Unemployment:
Tackling Skills Mismatches Through Active Labour Market Policies

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23 MARCH 2015, BRUSSELS

Outline

- Perceived causes of skills mismatches

- What does the data tell us?

- Implications for effective response

- Conclusions

Perceived causes of mismatches

Job ready unemployed don't have required technical skills

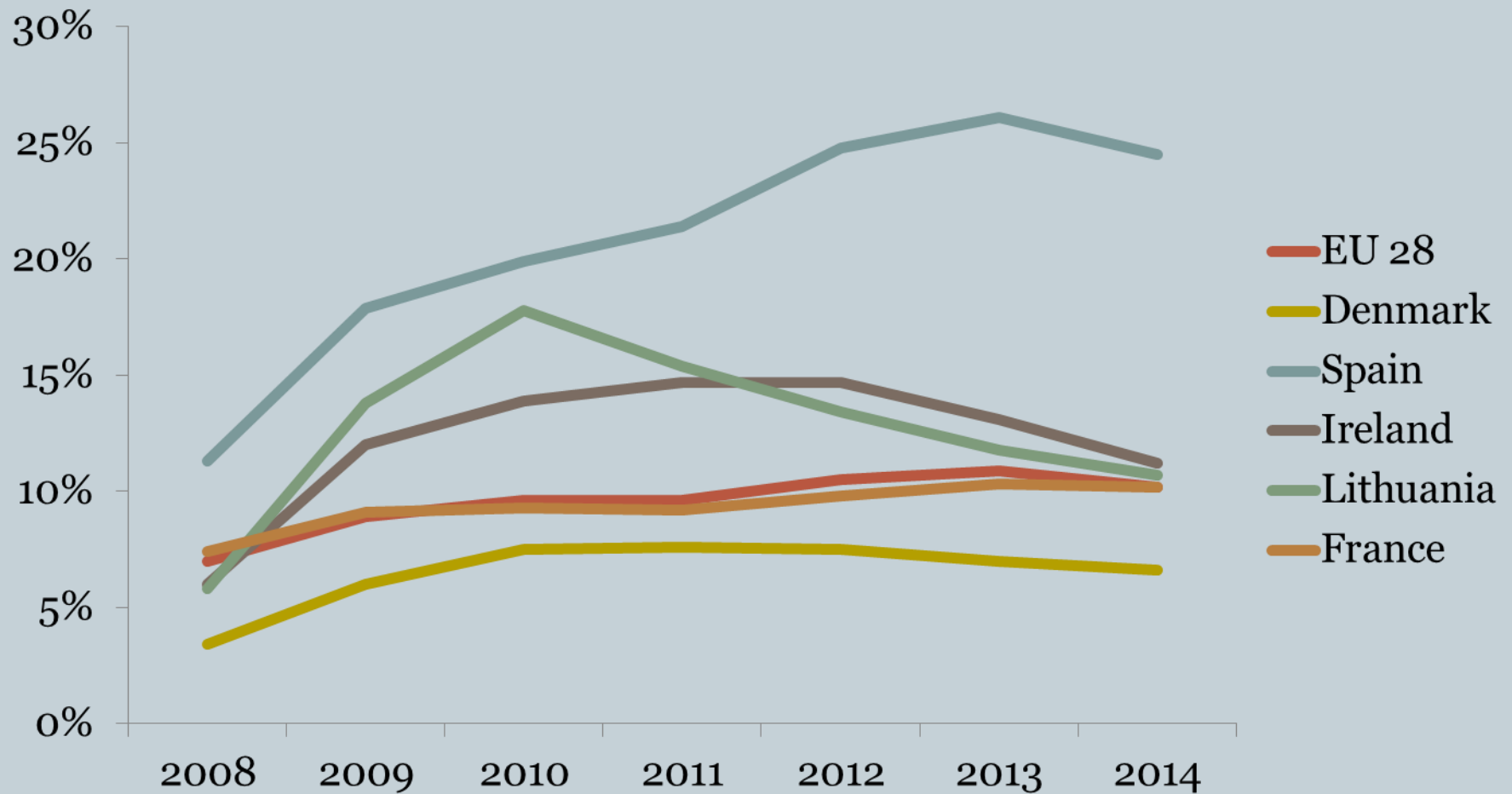Unemployed are not job ready (lack technical skills and personal attributes)

