and brokerage), they try to play a part in the urgent and essential task of coordinating all (active and passive) services on the level of the individual jobseeker and employer, according to clearly defined principles and political priorities.

Across the Member States expenditure on PESs' staff and equipment ranges from less than 0.10% to around 0.25% of GDP. This range reflects individual Member States' expenditure on active and passive labour market programmes and the part played by PESs in implementing these programmes. Excluding the administration of benefits and programmes, expenditure on PESs is estimated to be below 5% of total expenditure on active and passive policies. It is a fairly modest investment which can bring a substantial return in terms of increased market efficiency and of savings on unemployment benefits.

2.2 An essential actor in the European employment strategy

PESs are a key institutional component of the new European approach to employment policy as reflected in the 1998 Employment Guidelines. National Action Plans confirm that PESs play a particularly important role with respect to the first pillar of the Guidelines, i.e. employability, while they are also deeply involved in the fourth pillar, i.e. policies to strengthen equal opportunities. However they can also contribute, as reported by several Member States, to the success of specific efforts within the other two pillars: entrepreneurship and adaptability.

Improving employability: Since the mid-seventies, when labour markets became characterised by a high level of unemployment and limited overall demand for labour, efforts have been made to ensure that, even where it is not feasible to provide all jobseekers with a job in the short term, unemployed persons at least maintain or improve their ability to find a job. Counselling in job search techniques, incentives to go in for training or to take up work, improved access to training and work experience, are all important instruments in this respect. They are largely delivered through the PESs, be it directly or by drawing in other actors capable of managing part of these instruments more effectively and/or efficiently. PESs also encourage more people to take up work by providing extra support and assistance to specific groups such as people with disabilities and ethnic minorities.

The high priority given by the 1998 Guidelines to improving workers' employability present the PESs with a sizeable challenge. The 1998 National Action Plans for Employment show that Member States place their PESs in a position of prime responsibility for achieving the first two Guidelines that require them to offer "*every unemployed young person ... a new start before reaching six months of unemployment, in the form of training, retraining, work practice, a job or other employability measure*" and to offer "*every unemployed adult ... a fresh start before reaching twelve months of unemployment, by one of the aforementioned means or, more generally, by accompanying individual vocational guidance*". The PESs are also very much involved in implementing the third Guideline that sets a quantified target to raise the number of

unemployed people who are offered training or any similar measure. If these three critical commitments are to be met, many PESs will have to review their operations and innovate. Moreover, for the required large-scale case management, sufficient resources need to be provided, and appropriate links between the PESs, training and counselling bodies and the business community need to be put in place.

With regard to the transition from school to work, the 1998 Employment Guidelines stress the need to provide young people with the aptitudes required for entering the job market. To help facilitate this, the PESs in many countries play a part in operating apprenticeship training systems, mobilising training places and mediating in their allocation to young workers.

Developing entrepreneurship: As part of the policies to develop entrepreneurship the Employment Guidelines call for more self-employment and for making more of potential sources of local employment in social services and activities that serve needs not yet satisfied by the market. In several Member States PESs seek to promote self-employment, through specific schemes directed at unemployed jobseekers or workers threatened with redundancy in the context of company restructuring. These include training and other support measures, and often involve a more active use of unemployment benefit schemes. Furthermore, PESs help to pinpoint and develop potential sources of employment. At a local level, they are increasingly involved in partnerships with other public and private bodies to develop local strategies for job creation in response to new social or environmental needs.

Encouraging adaptability of business and their employees: Although the sheer scale of unemployment may force the PESs to give priority to managing the unemployed population and movements into and out of it, they can still contribute to the management of structural change within enterprises and branches of the economy by helping workers and employers to minimise the risks of unemployment and to find alternative job opportunities. To a greater or lesser extent, most Member States' PESs are involved in various programmes for training, retraining and redeploying workers who are having to cope with structural change and may be in danger of losing their job.

