THEMATIC PAPER

ENGAGING WITH AND IMPROVING SERVICES TO EMPLOYERS

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CONTENTS

1. BACKGROUND AND RATIONALE

Today's **labour markets are undergoing fundamental changes** and are becoming increasingly volatile. Many of these developments bring along new risks and requirements, not only for workers, jobseekers and public services, but also for employers – especially smaller ones. Among other things, they are challenged by a shrinking working-age population; changing characteristics of the workforce (e.g. proportion of migrants, attitudes to work, etc.); an increasing mismatch between the supply and demand of labour/skills (i.e. rising skills shortages and recruitment difficulties coexist with high unemployment and inactivity rates); the emergence of new forms of employment; and new digital modes of recruitment.

Against this backdrop, the *PES 2020 Strategy Output Paper*[1] therefore calls for **increased attention from PES to the needs of employers**, based on a deeper understanding of the labour market, a service package that is more focused on labour demand, and qualitative assistance for employers. Small and medium-sized enterprises in particular are seen to be in need of more intensive support from PES. Closer cooperation with companies is, at the same time, thought to be beneficial for the unemployed and in supporting chances of employment for more vulnerable jobseekers.[2]

The development of targeted and customised services for employers has already been an important theme in discussions amongst PES in recent years. In 2012, the PES to PES Dialogue examined how PES could organise and deploy services to employers in an analytical paper[3] and a peer review.[4] In 2014, a Dialogue Conference on 'targeted services for employers'[5] examined how PES can deliver recruitment services effectively, with a particular focus on identifying what is specific to – or indeed necessary for – SMEs compared to large companies. The conference also took a closer look at the use of PES-company agreements to create and sustain employer relations, and launched a new debate around the role of corporate social responsibility (CSR) in this context. A toolkit on targeted services for employers was developed for PES managers and practitioners[6] as

a result. Furthermore, 'Relations with Employers' has been introduced as a dedicated field of PES assessment in the PES Network's Benchlearning Initiative framework.

This **thematic paper** has been produced in the context of a **Thematic Review Workshop** in Vilnius in June 2017, which was attended by 12 European PES and aimed to drive the discussion on PES engagement with employers forward. Besides revisiting the relevance and wider framework conditions of employer engagement, the workshop (like this paper) had a **particular focus** on comprehensive, formal strategies towards employers; employer segmentation; organisational structures and staff specialisation; competence requirements and training for employer advisors; and monitoring employer engagement through targets and performance indicators. This paper is based on a literature review, outputs from previous PES to PES activities (including the recent benchlearning reports), answers to a questionnaire circulated among PES before the workshop in June 2017, and PES inputs and contributions at the workshop. In addition to this thematic paper, there is a toolkit on the topic, which presents specific instruments and procedures for engaging with employers.

The rest of this **thematic paper is structured as follows**: Section 2 will look at the current challenges, needs and practices of companies in relation to staff recruitment. Section 3 will discuss companies' use of, and perspective on, PES offers and services. Section 4 gives an account of the approaches and practices that PES currently use in relation to employer engagement. This is discussed in terms of the focal topics mentioned above. Section 5 highlights the key challenges in employer engagement and sets out possible solutions and areas for PES to follow up on in future. The final section gives a concise summary of the key issues raised in the paper.

1 http://ec.europa.eu/social/BlobServlet?docId=9690&langId=en

2 For example, a positive impact on the re-integration rates of direct contacts and networks between PES counsellors and employers has been confirmed empirically in Switzerland (Behncke et al., 2007).

3 http://ec.europa.eu/social/BlobServlet?docId=14101&langId=en

4 http://ec.europa.eu/social/main.jsp?langId=en&catId=105&newsId=1164&furtherNews=yes

5 http://ec.europa.eu/social/main.jsp?langId=en&catId=1005&newsId=2043&furtherNews=yes

6 http://ec.europa.eu/social/BlobServlet?docId=11666&langId=en

2. RECRUITMENT: COMPANY CHALLENGES, NEEDS AND PRACTICES

2.1 Recruitment challenges

Analyses of labour and skills shortages often report quite varied results, partly due to definition and measurement issues. However, there is a clear sense that **recruitment challenges and difficulties are persistent and have even increased** overall in Europe over the last few years, as studies by the European Centre for the Development of Vocational Training (Cedefop, 2015) and the European Foundation for the Improvement of Living and Working Conditions (Eurofound, 2016) suggest. According to various sources cited in the Cedefop study, between one third and 40 % of

employers are experiencing difficulties in finding job candidates with the right skills, although there are significant differences between countries in this respect. In any case, staff-related bottlenecks are more widespread than business constraints associated with, for example, access to finance or administrative burdens.

Across Europe, difficulties in finding suitable, well-qualified workers are most widely reported in sectors such as **health and social care, ICT⁷ and manufacturing.** Financial services are among the sectors with a relatively low prevalence of recruitment problems. However, there are considerable differences between Member States in terms of which sectors are most affected by hiring difficulties (Cedefop, 2015). A future projection of labour-market trends shows that, in the baseline scenario, a substantial number of job openings are to be expected up to 2025. This is due to a large number of older workers retiring from the active workforce and the resulting replacement demand that this generates. In particular, recruitment into certain areas of **manufacturing and related activities will remain problematic** (Cedefop, 2016). Table 1 gives an overview of more specific 'bottleneck occupations' as identified by European PES.

Table 1: Top occupations classified as shortages by most PES in 2016 (bold indicates that shortage is significant)

OCCUPATION	NUMBER OF PES (COMPARISON TO 2015)	OCCUPATION	NUMBER OF PES (COMPARISON TO 2015)
Software and applications developers	21 (←→)	Nursing and midwifery professionals	13 (↑)
Sales and purchasing agents and brokers	17 (↑)	Cooks	12 (←→)
Blacksmiths, toolmakers and related trades	16 (↑)	Machinery, mechanics and repairers	12 (↓)
Building-frame and related trades workers	16 (↑)	Physical and engineering science technicians	12 (↑)
Medical doctors	16 (↓)	Shop sales persons	12 (↑)
Sheet-metal workers, moulders and welders	16 (↓)	Database and network professionals	10 (↑)
Electrical equipment installers and repairers	15 (↑)	Food processing and related trades workers	10 (↑)
Heavy truck and bus drivers	14 (↓)	Other health professionals	10 (↓)
Building finishers and related trades workers	13 (↓)	Personal care workers in health services	10 (↓)
Engineering professionals	13 (←→)		

Source: European Commission (2017)

7 An estimated shortfall of as many as 900 000 ICT professionals in Europe has been predicted by 2020 (Cedefop, 2015).

There is also some evidence that the length of **time needed to fill a vacancy** – an indicator of recruitment difficulties – has been increasing over the last few years. Company survey data from Germany show that the average recruitment time[8] grew from 70 days in 2010 to 85 days in 2015 (Brenzel et al., 2016). This overall trend is worrying because other research has shown that the probability of the company cancelling the search increases with search time (Rebien et al., 2014). The data from Brenzel et al. (2016) also reveal that the time needed to recruit increases with the required education or skills level. Filling a post with a university graduate took twice as long (107 days) as for an unskilled worker (53 days) in 2015.