Job ready but lacking technical skills: general perception

- Millions of vacancies advertised in EU every year
- Unemployment remains high
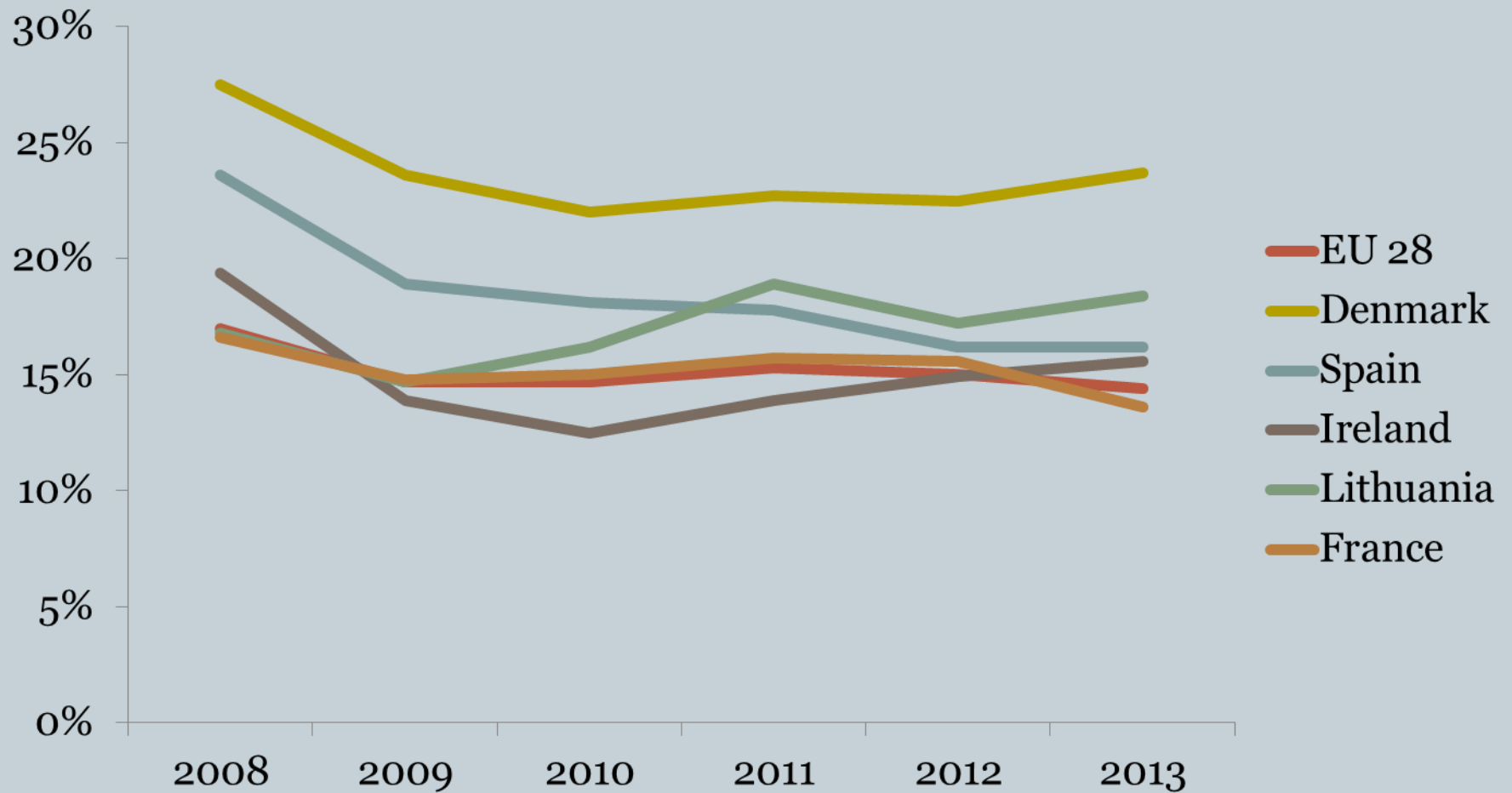- Skills mismatch?

