

# DEMAND-ORIENTED EMPLOYMENT SERVICES AS A SOLUTION TO SHORTAGES IN THE LABOUR MARKET

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## 1. Abstract

Under the influence of demographic, economic and socio-cultural developments, the Flemish labour market is characterised by an increasing shortage of manpower, making it very hard to fill job vacancies. One solution would be to make the Flemish public employment provider VDAB more demand-oriented. This study examines the strategies, formats and instruments that are required to realise that. To that end, it is divided into three parts: an exploratory overview, based on domestic and foreign practices; an evaluation of applied instruments for matching job vacancies; and finally, a proposal for improvement. The research was conducted through a combination of qualitative methods, such as document analysis, interviews, site visits, and it also used data analysis based on databases of jobseekers and job openings.

### **Key words:**

Job matching, labour force shortages, hard-to-fill vacancies, public employment service, employer-oriented services

## 2. Objectives

The objective of this exploratory and evaluative study was to check which strategies and instruments are used by the VDAB to provide more demand-oriented services to employers in view of the need to fill hard-to-fill job vacancies.

The study focused on the following research question: via which strategies, formats and instruments can the services of the Flemish public employment provider be made more demand-oriented, particularly in view of filling hard-to-fill vacancies, and how are these implemented in the VDAB job vacancy process?

### *Clarification of key concepts*

**Dimona:** Dimona, an abbreviation of Déclaration Immédiate (*Onmiddellijke Aangifte*), stands for immediate reporting of employment, an electronic message used by employers to report any hiring or termination of employment to the National Office for Social Security of the provincial and local government authorities.

**VDAB:** the Flemish Service for Employment and Vocational Training, i.e. the Public Employment Service.

## 3. Methods and data

The study is based on a combination of qualitative and quantitative research. The qualitative part involves a combination of document analyses and face-to-face interviews conducted with employees of the VDAB in various regions and at several levels, followed by a focus group with staff from competence centres. The quantitative part entails an analysis of VDAB data for six professional groups between 2002 and 2008.

### *Methodological explanation*

In order to evaluate the effect of the demand-oriented instruments, it is essential to establish an unambiguous identification of the direction of the relationship between the use of instruments on the one hand, and the speed and accuracy by which job vacancies are being dealt with on the other. Identification can be achieved in several ways, but the optimum situation is to select the identification strategy before the policy under evaluation is being implemented, for that leaves room to set up controlled experiments or quasi-experiments. The current study did not allow for this option and therefore chose to use a difference-in-difference strategy, which was based on the assumption that the instruments to be investigated were introduced to different sub-regions at different moments. The objective was to then use this step-by-step introduction as an identifying characteristic. In practice, there was not enough of a phased introduction for the majority of the instruments to be evaluated. Where a phased introduction was indeed found, the study faced a different problem, namely that the first use of the instrument took place simultaneously in adjoining and comparable sub-regions, so that the cluster of comparable sub-regions where the instrument had not been introduced, remained empty. The final conclusion therefore had to be that although useful *a priori*, in this case the suggested identification strategy did not lead to identification because the data did not allow it. The latter conclusion could not be made until after the data had been studied and could not have been made beforehand.

## 4. Findings

### 4.1 A step-by-step model for the job vacancy process

The first, exploratory part of the study is based on an inventory of the demand-oriented instruments and strategies used by VDAB in 2008, just before the outbreak of the financial crisis. These instruments and strategies were then categorised into a step-by-step model of service provision, each step representing a certain level of service.

The first step represents automated service provision and the key instruments herein are ICT tools and the process of automated matching. This process is also the basis of the notifications that are being sent out to jobseekers. This occurs every week, online or when they register. Employers and employees are also offered a number of ICT tools for self-management of their files. This assumes sufficient self-support among both groups. ELISE matching is also used to assign a service level to a job vacancy. If a match does not produce sufficient potential candidates, the job vacancy will be passed down to a consultant in the region who will then deal with it personally. This brings us to the second step in the service provision: the use of a consultant for a more personal approach. Again, a number of instruments are available, and their main objective in this step is to gather additional information so that the match between demand and supply that the automatic process failed to deliver, can still be realised. In many cases a personal contact initiated by a consultant is sufficient to gather the required additional data. It also offers the possibility of better screening of candidates. An important bottleneck in this second step is embedded in the consultant's use of several channels in order to gather as much information as he can. At the level of the organisation, however, there is a divide between the vacancy process and the jobseeker process. The latter may contain valuable information for the consultant. Exchanging that information is necessary to achieve a good match or to make a decision