In a situation of labour-related shortages, competition among employers for skilled workers becomes fiercer and **employer attractiveness and employer branding** become a crucial factor in filling vacancies successfully (Walwei, 2012). In this respect, **SMEs are often seen to be at a disadvantage** compared to larger companies as a result of the overall popularity and publicity of the larger ones, and because they have more resources to invest systematically in building and communicating an attractive profile that includes good working conditions. Indeed, evidence from Germany shows that the share of unsuccessful or cancelled search processes increases as firm size decreases (Dietz et al., 2013). In other words, smaller firms fail to fill their vacancies more often than larger firms. The same study also shows that the number of applications for a vacancy is lower in smaller enterprises, i.e. the candidate pool for a post increases with firm size.[9] A literature review conducted by Eurofound (2016) also confirms that smaller companies experience more problems with filling vacancies than larger companies.

However, Walwei (2012) underlines that employer attractiveness consists of quite a complex and diverse set of elements (including working conditions), and that there are various ways in which SMEs can raise their profile. SMEs would need to

be made aware of these possibilities, and supported in implementing and communicating them. A similar view on tackling skill shortages and recruitment difficulties in enterprises has been put forward by Cedefop (2015). It recommends a mixture of human resources (HR) policy measures within enterprises, and public assistance in developing and implementing those policies, especially for smaller and more remote firms. This result is based on the finding that certain enterprise characteristics related to working conditions and HR management practices (talent management) determine recruitment difficulties to a significant extent. In effect, employers have to consider their 'employee brand' alongside their customer-facing marketing.

In addition to certain sectors and SMEs facing greater recruitment difficulties, **internationally active companies have also been found to experience skill-related challenges** more often than those operating only in the domestic market (Cedefop, 2015; Eurofound, 2016). The same appears to be true for SMEs that are connected to inward foreign direct investment and to global value chains as domestic suppliers (OECD, 2017). These internationally connected firms often have more demanding skills requirements. They are also more open to recruiting from foreign countries.

Another group of companies with above-average recruitment needs and difficulties is **young firms** (Eurofound, 2016). Young firms are more likely to grow and, at the same time, may experience reputational deficits as their jobs may be perceived as more risky or insecure.

Apart from bottlenecks in the availability of suitable labour, SMEs are currently facing some further challenges in the area of recruitment. One of those challenges is **staff turnover**. Temporary and very short employment periods can be planned and based on temporary contracts, for example in the case of seasonal or project-based work. However, there are other occupations (e.g. elementary occupations and service workers) with a **low retention period** for employees in jobs, which increases the costs to companies as a result of recurring search processes and additional training. This phenomenon often concerns occupations with relatively low skill levels (European Commission, 2017), which are a core clientele for PES. In many cases, more long-term employment arrangements could be beneficial for both workers and employers. They would also certainly increase the efficiency of PES,

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8   This is the time from starting the search process to the employee's first day of work at the company. In a study by Eurofound (2016), the average time needed from starting the search process to the decision on a candidate is reported to be about two months.

9   Apart from attractiveness and popularity, this might also be related to the more limited search channels used by SMEs.

because it would not be necessary to process and advise the same people again and again, at very short intervals.

Finally, hiring for **non-standard employment contracts** is also increasing, particularly for part-time contracts and temporary contracts (European Commission, 2014a; European Commission, 2016). In general, the growing diversity and complexity of possible employment relations is more challenging for SMEs to cope with than it is for large companies with HR specialists.

2.2 Recruitment practices

Personal contacts (informal networks) and word of mouth are the **most important search channels** that companies use when looking for job candidates. This is true for SMEs in particular, as they usually use fewer channels in parallel than larger firms do (Dietz et al., 2013). However, a focus on personal contacts implies only limited outreach, both in geographical and demographic terms. The use of online search channels and social media becomes increasingly important among certain segments of enterprises, such as the creative industries, the technology sector, finance, and young firms in general. Private recruitment services or headhunters are only used by larger firms, and hardly used at all by SMEs for reasons of cost (Eurofound, 2016). Micro-employers also tend to use free or cheap forms of local advertising, such as cards in shop windows (Connors & Thomas, 2014).

A crucial element in the recruitment process is the **assessment of the competencies and skills of job candidates.** According to a comprehensive study by Cedefop (2014), key features of those assessments are as follows.

- The more crucial a job position is, the greater the effort put into competence assessment. Appraisals are therefore most detailed and systematic for executives, management positions, highly-qualified experts, and employees who work directly with a company's customers (such as sales staff).
- In general, **profession-related skills and competencies are the most important** in candidate appraisals, and are relevant for almost all types of staff and occupations. Social and personal competencies are particularly important in assessments for

management positions, and they are also thoroughly evaluated for employees who have direct contact with clients. Overall, **social competencies have become more significant** in firms' employee assessments over the past few years.

- **The format** of competence assessments **depends mainly on firm size**. For instance, the use of predefined, written catalogues or standards of competencies to be measured, sometimes including scales or grades, clearly increases with the size of the business. By contrast, in smaller companies, job descriptions and competencies required or expected of employees are often determined ad hoc and/or remain implicit. The employer often has an idea of the right candidate in their head rather than it being outlined in a detailed description on paper (see also Eurofound, 2016; Connors & Thomas, 2014).
- More formalised and systematic approaches taken by larger companies also become evident when looking at the **assessment instruments used**. While interviews and conversations, as well as checking CVs, certificates and references are common practice in almost all companies, including small ones, methods such as psychometric tests, simulations, 360-degree feedback and assessment centres are only more widespread in larger enterprises.
- The most important **methodological challenge** and, at the same time, the most crucial factor determining the quality of competence assessments is the assessors. The main concern is to avoid subjectivity, partiality and inconsistencies in assessors (usually line managers), and to train and instruct them in carrying out appraisals properly. Further important **success factors in recruitment** include the careful identification and definition of job requirements as a basis for the skills and competencies to be assessed, and a precise specification of criteria, preferably in terms of specific behaviours. Companies consider the assessment of personal and social competencies to be much more difficult than the assessment of professional or technical competencies. In SMEs, gut feeling and intuition can be pivotal in the final hiring decision (Davidson, 2011).
- There is limited **comparability of appraisal systems** across companies. For example, firms often have very different (context-dependent) understandings of the same competence terms.