A well functioning labour market is essential if business is to adapt smoothly to change. As the main public institution at the interface between employers and the external labour market, PESs can contribute in important ways to this priority in the Guidelines. In addition, through active co-operation with the social partners, PESs can play a part in alleviating any tensions that might arise between the adaptability goal – focusing on employed workers within a company – and the employability goal – focusing on unemployed workers.

Strengthening policies for equal opportunities between women and men: As is clearly shown in the National Action Plans for Employment – e.g. for Germany, Austria, France, Portugal, Ireland, the United Kingdom, Sweden and Denmark – PESs have an important role to play in enhancing equal opportunities in the labour market. This means boosting female participation in the labour market, and promoting a more equal gender representation in occupational sectors which have had a traditional gender bias; it also means helping both women and men who want to return to work after an absence. Some Member States are trying to involve men and women in active measures pro rata to their share of unemployment.

PESs also bear important responsibilities with regard to equal opportunities policies in a wider sense. They play a vital role in improving the employment chances of handicapped workers and are often prominent in fighting inequality for people of different race or ethnic origin, different age groups, and so on.

Thus, although PESs have differing remits and organisational set-ups, they are in every Member State crucial to the implementation of labour market policy, including the National Action Plans under the European employment strategy. PESs help to speed up and improve labour allocation. They help to keep the labour force employable, both adapting it to changing employment structures and acting as a force against marginalisation. They contribute to a more equitable distribution of job opportunities and of access to training and other employment back-up facilities. They help to boost the labour supply to overcome labour shortages. Beyond the immediate concerns of the labour market, they also contribute to maintaining social cohesion.

3. The need for modernisation

To be effective, PESs have to adapt to an environment that is changing rapidly. All over Europe, labour markets are in transformation, as is the relationship of public authorities to these markets. These changes require the PESs to rethink their institutional role, working methods, goals and objectives. At the same time, like other parts of the public sector, most PESs have come under increasing pressure to live within tighter budgets.

3.1. A changing environment

The characteristics of jobseekers have begun to change as more highly educated young people enter an ageing European work-force. Female participation in the labour market has greatly increased, and work and family responsibilities are more often combined as families become less dependent on a single breadwinner. Ethnic minority populations, who bring their own specific labour market characteristics, have increased.

The needs of employers are also changing. The types and range of skills are changing as the economy moves from being industrial to service-based and the degree of job differentiation in the market increases. Faced with the unrelenting pace of technological change and the need for competitiveness, employers also require more highly skilled and better qualified workers able to adapt to the constantly changing content of jobs. Employment relationships are changing too, as working hours and working times are becoming more varied, a greater degree of functional mobility is required and new types of temporary work are emerging. Further challenges arise out of high and persistent levels of unemployment, including long-term unemployment (LTU), unevenly spread across demographic groups. From this a new strong political commitment has emerged to combat such unemployment. Increasingly, public concerns have widened to groups outside the traditional definition of the labour force, with moves to (re-)connect broader population groups to the labour market (e.g. people on disability and other benefits as well as people who are completely outside the labour market).

To sum up: Changing needs on the demand and supply side and the accelerated speed of change have made the labour market more complex. At the same time effective

management of human resources has become a crucial success factor in a more competitive market economy, while (re-)integration of a considerable part of the labour force has become a difficult problem. These trends combine to make up a new market reality with a continuously growing need for various types of professional intermediary services leading to changes in practical arrangements:

(a) Short-term employment contracts are increasingly being used by employers to test employees as a precursor to permanent employment.

(b) Within the context of restructuring, the social partners have for a long time been involved in retraining and other measures. During the last two decades they have in many countries increased their efforts in this field, on the one hand adapting workers in employment to changed job contents, on the other getting increasingly involved in the re-integration of unemployed persons. This is often done in partnership with the PES.