Study vacancies → Train unemployed → Unemployment declines **?**

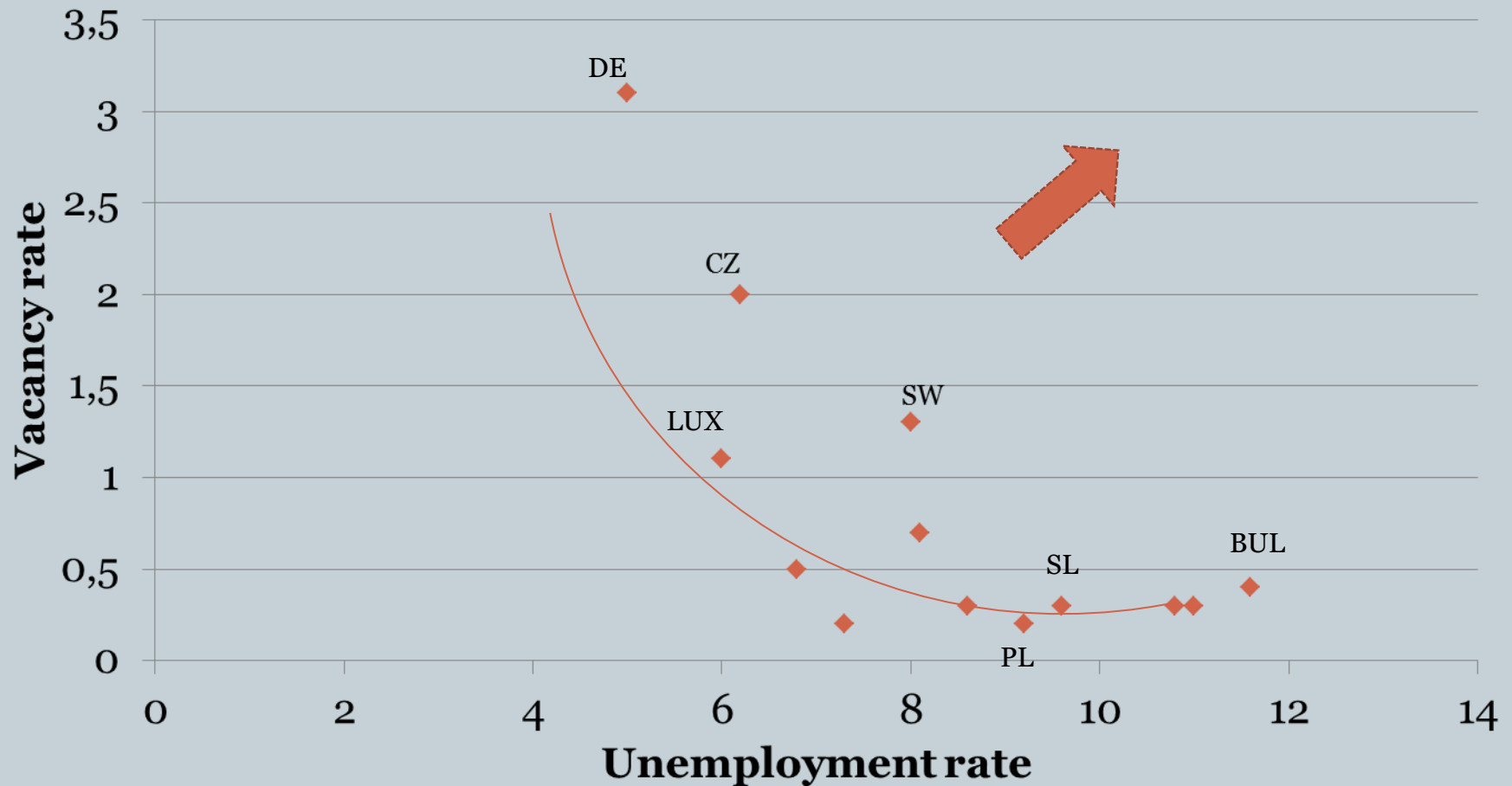# Unemployment rate (selected EU countries)

Source: Eurostat

Annual hirings
(% of employees who are in the current job for less than a year)

Source: Eurostat

Beveridge curve (selected EU countries)

Year to year transition probabilities (Q2 2011 - Q2 012), EU 25, 15-74

	Employed	**Unemployed**	**Inactive**	**Total**
Employed	93%	3%	4%	100%
Unemployed	30%	51%	19%	100%
Inactive	7%	4%	89%	100%
Total	58%	6%	36%	100%