The recruitment process usually takes place over various stages. The most important **recruitment stages**, which are found even in the smallest companies, are shortlisting for interview followed by employment interviews. We therefore take a closer look, based on Davidson (2011) and Connors & Thomas (2014), at the criteria used by SMEs in these activities. At the **shortlisting stage**, for example, SMEs pay attention to qualifications and certificates (where relevant), language skills, any unexplained time gaps or multiple jobs in short periods of time, how well CVs are constructed, and sometimes the distance of the candidate's place of residence.

In the context of **employment interviews**, employers value candidates that are 'friendly' and confident (but not over-confident) and, as a reference, they often consider what impression a candidate would make on customers or colleagues. Particularly in small firms, the ability of the candidate to fit into the existing workforce and culture is critical. Motivation and work-readiness are also important personal competencies that employers try to check in interviews. A candidate's work experience and reasons for wanting the job are important too. SMEs in particular also assess the candidate's flexibility, because in small firms, the willingness and ability to perform a number of different roles is seen as key requirement.

PES need to take the varying practices and needs of companies into account when supporting them in recruitment processes. While large companies may expect formal procedures and extensive documentation, the very same could be a deterrent for smaller firms. The selection practices and riteria that enterprises use also need to be considered when advising jobseekers at all stages of the recruitment process, in order to increase placement success.

3. USE AND ASSESSMENT OF PES SERVICES BY COMPANIES

In the case of a vacancy, employers usually use several search channels in parallel to find an employee. For example, the company survey data from Germany presented in Table 2 show that, in 2015, the PES was among the most frequently used channels (used in 49 % of recruitment cases) along with the company's own website, personal contacts, and online job platforms, which were used to a similar extent (Brenzel et al., 2016). In about 14 % of cases, the recruitment was then actually made through the PES, while personal contacts had the largest 'market share' in successful recruitments (almost 30 %). The data would also suggest that approximately every fourth PES search is successful in Germany. The preferred use, and high effectiveness, of personal contacts and informal networks is not only explained by low costs but also by the presumed trustworthiness of the third party acting as the 'broker'. This is related to the fact that a failure of the prospective employment relationship might have a negative effect on that third party.

Table 2: Search channels used and successful recruitment paths for recruitments in Germany in 2015 (percentage share in all recruitments)

	USED AS SEARCH CHANNEL	SUCCESSFUL RECRUITMENT PATH	SUCCESS RATE
Newspaper advertisement	35 %	14 %	39 %
Company's website	52 %	11 %	22 %
Online job-portals (non-PES)	41 %	12 %	30 %
Social media	15 %	1 %	8 %
PES	49 %	14 %	28 %
Pool of unsolicited applications	30 %	10 %	32 %
Private employment agency	10 %	3 %	33 %
Internal posting	23 %	2 %	9 %
Personal/employee contacts	50 %	29 %	58 %
Other channels	8 %	4 %	–

Source: Brenzel et al., 2016

Comparable cross-country data on the **use of PES as a search channel** is scarce.[10] An employer survey (Raikes & Davies, 2015) across five EU Member States conducted in 2014 found the following employer–PES interaction rates:

- France: 49 % of employers
- Germany: 44 %
- Sweden: 43 %
- Spain: 40 %
- UK: 33 %

The formal use of PES as a search channel may also be influenced by national regulations, for example, a possible obligation for employers to register all or certain vacancies with the PES. Such obligations and their effectiveness have, however, received some criticism and employers may regard this as an unwelcome administrative burden (European Commission, 2012a).

European-level data on the **PES 'market share' in filling jobs** is not collected on the side of the employer but based on responses from job-finders[11] (European Commission, 2016). According to that data, the EU-wide PES share in filling vacancies was around 8 % in 2014. However, PES involvement in hiring varied significantly between countries, ranging from less than 5 % in Cyprus, Italy, Romania and Spain to around 20 % in Slovenia, Hungary, Luxembourg and Croatia.

In some important occupations handled by PES, such as elementary occupations or sales workers, staff turnover is quite high. This results in recurring recruitments and may therefore overrate the significance of PES.

The **importance of PES** in company recruitments **depends very much on the required educational or skills levels.** According to the German survey data, the use of PES as a search channel drops to 32 % for university graduates, and the PES 'market share' in successful recruitments in that category is only 6 % (Brenzel et al., 2016). Conversely, in the case of unskilled workers, the German PES is used in 55 % of recruitment cases and its 'market share' in placements is 17 %. The data from the European Vacancy and Recruitment Report (European Commission, 2014a) reveal a similar pattern at the overall EU level. For the highly educated, the PES 'market share' in hiring was 7 %, while the reported involvement for low levels of education was 11 %. Major occupations that European PES are used for include elementary occupations, and service and sales workers.

This phenomenon of using PES mainly in the area of lower-skilled jobs has also been confirmed by an analysis of 17 case studies of European born-global enterprises, conducted by Eurofound (2016). These companies rarely approached PES in the context of their recruitment processes. Most of their vacancies required highly skilled specialists, which companies did not regard as the PES target group or clientele. Some of the born-global enterprises did use the PES as a search channel, but only in a few cases where administrative staff were needed.

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10 The 'use of PES' can be defined very differently. For example, the percentage can be calculated on the basis of individual vacancies or on the basis of whether or not a company uses the PES for at least one vacancy within a certain time period.

11 These data are based on the Labour Force Survey.

The low 'market share' and use of PES for (medium to high skill) vacancies may reflect a perception by employers that PES focus on hard-to-place groups and that appropriately qualified job candidates may not be available through PES (European Commission, 2014a; Connors & Thomas, 2014). This **negative perception and poor reputation of PES clientele** was confirmed in many of the employer interviews conducted by Larsen & Vesan (2011). The most prominent perception seems to relate to a lack of motivation and real interest in engaging with the employer. This is confirmed by Raikes & Davies (2015), who found that positive attitude and motivation are seen by employers as the greatest skills deficit among the unemployed, compared to other job candidates.

With regard to employers' **perception of information or recommendations received from the PES** about candidates, the study by Larsen & Vesan (2011) suggests that companies often doubt the ability of PES to distinguish between 'good' and 'bad' candidates, and/or believe that they might not be telling the truth. Sometimes, PES are also seen to put too much emphasis on the candidates' CVs. However, according to the study, two factors are seen to increase the trustworthiness of PES proposals and recommendations: competent PES counsellors and face-to-face communication with the employers. These should therefore become key factors for PES in the organisational design of their employer-facing services.