(c) The education system has become less isolated from the labour market through the spread of dual arrangements in some countries (apprenticeship systems and the expansion of traineeships within full-time education) and through a great expansion of adult (vocational) training. Vocational training itself has become a very complex market with myriad providers and users. In integrating employers into this market, training has also acquired a matchmaking function.

(d) More labour market information is becoming available cheaply through new information and communication technology.

(e) New providers of intermediary services are entering the labour market, adding to the quantity and range of services offered. Private agencies organised on a commercial basis operate for employers who are willing to pay for their services. They assist in the selection and recruitment of workers as well as in the outplacement of redundant workers. They also cater for the increasing need for workers to be employed on flexible contracts. In particular temporary employment agencies have spread widely in some Member States of the Union, most impressively in the United Kingdom, Netherlands, Belgium and France. Several have developed into large multinational enterprises, meanwhile diversifying their employment services far beyond the original activity of merely hiring out temporary workers for short contracts. They not only work on contracts with individual enterprises but may also provide services under contracts arising from bipartite agreements at enterprise or sector level. Being primarily focused on fee-paying employers, it is clear that the commercial intermediary agencies also serve the interests of many jobseekers.

In some countries, trade unions have again started to organise placement services, particularly in relation to the unemployment insurance schemes they manage (for example in Denmark).

In addition, a number of countries have seen the development of agencies and organisations that supplement the activities of the PESs for different categories of non-employed workers who need better chances to get (re-)integrated into the labour market. These service providers are completely or largely financed by the public purse, either through the PES that buys in their services or through other institutions (ministries of employment, local authorities, social benefit administrations etc.). Commercial agencies sometimes also join in, developing side-line activities in the public domain.

On an international level the new ILO Convention on Fee-Charging Employment Agencies No 181, due to replace Convention No 96 of 1949, creates a legal basis for these new service providers, while requiring ratifying States to take adequate precautions against possible forms of abuse in the labour market. Despite the spread of commercial agencies in the market, it has to be said that their contribution to matching *unemployed* jobseekers to vacancies (which is a major PES task) is still somewhat meagre, even in Member States where they flourish most.

Not only the market environment of the PESs is undergoing change – their political and institutional environment is too. The traditional method of State management of the labour market, often building upon tight tripartite consultation, has begun to give way to more decentralised and less regulative approaches. Within this context PESs often have acquired a more autonomous position at some distance from their supervising ministries. They now have to prosper in a more competitive environment and build their market position on serving their customers well instead of deriving their position from ministerial powers.

3.2. The challenges of adjustment

To be successful the PES has to respond to all these changes. In some areas the challenges are clear. PESs have to develop their position in new thriving segments of the labour market, notably parts of the service sector and areas where flexible contract arrangements are common. Being largely service institutions operating in the information sector, the PESs also need to keep pace with new information and communication technologies and use them in their daily work.

In other areas, how to respond is not so clear. PESs have to deal with forces that are pulling them in different directions. They have to strike new balances between these forces. Approaches developed in the past have to be reviewed and re-adapted:

(a) *Serving jobseekers and employers* - PESs have to reconcile the often diverging demands of employers and jobseekers. Unemployed jobseekers, especially the most disadvantaged, require a lot of resources and attention (systematic case management is recognised as being a key instrument in the fight against LTU). But focusing too much on the jobseekers' side may be to the detriment of the service to employers. Maintaining a balance is already harder within the new competitive environment, where employers have begun to view the PES as only one of the possible suppliers of employment services. Consideration will therefore need to be given to the quality and comprehensiveness of services offered to employers, and the terms on which they are delivered.