Ireland: replacement and turnover demand

	Employment	Replacement		Turnover	
		Retirement	Exits to inactivity (including retirements) and net exits due to inter-occupational movement	Intra-occupational	Intra occupational and neutral inter-occupational movements
Managers	150,200	1.1%	3.6%	4.4%	6.0%
Professionals	354,700	1.3%	4.1%	6.7%	7.5%
Assoc. prof.	216,600	0.6%	3.7%	7.2%	8.7%
Admin.	208,500	1.1%	6.4%	6.0%	7.9%
Trades	285,400	1.6%	5.5%	5.9%	6.7%
Personal serv.	144,600	1.7%	11.3%	8.0%	9.8%
Sales	166,100	0.4%	11.4%	11.4%	14.4%
Operatives	144,900	1.2%	6.6%	7.7%	9.7%
Elementary	210,100	1.0%	14.3%	10.5%	12.9%
Total	1,881,200	1.1%	7.1%	7.4%	9.0%

Source: National Skills Bulletin 2014, Ireland

Skills mismatches

- It's not just the magnitude of vacancies (quantitative)

- It's not just the components of demand (quantitative)

- It's not just about occupations (qualitative)

- It's also the job specification (qualitative)

  - Job specifications changing continuously

  - Same occupation - new competences

  - Recruitment channels changing (social media)

Competencies: Web scraping

Skills shortages

- Occupations
  - ICT (cloud, Java, mobile apps, security etc.)
  - Healthcare (doctors, nurses, therapists, radiographers etc.)
  - Science (R&D)
  - Engineering (R&D, energy, manufacturing, quality etc.)
  - Technical sales (product specific i.e. ICT, medical devices etc.)
  - Finance (risk management, compliance etc.)
- Competencies
  - Experience
  - Soft skills
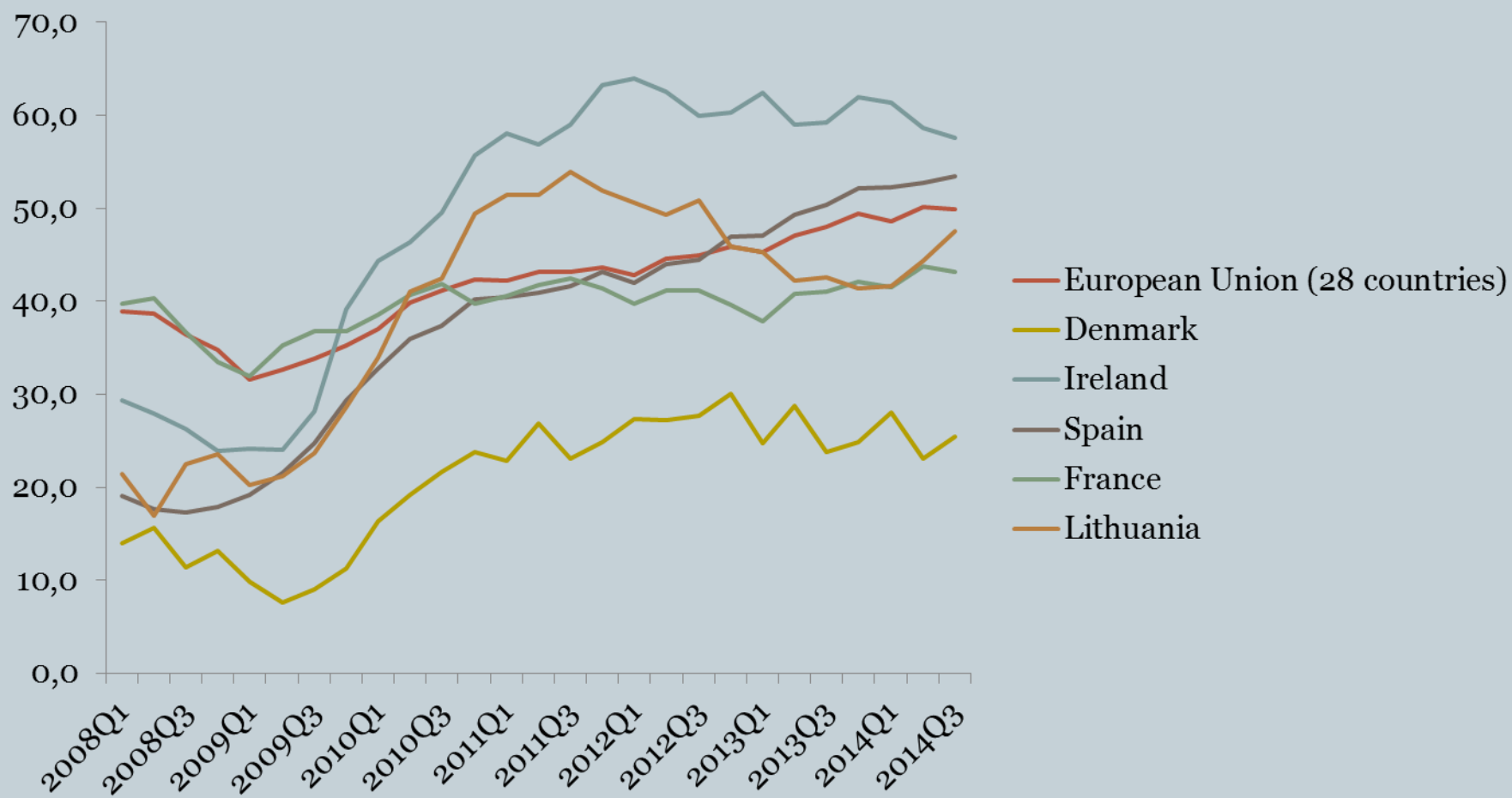 - Multidisciplinary
  - Languages