Perceptions of jobseekers applying through PES (sources: Larsen & Vesan, 2011; Connors & Thomas, 2014)

CEO of a Swiss construction company (200 employees): *'If the person needs the help of the public employment agency, it means that he is not able to find a job by himself. You can leave a job at 8 a.m. and find a new one at 10 a.m., if you are a good worker.'*

Co-owner of a German laundry company (75 employees): *'I have the impression that most people who register with the public employment agency are looking for work but maybe do not want to work or even cannot work.'*

Day manager of a Danish meat factory (350 employees): *'Personally, I do not believe that it is a seal of approval to have gone through that system [i.e. PES]. If you are interested in working you would come here and apply. If you have already been to the employment office it is almost as if you have been forced to come down here.'*

Owner of a small Hungarian cleaning company: *'Cleaning is a very confidential type of job. There might be valuable objects and money in the offices. I am not sure I could trust a person sent by the public employment agency.'*

Micro enterprise owner, UK: *'I was inundated with applicants but I felt none of them were motivated for the job. Not one was suitable. Their test results were very poor even on basic maths questions. They lacked common sense and I got the feeling they were there just to tick a box to get their benefits cheque. I won't use the [PES] again.'*

Perceptions of information or recommendations received from the PES about candidates (sources: Larsen & Vesan, 2011; Connors & Thomas, 2014)

Manager of a Danish cake factory (50 employees): *'I also fear that they will give me the one that they want to get rid of the most, if I contact the public employment agency.'*

Director of a Swiss cafe chain: *'[PES] are not reliable enough. They tend to hide things in order to successfully reinsert an unemployed [person].'*

SME in the UK: *'The [PES] is really bad at that, you say what you want and you never get it.'*

Interestingly, however, some study results indicate that employers who actually recruit from the PES clientele and/or the unemployed have a less negative perception of these groups than employers who did not recruit from them (Raikes & Davies, 2015).

4. PES EMPLOYER ENGAGEMENT STRATEGIES AND APPROACHES

This chapter gives an overview of the approaches and practices that PES use in employer engagement. It focuses on specific aspects that were noted at the Thematic Review Workshop as being particularly relevant in improving employer relations and services, and which may eventually help to increase the use of PES by companies. These aspects include:

- comprehensive formal strategies towards employers;
- methods of employer segmentation;
- organisational structures and PES staff specialisation;
- competence requirements, training and guidance for employer advisors;
- monitoring employer engagement.

The information is mainly based on the answers that PES participating in the workshop gave to a pre-event questionnaire, PES inputs and contributions at the workshop, and the results and outputs of previous PES to PES activities.

4.1 Comprehensive formal strategies towards employers

Only a few PES have a dedicated formal, comprehensive and nationwide strategy on employer engagement, for example, those in Belgium-Flanders and Slovenia. However, there seem to be several PES that are currently in the process of planning, developing or revising strategies towards employers, including those in Estonia, Ireland, Italy, Lithuania and the UK. Regular reviews are desirable, particularly when the labour market changes, for example from high unemployment to sectoral skill shortages.

The absence of a comprehensive strategy does not, however, mean that there are no planning or co-ordination instruments related to employers at all. For example, some PES use 'action plans', 'business plans' or 'guidelines' for employer engagement. These may be of a more operational nature or a narrower scope compared to overarching strategies. Some countries lack a nationwide strategy because of **local or regional autonomy** in designing measures and activities. For example, in Denmark it is the responsibility of the 94 local job centres to provide services to employers. However, in order to ensure a similar level of service across all municipalities, all Danish job centres are legally required to establish three service tracks for enterprises: a recruitment service, an up-skilling service, and a staff retention service in the event of sickness.

Where central strategies do exist, they are often adapted to local or regional circumstances and needs. For instance, the PES in Flanders has a central business plan, but there are also specific business plans for each province. An important conclusion of the Thematic Review Workshop was that any strategic flexibility needs to exist within a clear framework, and must be justified by relevant evidence.

Example: The Slovenian PES' 'Employers Strategy 2020'[12]

The Slovenian 'Employers Strategy 2020' is systematically embedded in the overarching 'Strategy of the Employment Service of Slovenia Development 2020', which was adopted in 2015 and defines goals and actions for the coming years. The Employers Strategy is an 11-page document focusing on four strategic goals for cooperation and work with employers to 2020. Each strategic goal has an additional 2-4 concrete operational objectives.

The assumptions and ambitions of the strategy are to strengthen cooperation with employers; build a more active PES approach to job matching; broaden employment opportunities, especially for the younger, older and long-term unemployed; and provide tailored, individual and high-quality services, and a 'one-stop-shop' service for employers. There is a specific focus on SMEs.

The four strategic goals are:

1. All services to employers will be offered in one place (portal for employers, 12 offices for employers, and a central office for employers); one third of PES advisors will provide services to employers.
2. Services will be adjusted to the employer's size, region and industry, and special personal attention will be given to the smallest employers.
3. Cooperation with employers' associations and other stakeholders (particularly education providers) at a local, regional, national and international level will be strengthened.
4. PES staff will be guaranteed ongoing training and education in order to provide employer services efficiently.

In the first year of the strategy's implementation, the number of PES events for employers (e.g. 'speed dating', job fairs, etc.) could be increased by more than 100 %, and the number of employer visits by 10 %.

4.2 Methods of employer segmentation

In general, PES do not seem to use very differentiated methods of segmenting employers for service provision (see also European Commission, 2014c). However, most PES specifically identify **large nationwide companies** to offer them a single route by which to cooperate. In one respect, this is for organisational reasons. While most PES are geographically decentralised, in the case of large firms with many branches and premises across the country, it is more efficient to have one central contact point at the PES to look after all of the company's staffing needs, irrespective of the branch's location. In another respect, it is because of the potentially large number of vacancies that these kinds of companies can provide on a continuous basis.

For example, in Denmark there is a special unit (Jobservice Denmark) for large or nationwide enterprises with large-scale recruitment needs. Jobservice Denmark is a national hotline and single point of entry to the Danish PES system for enterprises that recruit in several municipalities. Jobservice Denmark's main task is to coordinate service provision for these companies across the local job centres concerned. In several countries, framework cooperation agreements are held with large employers. In Estonia, for example, there are currently 30 such agreements. In Slovenia, large enterprises can sign agreements with the PES and, based on that, can access additional services (e.g. special advisors, psychological testing and 'speed dating'). In turn, the company commits itself to promoting the employment of certain disadvantaged groups. In Lithuania, the PES holds agreements with more than 1 000 'strategic' employers. In France, framework agreements with large

12 A more extensive description can be found in the PES Practices database at http://ec.europa.eu/social/main.jsp?catId=1206&langId=en

companies are also particularly helpful in ensuring better access to detailed feedback and data on each of the company's recruitment processes. They also plan regular written surveys to identify the strengths and challenges of the cooperation.

It might seem that **SMEs**, which experience more difficulties in recruitment and have fewer resources and less expertise in HR than large firms, receive even fewer services from PES. However, there are also specific approaches among PES to provide tailored support to SMEs. For example, in Slovenia, small and micro-enterprises that lack HR management professionals and experience can get personal assistance from advisors, while companies with HR management resources and experience are asked to use the portal for employers. A similar approach is used by the German PES (European Commission, 2014c). PES have limited resources, so a strategy to provide, first of all, high-quality digital services (as with the Belgian-Flemish PES' 'digital first' principle) may make it possible to focus time-consuming, in-person support on those who need it most.