(b) *Building a relationship with other service providers* - Only a limited range of commercial employment services compete with the activities of the PES. A considerable part is related to rather different segments of the market (for instance recruitment of managers and other key staff). Progressive de-monopolisation of the market for employment services does mean, however, that the PESs need to develop a relationship with other intermediary agents on that market. In market segments where PESs and other service providers coexist, there are various new options for organising the public

involvement in employment services. PESs may withdraw from some activities because others can do them better. This may be akin to outsourcing, which has long been a familiar phenomenon with regard to training services, but is now impinging on counselling, guidance and brokerage itself. It may however also lead to a more fundamental division of labour; one example is the separate organisational structure on regional and municipal level that was recently established in some countries - Denmark, Ireland and some others - to deal with very disadvantaged jobseekers. Joint ventures may also be experimented with in some areas, as is the case in the Netherlands. But there is a competitive element as well, with private agencies spurring the PES to perform better in order to keep and develop its market share, which it needs if it is to be effective in terms of its social objectives. Within these competitive market conditions PESs also have to consider to what extent they should develop some paid-for services themselves, to achieve a position in which they can offer employers comprehensive services on a par with those of their commercial counterparts. All in all it is clear that PESs at present have to define more clearly what their proper role and added value in the market is, compared to both commercial and non-commercial service providers.

In all cases governments are obliged to comply with the basic principles of fair competition on the market for employment services as set out in Articles 85 and 86 of the European Treaty. This means that a PES, when in competition with other undertakings, must refrain from entering into anti-competitive contracts with them unless such contracts are exempted under Article 85(3), and it also means that a PES, when in the position of dominant player in the market, must not abuse that position.

The new situation also means an opportunity for governments to expose the PESs to some market testing. To the competition for market shares, arising from the liberalisation as such, this testing adds competition for government assignments to implement part of the public services (specific programmes, parts of the case management load, and so on). Experiments are already in progress to some extent in the United Kingdom and the Netherlands.

(c) *Placing jobseekers and administering benefits* - Making the benefit system more conducive to employment leads to the need for a closer link between the management of unemployment benefits and the delivery of employment services. However, the rationale behind benefit administration is not automatically compatible with the objective of placing people in jobs.

(d) *Delivering public policy and providing a service* - While the strength of the PES increasingly depends on its position as a service enterprise in the market, it remains an important delivery agency of public policies, something which may have the effect of burdening the PES with administrative tasks that foster a bureaucratic culture. Periodically renewable 'agreements' between PESs and Ministries can be used to reconcile the need for policy delivery and operational independence.

(e) *Establishing the appropriate level of delegation* - Regional and local public authorities are more and more engaged in the fight against unemployment. Authority has to be devolved within the PESs if they are to be successful partners in employment policy at a regional and local level. But this will have to be reconciled with arguments that strongly favour the maintenance of a unified national system (equality of treatment, unification of the unemployment insurance system and economies of scale).

(f) Providing a national service in a European context - National labour markets will increasingly have to be managed within a wider European perspective. International labour mobility will become a more important factor during the next two decades than it has been during the last 30 years. Highly skilled new generations of young workers will be more able and willing to work in another country and will find new opportunities to do so in possibly tighter labour markets with shortages of modern skills. To be successful in the European market, where 90% of EU production is sold, employers will seek to recruit multilingual persons drawing on different cultures, languages and professional skills. Building on the established EURES network, PESs will have an important role to play in facilitating the free movement of labour.

3.3. The modernisation process

The process of modernisation is underway in most Member States. PESs are often being organised in a more decentralised way and local employment offices have been given more scope for gearing their resources to the local labour market. PESs are already to some degree decentralised in Sweden, Finland, Denmark and the Netherlands, and progress in this direction has been made in Germany, Austria, Ireland, Belgium and France. The ongoing regionalisation of PESs in Italy and Spain will provide an opportunity to support the process of modernisation.

The PES monopoly on the delivery of employment services has been abolished in most Member States and, where it still exists, a move towards more liberal conditions is clearly observable (in Italy and Spain for instance). As a consequence most PESs have begun to build new relationships with the growing number of private agencies. Partly related to that, efforts are being made in many countries, including France, Austria and Germany, to increase the level of customer orientation.