Job seekers not job ready: general perception

- Too disadvantaged to be offered or find employment
- Needs education and training to be able to compete
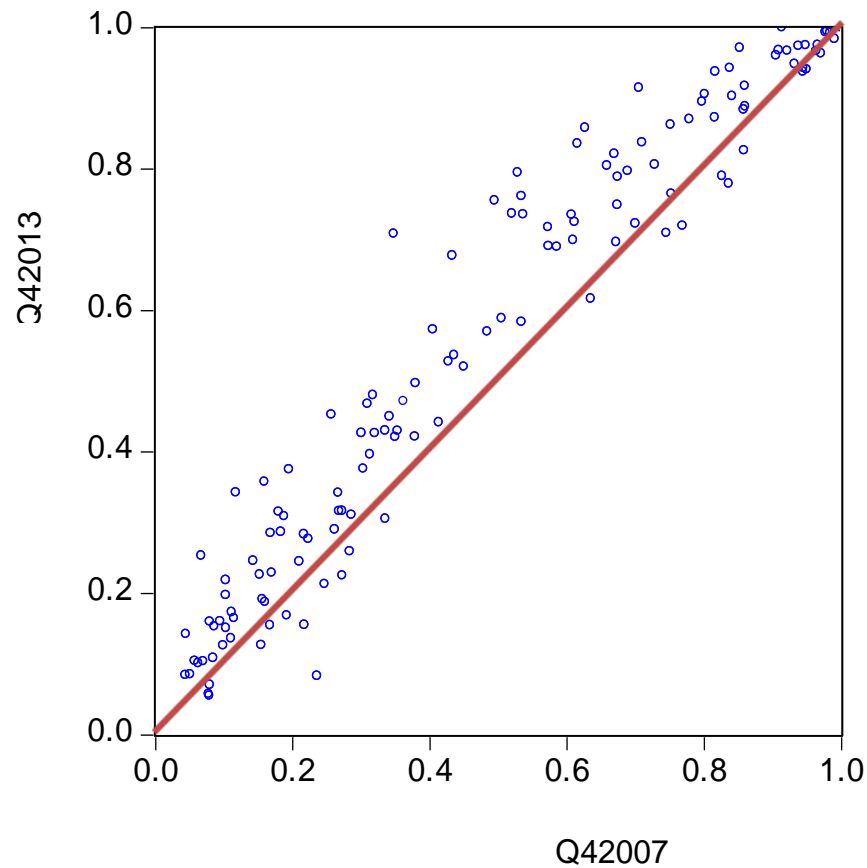- Any employment will do

Identify disadvantaged group → Train the target group → Improve relative employability ?