Examples of **sector-based segmentations** are found to a lesser degree among PES. One example is the PES of Aragon in Spain, which makes an assessment of the most dynamic sectors in the region (e.g. the automotive sector) and then specifically targets those sectors through company visits. Another example is the Belgian-Flemish PES, which distinguishes six clusters of sectors and counsellors then specialise accordingly. In Lithuania, counsellors also specialise in certain kinds of economic activity. The discussion at the Thematic Review Workshop revealed that sector-based segmentations are usually used in order to take advantage of and develop the sector-specific expertise of PES advisors effectively. Sector segmentations are, however, rarely used to provide different levels of service to different sectors.

The Finnish PES uses a very different and interesting segmentation that distinguishes between:

- start-ups;
- SMEs with a local market range;
- SMEs with a nationwide market range;
- growing internationalised enterprises (the Finnish PES focuses very much on **supporting the growth of enterprises**);
- large enterprises.

In general, according to the PES, one challenge with any tailored services is the need to treat all employers equally.

4.3 Organisational structures and PES staff specialisation to serve employers

The clear majority of PES have **organisational units and/or counsellors dedicated to working with employers.** iIn only a few countries is engaging with employers one of the tasks of general PES advisors, who work mainly with jobseekers. The employers units are usually established as single points of contact for companies at the local/regional level. Proactive **personal contacts and visits to employers** are an important part of the advisors' tasks, including providing various forms of advice, accessing vacancies and obtaining knowledge about a company's labour needs, and skill requirements and gaps. Personal contact and employer visits are regarded as crucial to improve cooperation with employers.[13] The Lithuanian PES works with mobile employer teams who make first contacts and maintain a positive relationship with companies. They are currently transitioning from an organisational model in which an employer had three different contacts (for vacancy registration, employment mediation, and active labour market policy measures) to a single contact-point model. Some Regional PES Offices also have highly specialised staff members, for example, consultants in Belgium-Flanders work with employers that are experiencing difficulties, such as restructures or closures.

In addition to regional employers offices there is often also a **central national unit, office or team specialising in employers**. There are essentially two different roles for central employers units. The first is to work with very large companies operating nationwide, so that their central HR departments have a single point of contact and benefit from uniform services for all iof their local branches (see the examples given in the previous section). The second role is related to coordination. For example, in the Estonian PES, a central team managest the design and development of employer services in cooperation with county offices. The team is also

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13 The importance of personal contacts has also been demonstrated by a previous PES to PES Dialogue discussion paper (European Commission, 2014c).

supporting county offices to provide employer services in special cases. In the Belgian-Flemish PES, the central team is responsible for issues such as branding, and the development of tools (e.g. IT tools) and products.
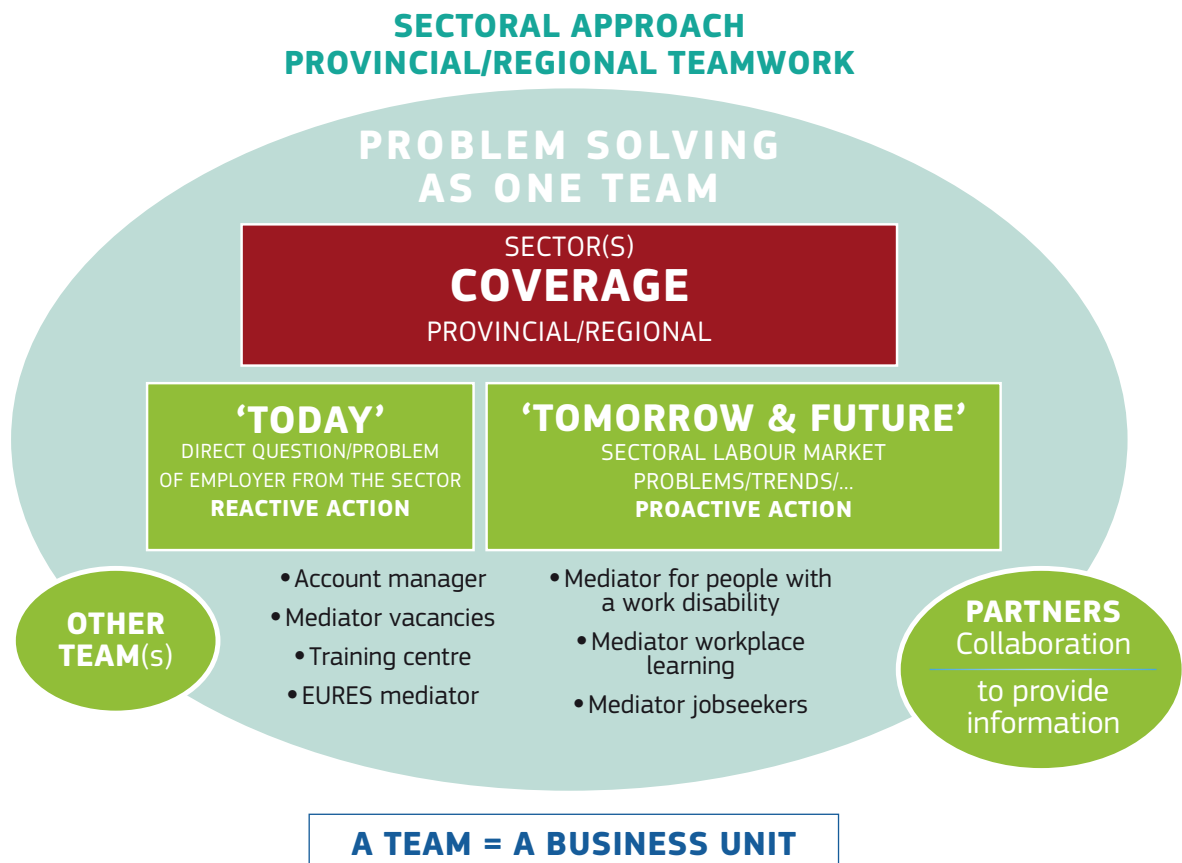
Overall, the use of employer counsellors and personal contacts for employers is **regarded as an effective approach**. In Estonia, where employer counsellors were only introduced in 2015, the feedback from companies on their cooperation with the PES has clearly improved. In Austria too, the focus on personal contacts with employers has resulted in high satisfaction rates amongst employers. The involvement of employer counsellors in the manual pre-selection of job candidates, and job mediation, seems to contribute to **higher quality matching**.

However, the discussion at the Thematic Review Workshop showed that close **collaboration between employer counsellors and colleagues working with jobseekers** is imperative in order to improve the matching process. In the Austrian PES, for example, there are initiatives to bring employer counsellors and jobseeker counsellors closer together through meetings, events, training and joint company visits.