In addition, many Member States are seeking to rearrange the relationship between benefit administration and the delivery of employment services. In Denmark the exchange of information between the employment offices and the benefit agency is about to be strengthened. In France, unemployed jobseekers are referred to the benefit agencies by the PES when they first register. In the Netherlands unified client dossiers (containing all dealings with jobseekers) and one-stop offices for benefit case management and job brokerage are being developed. In the United Kingdom a new tight link between benefit administration and the delivery of employment services was made with the introduction of the Jobseekers' Allowance.

The process of reform, however, still has a long way to go. Some initiatives are still at an early stage, while others are proceeding in a rather fragmented way without sufficient linkage between the various issues and without the involvement of all relevant actors.

The solutions will not necessarily be the same for all Member States. Reforms will depend in part on the specific national set-up of the PESs, which have evolved independently and been moulded by the national socio-economic system. But in many respects, the challenge of modernisation is the same everywhere because all of Europe faces the same changing environment.

4. A programme for concerted action to modernise and empower the PESs

The emerging European employment strategy provides a new incentive to proceed to a rapid process of modernising and strengthening Public Employment Services. Employment services financed through public funds and/or statutory payroll levies are an important instrument in implementing the Guidelines, and the National Action Plans clearly place the PESs at the centre of the national delivery systems for such employment services. Concerted action by all relevant parties is required, which involves the PESs themselves as well as national governments, local and regional public authorities and the social partners. The European employment strategy stimulates a shared interest at European level in an effective delivery system and calls for European support for national efforts.

4.1. Priorities for concerted action

To ensure that the PESs meet the challenges of the modern labour market and are able to live up to the targets set under the European employment strategy the following requirements should be fulfilled:

PESs should a) obtain substantial access to vacancies, b) develop arrangements for the systematic case management of all registered unemployed jobseekers, c) contribute to the co-ordinated delivery of all public services to jobseekers, focused on their reintegration, and d) develop strong partnerships with other relevant actors on the market. In addition, there is a need for a more active approach to the promotion of occupational as well as geographic mobility in Europe as a means of increasing job opportunities and improving job matching.

* *Promoting access to vacancies*

If they are to have any chance of tackling unemployment, PESs should strive for a substantial access to vacancies. Only then can they use various techniques of brokerage and job search assistance to build a bridge to the market and provide job openings for disadvantaged categories who are, or are at risk of becoming, long-term unemployed. To achieve such a market share PESs need to build good relations with employers, based on confidence in the professionalism of their services.

Employment offices therefore need to move towards becoming *service enterprises*. This will entail a wide-ranging programme of action, including better identification of employers' needs, broader and more up-to-date service packages, the development of specific enterprise and sector 'desks', and action aimed at improving the public image of the PESs. Such a business-oriented approach will also entail a review of internal management methods and the use of quality management techniques.

In addition, new information and communication technologies should be exploited to build comprehensive and accessible self-service systems. These first-line services to employers and jobseekers should be backed up with easy access to more personalised assistance.

* ***Ensuring systematic case management***

The emphasis in the Guidelines on preventive action against youth unemployment and LTU - especially the reference to early identification of individual needs and the commitments to make offers before the 6 and 12-month thresholds - increases the pressure on the PESs to go in for systematic case management of the unemployed. This entails careful diagnosis of individual needs and close monitoring of unemployed jobseekers throughout their stay on the register. Such an approach, based on regular interviews, has proved successful in preventing people drifting into LTU. The most difficult clients require tailor-made individual action plans.

This, and the further development of individualised service packages, tend to draw heavily on available resources, thus reinforcing the need to make more efficient use of staff and financial resources.

* ***Contributing to the co-ordinated delivery of all services to jobseekers***

Improving people's employability requires close interaction and co-ordination of all public services to individual jobseekers, including income replacement, information, counselling and brokerage, as well as the application of special adjustment measures such as facilities for vocational (re-)training. PESs should play their full role in this co-ordinated delivery of all public labour market services. This does not mean that the PES as a distinct organisation should take on all responsibilities and all practical service activities. But certainly the PES is well placed and well equipped to help interconnect the various parts of the delivery system for jobseekers.

