

ILO Research Department

THE ROLE OF PUBLIC EMPLOYMENT SERVICES IN IMPROVING EMPLOYMENT QUALITY

Public Employment Services (PESs) can reduce unemployment duration and increase the quality of job matches. However, they must provide the right balance of incentives (e.g. between sanctions and rewards) and high-quality services (e.g. individualized counselling) in order to attract jobseekers and employers to the system.

Key findings

A review of existing studies as well as new findings from an impact evaluation in Colombia show that PESs:

- (i) mitigate unemployment and reduce the number of unfilled vacancies by bringing together jobseekers and employers in an effective manner;
- (ii) reduce labour market informality by promoting better labour market matches;
- (iii) ensure policy coordination and complementarity across a range of labour market interventions.

Research question

This research brief is published as part of the project “What works: Active labour market policies in Latin America and the Caribbean” (box 1). The increased importance of active labour market policies (ALMPs) since the beginning of the 2000s in Latin America and the Caribbean (LAC) reflects a policy shift by governments to complement traditional interventions targeting poverty reduction with policies which aim to raise the employability of the labour force and sustain productive employment creation.

PESs¹ represent a key component of this strategy: expenditures on this type of intervention increased in virtually all LAC countries with information available. Given the high levels of informal employment and rising unemployment rates in the region, these types of intervention can be extremely important in (i) improving jobseekers’ attachment

to the labour market; (ii) providing employers with adequate assistance in the recruiting process (i.e. reducing hiring costs and times) and; (iii) raising the quality of job matches (e.g. promoting the use of formal contracts).

Yet, despite the increased importance of PESs in emerging and developing countries, relatively little is known about their effectiveness. A number of papers, however, have assessed PESs in developed countries, generally finding positive results on participants’ short-term labour market outcomes (e.g. reduction in unemployment duration). These results cannot easily be extended to developing and emerging countries, given the large number of structural differences, such as the high share of informal employment and variations in the structure and scope of PESs in emerging and developing countries.

1 PESs are the labour market institutions in charge of providing services such as (i) job-search assistance and placement; (ii) unemployment benefits’ administration and; (iii) policy coordination across labour market interventions.

Box 1. Research project: “What works: Active labour market policies in Latin America and the Caribbean”

The project aims to provide the first systematic analysis of ALMPs in the region and assess their effectiveness in improving labour market and social conditions. The main outcomes include:

- *ILO Compendium of labour market policies*: Collects information on ALMPs implemented in a wide range of Latin American countries since the 1990s.
- *Literature review and meta-analysis*: Examine the main results found in the literature on impact evaluation of ALMPs, paying particular attention to evidence from the region.
- *Impact evaluations*: Individual impact evaluations were conducted on the following interventions: a multi-approach activation programme in Argentina, the Colombian PES and a workfare programme in Peru.
- *Synthesis report*: Offers a non-technical presentation of the main findings of all these elements together in a single volume.

For more information, please see: www.ilo.org/almp-americas.

What works?

In order to fill this knowledge gap, an impact evaluation has been conducted to examine the effectiveness of the PES in Colombia in terms of labour market outcomes. Colombia represents an extremely interesting opportunity for analysing the PES, since the share of informal employment is considerably higher than the average for LAC (54.4 per cent of non-agricultural employment compared to a regional average of 46.8 per cent) and is associated with a higher risk of unemployment recurrence (figure 1). In this context, PESs can play an important role in helping individuals to break out of the informality trap by assisting them to find more stable (and formal) jobs. However, the PES in Colombia is used by only a small minority of the labour force (accounting for just 1 per cent of the job matches that take place every year).

The *Servicio Nacional de Aprendizaje* (SENA) has been the institution providing labour market services in Colombia since 1989. A reform in 2013 created a new agency in charge of providing labour market services within SENA (the *Agencia Pública de Empleo*, APE) to join the newly constituted network of public and private providers of labour intermediation (the *Servicio Público de Empleo*, SPE). The reform aimed,

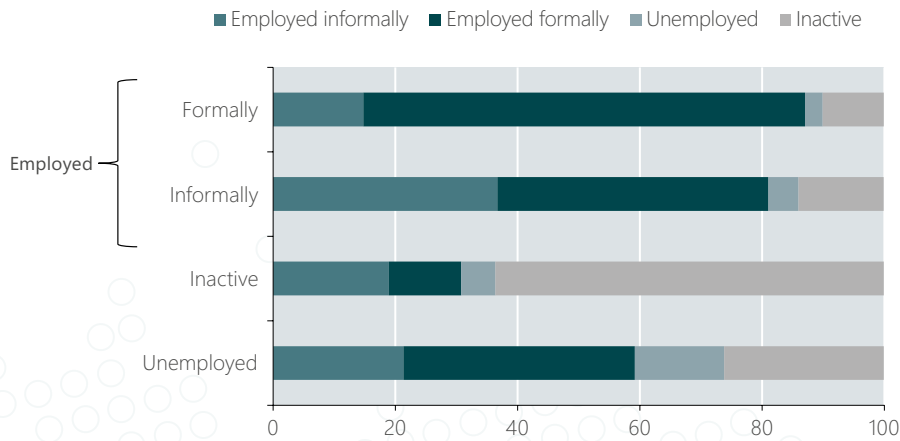
among other things, to expand the coverage of the PES in the country by fostering collaboration between the public and private sector. APE provides a wide range of services to both jobseekers and employers in the area of labour market services. For jobseekers, these include:

- (i) jobsearch assistance;
- (ii) employability-enhancing activities (e.g. language courses);
- (iii) entrepreneurial support;
- (iv) vacancy screening (online or in the PES centres).