In order to deliver the most effective matching outcome, the Belgian-Flemish PES works with small teams specialising and focusing on a particular region and sector, but each team covers the needs of employers and jobseekers at the same time. These teams can be understood as 'problem solvers' (see Chart A). This organisational approach is also supported by the PES' 'Everyone Mediator Programme', which ensures that every staff member really focuses on the clients (jobseekers as well as employers) rather than on processes. Instruments of the Everyone Mediator Programme include, for example, company visits, an employer day for all staff, toolboxes, and an online learning platform. At the Thematic Review Workshop, PES widely emphasised that programmes or approaches that address PES staff are important complements to any formal strategy or formal organisational set-up. They help bring the strategy to life in daily PES business.

Figure A: Organisational model of the Belgian-Flemish PES – regional sector teams

SECTORAL APPROACH
PROVINCIAL/REGIONAL TEAMWORK

PROBLEM SOLVING
AS ONE TEAM

SECTOR(S)
COVERAGE
PROVINCIAL/REGIONAL

'TODAY'
DIRECT QUESTION/PROBLEM
OF EMPLOYER FROM THE SECTOR
REACTIVE ACTION

'TOMORROW & FUTURE'
SECTORAL LABOUR MARKET
PROBLEMS/TRENDS/...
PROACTIVE ACTION

OTHER TEAM(s)

- Account manager
- Mediator vacancies
- Training centre
- EURES mediator

- Mediator for people with a work disability
- Mediator workplace learning
- Mediator jobseekers

PARTNERS Collaboration to provide information

A TEAM = A BUSINESS UNIT

Source: VDAB (Belgian-Flemish PES), edited by author.

4.4 Competence requirements, training and guidance for employer advisors

According to information collected from the PES, **specific competencies are required** from employer counsellors. These are partly different from, or in addition to, competencies required for general advisors or those working with jobseekers, and include:

- ideally, a masters/university degree;
- experience/competencies in sales (e.g. communicating benefits of PES services);
- experience/competencies in HR management or staff recruitment (e.g. how to conduct job interviews);
- experience/competencies in project management;
- good, proactive communication skills and networking approach;
- ability to take an employer perspective (e.g. understanding their needs);
- specific knowledge about:
  - » relevant labour legislation,
  - » available PES services,
  - » strategic PES partners and other labour market stakeholders, and
  - » experience with people with disabilities.

> ### Key capabilities required from employer specialists at the Lithuanian PES:
>
> PES specialists working with employers have to be experts in the labour market and business, and must be able to:
>
> - properly ascertain and understand employers' needs and interests;
> - provide employers with relevant, high-quality information on time;
> - offer tailor-made solutions matching the current needs of an employer;
> - communicate the benefits of cooperation between the PES and employer.

The profile outlined above is generally in line with the outcomes of a previous study on the competencies and job profiles of employer counsellors (European Commission, 2012b). The study showed that there is a basic common profile for the key job tasks across PES, and this includes elements of job broking, administrative, counselling and social work, and HR management tasks.

The competence profile of employer advisors appears to be quite demanding. This is especially challenging for those PES that introduced employer services relatively recently, and where advisors are recruited or reallocated to a significant degree from other PES functions. **Many PES therefore offer relevant training and guidance** to their advisors to equip them with the competencies needed to work with employers. For example, the Estonian PES provides employer counsellors with training in sales and recruitment, and training connected to disabilities and hiring people with disabilities. In Slovenia, employer advisors receive training in sales, employer visits, conducting selection interviews, and labour law. They are also offered coaching and mentoring. Interestingly, the Danish PES has also produced a handbook to share best practices and methods for employer services, which is considered very useful. The Belgian-Flemish PES also offers formats such as 'learning tables' and an intranet tool to encourage the exchange of practices among PES advisors. The Lithuanian PES will launch a training project on working and communicating with employers in 2017.
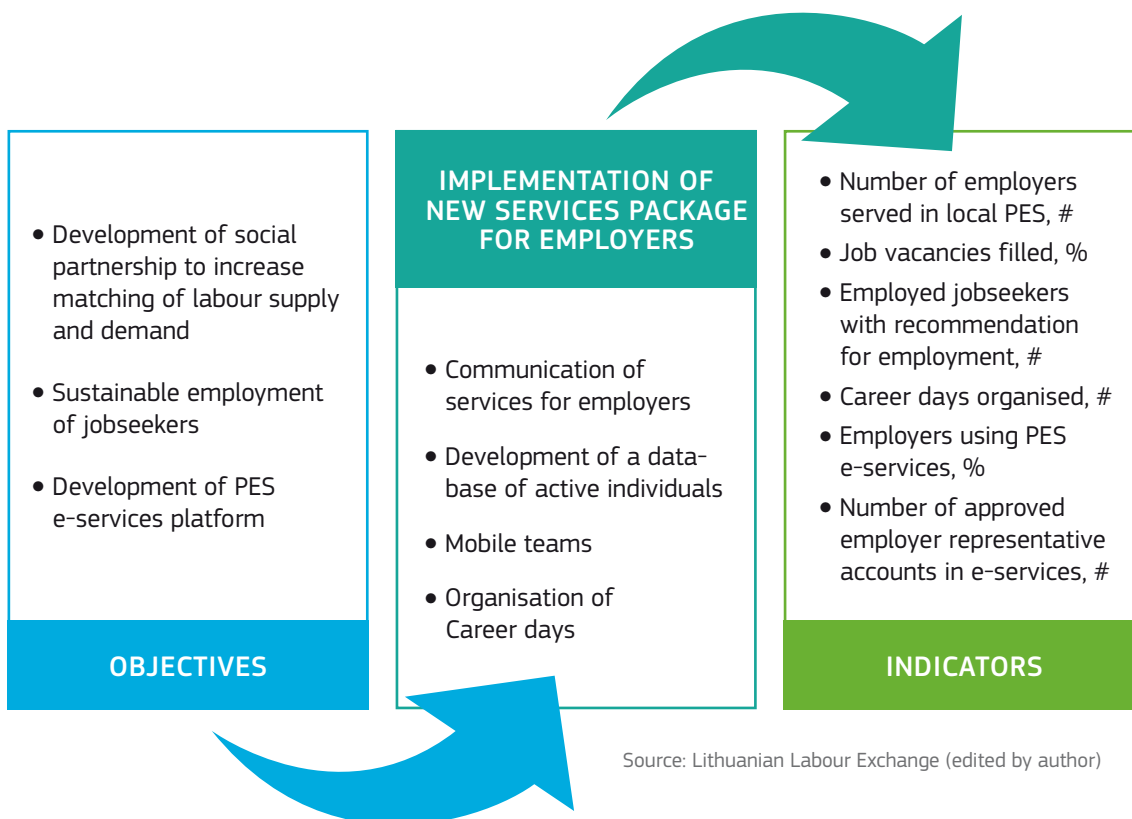
4.5 Monitoring employer engagement

Most PES, although not all of them, use some kind of **targets and indicators to monitor the extent or progress of employer engagement.** Ideally, such targets and indicators should be linked to strategic goals (where available), and defined and broken down for different organisational levels, down to individual PES counsellors if possible. For example, in Slovenia, targets and goals are set at a national level (e.g. 'market share' in published vacancies) and are then divided up among Regional and Local PES Offices. Finally, every Slovenian PES employee is given personal goals and activities. However, this kind of cascade system of indicators seems to be quite rare among PES.