In Member States with poorly integrated employment services, such co-ordinated delivery of all public labour market services may demand a redesign of existing case management procedures. The creation of one-stop shops at local level for all public services is an important issue in this respect. In Member States where institutional integration is more fully developed, increasing co-ordination problems may have to be solved, between for example the PES and municipal authorities responsible for the social assistance system.

* ***Exploiting synergy between PESs and other relevant actors***

The PESs should review their relations with other actors in the market, and exploit possible synergy. This entails :

(a) building networks with regional/local authorities which have become more involved in employment policy for social as well as economic reasons and which are responsible for important policy instruments (social assistance schemes, educational and training facilities, welfare schemes and so on). Successful co-operation may require more decision making powers for local PES offices;

(b) co-operation with the social partners, who are increasingly developing new and varied employment policies on a bi-partite basis within particular sectors and branches of the economy;

- (c) co-operation with institutions in the field of vocational education. These have multiplied with the growing importance of training and have become more directly interwoven with the placement process and all the actors engaged in it;
- (d) better co-ordination with institutions aimed at the (re-)integration of jobless people who are not registered as unemployed; and
- (e) developing good relations with the expanding sector of private employment services. In addition, partnerships with self-help institutions for the unemployed can improve service delivery.

* ***Using PESs to facilitate international labour mobility***

Both the introduction of economic and monetary union and the development of a co-ordinated European employment strategy increase the importance of reducing obstacles to the free movement of workers. More easy geographic mobility will facilitate labour market and economic adjustment. The EURES network, established in 1993 by the PESs and the European Commission - and also involving the social partners and local actors in a number of cross-border structures - is the ideal vehicle for facilitating and encouraging mobility. To optimise its potential, EURES needs to become more strongly rooted within the different national PESs and provide users with a higher-quality service - whether employers, workers or jobseekers.

4.2. The action required

Together, PESs, governments, the social partners and the European Union have to make a concerted effort to achieve progress on the above priorities.

* ***PESs***

PESs should be strategic and lead actors on this stage. They have to offer a professional service to employers. They have to devise effective methods and procedures to service the flows of unemployed jobseekers. They have to develop new relationships with other actors in the labour market, such as private employment agencies, local and regional authorities and benefit agencies.

PESs should fully exploit the opportunities offered by *European co-operation*. By exchanging best practice, it is possible to develop a broader European basis of experience and a network of mutual support established, and to set up joint projects which will help speed up the ongoing modernisation process and give it the right direction. One example is the development of self-service systems using modern information and communication technology. There are considerable potential benefits from sharing the costs of research and development, particularly as systems will increasingly need to be developed to specifications which allow Europe-wide accessibility. Another example is the development of certain common standards, e.g. quality standards for service delivery.

PESs should support the fuller *integration of EURES* into their services, thus bringing a greater European dimension to their information, counselling and brokerage services to jobseekers and employers.

*** Member States**

As part of their commitment to the European employment strategy, Member States should give their full support to PES modernisation and foster PES development. Such support, if well designed, is productive and cost-efficient in both social and financial terms.

Within the context of an overall expenditure restructuring, *adequate resourcing* of PES, especially in terms of the size and quality of staff, is a vital pre-condition for their success. The challenging targets set out in the Employment Guidelines increase the need to review resources.

Governments should also seek to create an appropriate *institutional environment* for the PESs. This means, in particular, striking the right balance between central political steering and a sufficient degree of operational independence. Annual or multi-annual agreements, already used in several Member States, may help do this. In addition, some degree of decentralised management is necessary to allow the PES to adjust to the different needs of the local and regional labour markets. Thirdly, the spread of other intermediary agencies in a more liberalised market for employment services might be exploited in appropriate ways to seek enhanced effectiveness and efficiency in the delivery of public services. Fourthly, Member States should ensure a clear distribution of responsibilities and accountabilities between all actors involved in the delivery of active and passive employment services.