about any additional training the jobseeker should take before he can qualify for a certain vacancy. If after collecting additional information, it appears that certain instruments must be used to match the competences and skills of a jobseeker with a job vacancy, the consultant must check which training options would qualify. This brings us to the third step in the service provision model: the use of instruments to increase competences. The prerequisite of sufficient information also applies to these training options. There is a clear trend towards increased attention for training-on-the-job. Contrary to education programmes of a long duration, it offers the advantage that candidates can be employed immediately. Given the structural shortage some employers are confronted with, instruments such as IBO - Individual vocational training at work - offer the perfect solution. Accurate knowledge of the training options obviously adds to the consultant's ability to find the suitable training programme for an employee. This step involves another organisational bottleneck, namely that of knowledge and information exchange between the vacancy processing institute and the centres of competence. Tailored projects are developed to resolve vacancies that are very hard to fill, or for recruitment problems where the VDAB was called in to assist a sector or company. This is the fourth step in the model of service provision, and also the most intensive one. These projects are often initiated and co-directed by companies or sectors, which creates a grey operating zone for the government due to the lack of a clear framework with respect to the role of the VDAB and the financial input of the individual partners.

### 4.2 Preconditions and success factors

The automatic matching process has acquired a fixed position in the services offered by the VDAB. This instrument contains two key trump cards: speed and low costs. Safeguarding the quality of the jobseeker dossiers and the job vacancies requires utmost attention in this context, as correct and complete information on both items adds to the success ratio of the automatic matching process. In addition to the automatic matching process, the VDAB also provides ICT tools to employers and jobseekers: 'Job Manager' for the former and 'My VDAB' for the latter. These instruments relieve some of the workload of VDAB staff, allowing them to spend more time on harder-to-place jobseekers and hard-to-fill job vacancies. These instruments can also be considered as virtual service provision to client groups with a high level of self-support and self-management. In that context, the limitations of this system for certain groups of people must be taken into account. A closer relationship between the process of automated matching and personal service provision could be realised by adding a follow-up element to the system of online matching.

Fast and intensive service provision is also of the essence for job vacancies that are expected to be hard to fill. At present, the automatic matching system decides which job vacancies require personal follow-up, and its limitations are thus incorporated into the second step of the service provision. A higher level of filtering would be recommended in this respect. Close cooperation with sectors or companies that are faced with a large number of hard-to-fill vacancies may help to accelerate the identification of vacancies that immediately require a more personal approach or tailored service. The evaluation of the Dutch vacancy approach showed that personal service provision is the best instrument to improve candidate selection. However, this is a time-consuming and costly process. The question is whether the available financial means allow for inclusion of employers in the personal service provision. In this respect it is recommended to check whether the introduction of ICT tools into other processes could provide a solution. The consultancy capacity that would consequently be released could then be used for more personal service provision.

Company and sector accounts could play a role in increasing the quality of the descriptions of job vacancies. For improvement of the information one could think of enhancing the ties of sector and company accounts with the local job centre (*lokale werkwinkel*).

Several specific instruments are being used to check whether jobseekers possess the required competences. The problem of sector-oriented screening of jobseekers is its one-sided approach based on the preferred profession. In many cases, a job screening process results in moving a jobseeker from one preferred profession to another. However, job screenings also update the dossier of the jobseeker and this indirectly contributes to a better chance of a successful match. Using competences or a list of professions to help a jobseeker define a desired career is probably more efficient. Given the costs and time involved in personal service provision, it is useful to consider a method that allows for better definition of the right mix of services. At present this is done by the service line at the moment of the vacancy-intake, and ELISE matching is used to establish the required services. In practice, however, a large number of vacancies appear to require personal follow-up by a consultant.

#### **4.3 Does the vacancy service help to fill job vacancies?**

As a next step, the study checked whether the use of certain demand-oriented instruments affects how these vacancies are being handled. This required the development of an indicator that could register the speed at which a vacancy file is being processed, as well as its rate of completeness. It was suggested to use a severity indicator. Although it became clear that there is a strong correlation between the use of the demand-oriented instruments and this severity indicator, the effect of the use of the instruments could not be identified. The problem here is that the variable one seeks to influence, namely the speed and rate of completeness with which a dossier is being handled, or the estimate of those factors made beforehand, also relates to the chance that an instrument is going to be used: especially for those vacancies that are expected to be hard to fill, one will reach back for the instruments that are thought to enhance the possibility of filling them. In this context, it is important to separate the identification problem from the indication problem. The former will always exist, no matter which indicator is being used for measuring the rate/quality at which vacancies are being filled. An important lesson from this is that prior to the introduction of new policy measures, it is useful to consider the desired identification strategy for evaluation of their effectiveness, and in such a way that upon implementation, the elements required for such identification can be taken into account.