The Lithuanian PES uses a system of indicators that is explicitly linked to the objectives of its employer strategy, and to the service package that it is implementing. The system is set out in Chart B.

Figure B: Indicator system used by the Lithuanian PES

OBJECTIVES

- Development of social partnership to increase matching of labour supply and demand
- Sustainable employment of jobseekers
- Development of PES e-services platform

IMPLEMENTATION OF NEW SERVICES PACKAGE FOR EMPLOYERS

- Communication of services for employers
- Development of a database of active individuals
- Mobile teams
- Organisation of Career days

INDICATORS

- Number of employers served in local PES, #
- Job vacancies filled, %
- Employed jobseekers with recommendation for employment, #
- Career days organised, #
- Employers using PES e-services, %
- Number of approved employer representative accounts in e-services, #

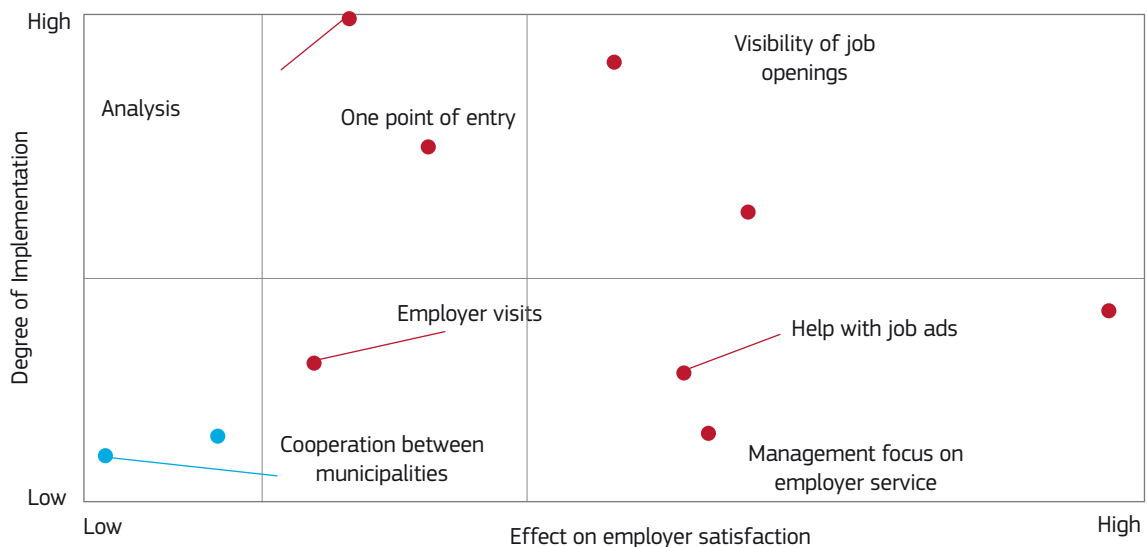Source: Lithuanian Labour Exchange (edited by author)

Overall, the most popular indicators used by PES for employer engagement include:

- the number of employer visits within a time period (by far the most frequent);
- the number of job vacancies acquired within a period (ranked second);
- the number/percentage of acquired job vacancies that are filled;
- the time needed to fill vacancies;
- employer satisfaction rates in relation to services;
- the number of employers using particular services (e.g. accounts created on an e-platform).

The Danish PES is currently running a project to find out which services or organisational features implemented in the employer units at local job centres really do have a significant impact on employer satisfaction. To that end, it is linking data of its nationwide survey on recruitment and satisfaction with performance indicators collected locally by job centres (e.g. employer contacts, visits, placements etc.). A fictitious outcome of that exercise is presented in Chart C. It illustrates how job centres can raise employer, satisfaction with their employer services. In this example, the job centres have a high degree of 'visibility of job openings', which also has a relatively high importance for employer satisfaction. At the opposite end, it is clear that the degree of cooperation between municipalities is low, but that this has a very low importance for employer satisfaction. The illustration indicates that the levels of 'management focus' and 'help with job ads' in job centres are low, despite these having a great impact on employer satisfaction.

Figure C: Fictitious outcome of the Danish PES' monitoring project to map degree of implementation and effectiveness of services to employer satisfaction

Source: Danish Agency for Labour Market and Recruitment

However, Danish data also showed that employer satisfaction is not only influenced by what PES employer services do, but also by general labour market and economic conditions. Furthermore, metrics other than satisfaction, such as placement success, depend on factors that are beyond the control of PES. This poses a challenge to the measurement of the real impact of PES.

Data collection methods

Many of the indicators, such as the number of employer visits, number of job vacancies acquired or filled, the time needed to fill vacancies, or the number of employers using particular services, are collected through the PES' CRM systems. However, to measure employer satisfaction rates, PES often use large-scale questionnaire-based surveys.[14]

These are sometimes also used to collect other data to improve labour market intelligence, particularly information on current and future labour skills, needs and gaps, recruitment difficulties, and trends in the labour market. Some PES target these surveys to a sample of all employers in the country, and others include only PES clients. Low response rates are usually a challenge with such surveys, and these two approaches can certainly result in very different outcomes.

14 According to a review of PES business models carried out in 2014, 12 out of 28 PES undertake regular satisfaction surveys among employers (European Commission, 2014b).

Examples of data and feedback collection

In **Denmark**, a recruitment analysis survey is carried out among 14,000 companies twice a year. Companies are asked how many unsuccessful recruitment attempts they have had during the last two months. The survey also contains six questions about how satisfied employers are with the quality of services offered by job centres. The primary purpose of the survey is to give a picture of the current recruitment situation in the Danish labour market, and the scale and characteristics of recruitment difficulties that companies face. More specifically, companies are asked the following: (1) whether they have tried unsuccessfully to recruit new employees in the past two months; (2) if so, how many people and in what types of positions; and (3) whether the failed attempts have resulted in the company cancelling orders or other business activity. The recruitment analysis is published every six months and, on the basis of the data, a 'Labour Market Balance' is produced and is an important tool used by counsellors when guiding and advising jobseekers.

In **Estonia**, the PES conducts annual employer satisfaction surveys, among others. However, they also collect feedback on pre-selected candidates and the service process through employer counsellors. Interestingly, the PES recently developed an 'occupation barometer', which is based on information about employers' labour needs collected through employer counsellors.

In **Lithuania**, there is an annual employer survey based on a random sample and data collection on, for example, skills requirements and future employment plans. In addition, counsellors systematically visit employers to fill in a 'Company Card' that includes their current recruitment needs, possible layoffs, and their assessment of and need for services.