Furthermore, governments should create and maintain an adequate level and structure of facilities for training, work experience and other means for market adjustment. PESs can only perform their market functions in a satisfactory way if these facilities can be offered to create new opportunities for unemployed jobseekers who cannot be sufficiently assisted by merely offering them a mix of information, counselling, guidance and brokerage services.

The Commission invites Member States to pay due attention - when implementing their National Action Plans - to preparing PESs for their instrumental role in the implementation of the Employment Guidelines. Measures for modernising the PESs and strengthening their role as delivery mechanism for public services should be included.

*** Social Partners**

The dual objective of adapting the employed to economic and technological change and keeping unemployed people employable requires a joint effort from the public authorities and the social partners. The social partners have, for a number of years and to differing degrees, been involved in the management of PESs in most Member States. The Employment Guidelines stress the role of the social partners in improving the adaptability of firms and their employees, and call for their participation in employability policies through the early conclusion of agreements to boost opportunities for unemployed jobseekers. In many cases this will lead to a practical co-operation with the PESs.

**European Union*

Within the context of the employment strategy, the Commission will use all available instruments to support the above process.

The Commission supports *co-operation between European Public Employment Services* in order to facilitate exchanges of information and best practice on operational issues of common interest and to develop common activities at EU level. Such co-operation was initiated in 1997. It entails a work programme and bi-annual meetings of the heads of PESs. Ad hoc working groups of PES experts have already been established to carry out the work programme, with the Commission acting as facilitator to the groups.

The major common activity involving all Member States' PESs (as well as PESs from Norway and Iceland) at the moment is *the EURES network*. Responsibility for EURES at Commission level has recently been transferred to the directorate in charge of employment policy, reflecting the will to make more of the EURES contribution to the employment strategy. EURES remains an essential tool in enabling European workers to exercise their freedom of movement, and employers to have wider access to a Europe-wide labour supply. As such it can also improve the overall functioning of the European labour market. In addition to the need for market adjustment facilities (like training and education) to be made available on an adequate scale and density, increased geographical mobility of workers can help to reduce the skills gap in the Community, improve the employability of workers and facilitate the closer integration of labour markets.

The Commission will *support research* to promote better knowledge and understanding of PESs' requirements, and will disseminate the results of this work. The Council Decision of 23 February 1998⁴ "on Community research, analysis and co-operation in the fields of employment and labour market" offers new opportunities. In addition, the Commission will look into the possibility of supporting pilot projects under the new budget line on "Incentive measures in the field of employment".

PESs have always been an important mechanism for implementing programmes supported by the *European Social Fund*, acting either directly or through other institutions. Improvement of employment services is mentioned in the regional objectives of the Fund. The Commission's Initiative on Territorial Employment Pacts furthermore calls upon the relevant regional and local partners, including the PESs, to take an active role in job creation.

The current revision of the ESF regulation will enable resources to be used more effectively in co-financing Member States' programmes for meeting the objectives of the Employment Strategy. The development of structures and systems for policy implementation feature explicitly as activities eligible for financial support from the Fund, e.g. the modernisation and improved efficiency of employment services.

The Commission will use its role in the social dialogue to investigate, together with the social partners, existing and potential areas for successful partnerships with the PESs at enterprise, branch and sector level.

⁴ Official Journal of the European Communities, L 63/26 of 4. 3. 98

In view of the central role played by the PESs in the employment strategy and more generally in the labour market, the Commission will give due attention to them in developing *partnerships with Central and Eastern European and other applicant countries*. Support will be given to PES initiatives aimed at strengthening their role both as service providers in the labour market and as instruments for the delivery of employment policy.

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