## **5. Conclusions and policy implications**

Demand-oriented employment services cannot be summarised as one single thing. Most of the time they involve a combination of different instruments, ranging from jobseeker screening, via job placement, to training in the workplace, and even including guidance, training and intervention projects tailored to the needs of companies and sectors. That job vacancies are getting a more prominent place within the VDAB is inevitable, and given the structural development in the Flemish market, it is also necessary. Companies are in need of more demand-oriented employment services from the VDAB. This means that factors like speed and guidance of candidates, synchronisation with the job requirements, finding solutions for competence deficiencies via targeted training, and company-specific solutions are gaining importance. From the viewpoint of the VDAB this requires a strategy that simultaneously anticipates all those factors, and this necessitates an integrated approach covering all the instruments and layers of the organisation. The policy suggestions from this elaborative and partly evaluative study for the VDAB vacancy approach are therefore based on three levels: the VDAB approach in general; the concrete instruments; the internal and external organisation.

A first, general recommendation concerns the need to place the multitude of concrete initiatives and plans within a comprehensive strategy for a demand-oriented approach. This is of vital importance for the future of public employment services. This strategy uses all the relevant instruments currently under development, as well as the individual large divisions within the VDAB, such as the employer line, the jobseeker line and the centres of competence, and the different forms of service provision, including online services, agency services, competence enhancement services, concrete employer projects, etc.

The public vacancy database is a powerful tool for the Government of Flanders to create transparency in the labour market. It forms the basis of several tools aimed at electronic services, both virtual and otherwise, and at personal service provision. A strong focus on electronic processes may never undermine the attention for the internal organisation. In this context, it is important that regional VDAB services and competence centres make arrangements about exchange and synchronisation of candidates and job vacancies, and that they use instruments such as demand-related screening and competence reports. The central VDAB can play a facilitating role in this respect. It is recommended to expand the vacancy teams and to regularly monitor them.

The centres of competence provide the VDAB with an additional instrument to improve the vacancy service offered to employers. The present study suggests enhanced use of this instrument in the vacancy approach, for instance via daily exchange of candidates and job vacancies, but also via appropriate and tailored use of the training instruments - instead of the long used training focused on the creation of a stock of adequate candidates.

Companies increasingly require tailored services in their search and selection process. More and more, this will require specific projects for demand-oriented screening, guidance, intervention and training. Although these projects are already taking place today, they are hard to detect and therefore cannot be included in the learning curve. And yet, these types of projects offer an excellent opportunity to consider the other side of the coin: the job requirements of vacancies and the service to employers. In the projects indicated above, the VDAB could assume more of a leading position as a coordinator together with other intermediaries, such as individual sectors, regional consulting platforms,

private intermediaries, etc. These types of projects offer ample learning material for the regular job vacancy approach. The role of the VDAB in these projects could benefit from a clear framework of fundamental and financial arrangements.

The rate of job vacancy filling is a key indicator in the annual evaluation of the VDAB. Still, there is enough reason to urge a cautious interpretation of this indicator. In the first place, there appear to be strong regional differences in how filled vacancies are being registered. Although regions may show huge differences in vacancy filling rates, these don't necessarily imply real differences in filling rates. Also, in its capacity as a demand-orientation indicator, the indicator cannot make any assumptions about employer satisfaction. This is an important shortcoming given the fact that demand-oriented instruments are often used to fill hard-to-fill vacancies for employers or sectors. The filling rate may increase with additional use of these instruments, but it tells us nothing about employer satisfaction in relation to the employees that were hired. We don't know whether recruitment involves a long-term or short-term position either. It is therefore recommended to use additional indicators. The VDAB currently conducts regular surveys among employers, and there are some sector initiatives as well, such as the Agoria questionnaire. These surveys could be modified to include additional questions about several forms and instruments of service provision. Finally, a link to Dimona would offer opportunities with respect to jobseeker follow-up.

*Full reference of study report(s) and or paper(s) and other key publications of the study summarised here*

**Morissens, A., Struyven, L., & Bollens, J. (2009). *Vraaggerichte arbeidsbemiddeling als antwoord op knelpuntvacatures*. Leuven: HIVA-KULeuven.**