In **Slovenia**, there are two national questionnaire-based surveys per year on the short-term (6 months) needs of employers, e.g. skills required, missing skills, employment plans, etc. There is also an annual employer satisfaction survey, which is used to measure the satisfaction indicator/target in the context of the 2020 Employers Strategy. There is also a feedback questionnaire for every job-match made.

5. KEY CHALLENGES AND RECOMMEN-DATIONS FOR PES

This section highlights some key challenges for PES in relation to employer engagement, based on the discussions at the Thematic Review Workshop and analysis in this paper. Practical solutions to address these challenges are presented in the toolkit for engaging with employers.

Overcoming the gap between strategy and operational activities – translating strategy into daily PES business

Comprehensive employer engagement strategies are still rare among PES, although some PES are currently in the process of developing them. The lack of strategies means that strategic goals in relation to employers are missing or not made explicit, and are not clearly linked to an overarching PES strategy, which should include an employer strategy. This gap makes taking action at operational levels more difficult. For example, strategies and goals can help to set priorities and resolve ambiguities in a situation of limited resources, for example, when deciding whether to prioritise the quantity or quality of employer contacts.

However, even where strategies are in place, many PES see a challenge in delivering the vision on the ground and translating it into daily business. PES need to look for ways to ensure that strategies and visions are actually understood, implemented, and lived up to by PES advisors.

Striking the balance between the harmonisation and flexibility of strategies and approaches

For many PES, a key challenge is to define the right degree of harmonisation of goals and approaches across local and regional entities, and to implement coordination instruments. On the one hand, the particularities of local and regional labour markets, in terms of demand and supply,

need to be taken into account and may justify different approaches. On the other hand, close coordination can result in synergies and make benchmarking possible. Flexibility in implementing strategies at local level should therefore be used with caution, ensuring that there are legitimate reasons for different goals and approaches.

Prioritising limited resources in approaching and supporting employers

Currently, the most common employer segmentation approach used by PES is by enterprise size, identifying large employers that could be offered special agreements, for example. Offering enhanced recruitment services to companies that need the most assistance, i.e. the smallest ones, is still a challenge in terms of cost efficiency (European Commission, 2014c). Advanced digital approaches may be helpful in this respect as they can allow PES' limited staff resources to be concentrated on those that are most in need of face-to-face service. Besides segmentation by size, other categorisations could be used more widely, including approaches to specific sectors, young firms that are growing, or internationalised enterprises and their specific needs.

Ensuring effective collaboration between employer and jobseeker counsellors

Having PES staff who specialise in employer contacts (employer advisors) is seen as an effective organisational model for many PES. However, separating employer and jobseeker services demands a well-functioning interface, internal cooperation, and knowledge exchange between these service units and groups of advisors to ensure matching quality is high. Innovative and effective organisational structures, procedures and instruments need to be implemented to achieve this.

Training and guiding advisors to work effectively with employers

Competence requirements for employer advisors differ from those of traditional PES or jobseeker advisors. Among PES, there is still a lack of adequate counsellors who are able to service highly qualified clients, and who have the competencies

to deal with employers, acquire vacancies, and generate matches (Peromingo, 2013; European Commission, 2012b). This is particularly true for those PES that have only recently introduced employer services, and need to recruit and retrain a significant number of advisors internally. Some PES have already developed innovative practices that can be used as models by others.

Improving the relevance of indicators and metrics

With regard to monitoring employer engagement through targets and indicators, there appears to be room for improvement in several aspects, including:

- better and more explicit linking of targets and indicators to strategic goals;
- defining a coherent and inter-linked system of indicators at different organisational levels;
- increased use of outcome/impact targets (e.g. indicators of a PES' 'market share', placement success, satisfaction, etc.) as opposed to process targets (e.g. employer visits), which are more commonly used.

It is often felt that the indicators used are inadequate measures of real impact (e.g. 'market share'), and that it is unclear to what extent they really matter or how far their values are actually determined by what the PES does.

Collecting data and exploiting available data sources

Many PES analyse data collected through their CRM systems and their own questionnaire-based surveys. The challenges involved here include issues of low response rates, sample and questionnaire design, and how feedback can be collected systematically and efficiently through employer counsellors.

More importantly, many PES do not seem to exploit existing data in the best possible way. For example, a statistical analysis is rarely done of the general vacancy market beyond PES-based vacancies. Better use could also be made of social security data for monitoring purposes.

6. SUMMARY OF KEY ISSUES

The *PES 2020 Strategy Output Paper* calls for PES to pay increased attention to the needs of employers based on a deeper understanding of the labour market, a more labour demand-oriented service package, and qualitative assistance for employers. This thematic paper, produced in the context of a Thematic Review Workshop in Vilnius in June 2017, aims to drive the discussion on PES engagement with employers forward by looking at some key aspects of PES-employer relations.

Recruitment challenges and difficulties are persistent and have even increased overall in Europe over the last few years. They are most widely reported in sectors such as health and social care, ICT and manufacturing. In this situation, SMEs are often seen to be more adversely affected than larger companies because they are perceived to be less attractive as employers.

The importance and use of PES in companies' recruitment processes varies significantly between countries and depends very much on the required educational or skills levels. The PES 'market share' is much lower for the highly educated than it is for low levels of education. The 'market share' and use of PES by companies is affected by the negative perception and poor reputation of PES clientele.

Only a few PES have a dedicated formal, comprehensive and nationwide strategy on employer engagement. Where central strategies exist, they are often adapted to local/regional circumstances and needs. However, many PES see a challenge in delivering the vision on the ground and translating it into daily business. PES need to look for ways to ensure that strategies and visions are actually understood and lived up to by PES advisors.

The most common employer segmentation approaches used by PES is by enterprise size and by sector. As PES have limited resources, they see a constant need to reconsider their segmentation approaches and learn about new models in order to invest time and resources most efficiently. Offering enhanced PES services to those companies that require the most assistance, i.e. the smallest ones, is still a challenge in terms of cost efficiency.

The clear majority of PES have organisational units and/or counsellors (at the regional/sectoral level) that are dedicated to working only with employers. In addition to regional employers offices, there is often also a central national unit, office or team specialising in employers. However, the separation of employer and jobseeker services demands a well-functioning interface, internal cooperation, and knowledge exchange between these groups of advisors to ensure matching quality is high. Many PES see a need for improvements and possibly new approaches in this respect.

Employer counsellors require different competencies than jobseeker counsellors, and PES need to select the right people and offer training and guidance to develop the skills of their staff.

PES use a great variety of indicators to monitor employer engagement but they are often only weakly related to strategic goals and do not capture what impact PES really have. Also, PES do not seem to make full use of the many internal and external data sources for effective monitoring. Overall, there is a need to improve the relevance rather than simply the quantity of metrics.

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