For employers, APE can:

- (i) provide a (ranked) list of available candidates;
- (ii) conduct screening exercises;
- (iii) organize job fairs or recruitment events;
- (iv) collect applications from potential candidates.

Figure 1. Transition rates across employment status in Colombia between 2010 and 2013 (percentages)



Source: ILO (2016).

The impact evaluation compares the labour market outcomes of individuals who found their job through APE with those of individuals who found employment through a variety of other channels, specifically by:

- (i) posting or replying to a classified job advertisement;
- (ii) obtaining labour market services through private employment agencies;
- (iii) directly contacting and visiting employers;
- (iv) making enquiries through family and friends.

The analysis is conducted by means of propensity score matching (PSM), a helpful and flexible technique that has been extensively used for the evaluation of PESs in both developed and emerging countries.

The results of the analysis show that finding employment through APE increases the probability of being in a formal job (compared with similar individuals who found their job through the other channels listed above). The effects of participation in APE on formality are generally more

positive for women and low-skilled jobseekers than for men and high-skilled individuals. Overall, around two-thirds of this increased probability of formal employment is ascribed to the fact that APE participants are placed in larger companies, which are characterized by a higher level of labour law compliance.

The analysis also reveals that finding a job through APE has a significant and positive effect on the wages of low-skilled participants. However, high-skilled individuals who find a job through APE receive lower wages. These findings may be related to increased labour law compliance at the bottom of the income distribution (e.g. minimum wages) coupled with a lack of high-quality vacancies for more highly skilled candidates (see below).

For all control groups, the results indicate that APE is more effective, in terms of both formal employment and wages, when the services are provided face to face (i.e. in APE centres) rather than online. This highlights the importance of the design and implementation of the PESs for ensuring its effectiveness.

Policy considerations

The results of the impact evaluation of APE are an example that PESs can be effective policy instruments for raising the quality of job matches in contexts of high informal employment. Additionally – and when coupled with other active interventions, such as training – they can contribute to raising workers' productivity and limit the risk of labour market detachment. However, the services provided by APE are most effective when delivered face to face. One of the main obstacles to augmenting the effectiveness of the service relates to the currently limited reach of APE. And, while the reform of 2013 aimed to address this issue, additional steps could be considered with a view to making the PES a central component of labour market policies in Colombia.

A conducive institutional framework

An important factor in increasing participation in the services provided by APE is to ensure that the system of registration and provision does not impose unnecessarily onerous requirements on either jobseekers or employers. In particular, a more flexible regulation of the PES could reduce the administrative burden on APE staff and encourage greater take-up of the services on the part of its potential users. Some suggestions to promote take-up include:

- *The use of a single platform across all labour market services providers:* The different public and private providers of labour intermediation within the SPE currently operate different systems. Delivering services from one consolidated platform would increase the number of candidates/vacancies available in the system while reducing operating costs.
- *Streamline APE services to reduce red tape:* APE stipulates a set of requirements for employers (e.g. notification, reporting) that, although designed to promote the “correct” use of their services, risks creating disincentives for employers who might otherwise use the PES. Some flexibility across these requirements could increase the incentives for employers to post their vacancies, while still guaranteeing the appropriate use of the system.
- *Connect labour market services with other ALMPs:* In Colombia, labour market services provided by APE are de facto only connected with the training activities of SENA. Encouraging a greater mix of policy interventions by leveraging other areas of labour market measures (e.g. employment subsidies) could increase the coverage of the PES (and the effectiveness of ALMPs) in the country.

Reaching out to jobseekers and employers

The PES in Colombia remains somewhat confined to a small segment of the labour market, i.e. lower-skilled vacancies and jobseekers. In an effort to expand the reach of the PES, a variety of steps can be envisaged:

- *Target the needs of employers more effectively:* APE could be used to address the recruiting needs and business characteristics of employers in Colombia. For instance, specialized PES staff could be assigned responsibility for specific sectors or companies confronted by particular barriers to using the PES, e.g. small and medium-sized companies.
- *Promote jobseekers' attachment to the services:* Another important aspect is to encourage registered jobseekers to continue with their job search and benefit from the services provided at APE. This requires a multifaceted strategy in which online and face to face services interface in a mutually complementary manner.
- *Leverage the reputation of SENA:* SENA is a well-established institution in the area of vocational training in Colombia. However, there is limited awareness of its role as a provider of labour market services. A promotional campaign could highlight and publicize the importance and nature of job-search assistance and the various services provided by APE.

Further reading

International Labour Organization (ILO). 2016. *What works: Active labour market policies in Latin America and the Caribbean* (Geneva, ILO).

Pignatti, C. 2016. *Do Public Employment Services improve employment outcomes? Evidence from Colombia*, ILO Research Department Working Paper No. 10 (Geneva, International Labour Office).

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