Long-term unemployment (12 months +) as % of unemployment

Legend:
- European Union (28 countries)
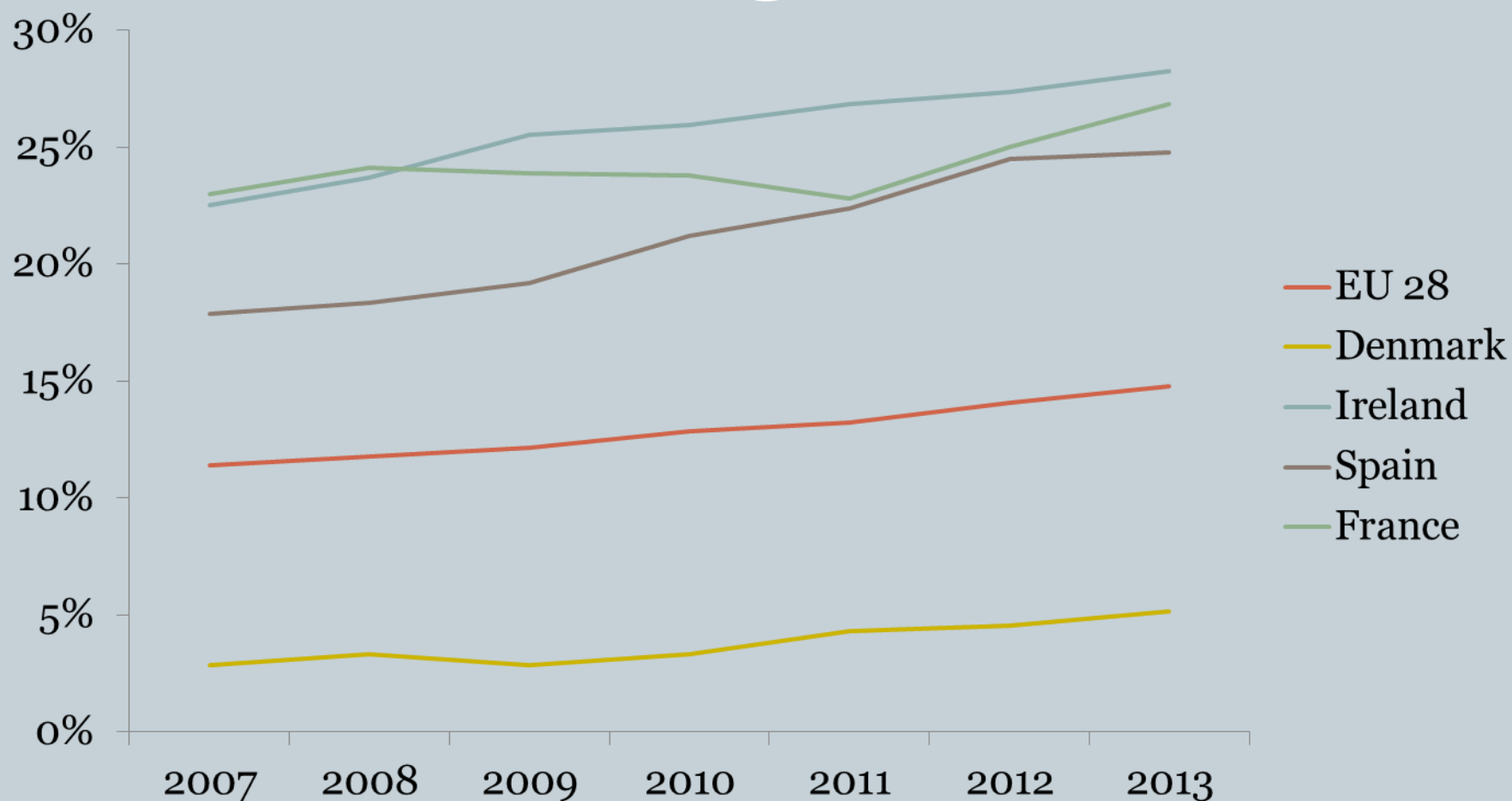- Denmark
- Ireland
- Spain
- France
- Lithuania

Who is crowded out?
Share of employment at tertiary level across occupations: Ireland

Share of employment at tertiary level, 15-24

Source: Eurostat

Summary

- Most vacancies not additional jobs from job seekers' perspective

- Additional jobs are created in two ways which should be the focus of ALMPs

  - Employment growth (expansion demand)

  - Exits from employment (replacement demand – retirements etc.)

- Treat socially excluded as any other job seeker – any job will not do

- Costs more and longer distance travelled, but creates sustainable employment and reduces crowding out

- Important role of self-employment

- Align education and training provision with labour market needs

Conclusions

- Data infrastructure to allow for in depth insight into skills-mismatches
  - Employers views - important, but only one perspective
  - Need more data to contextualise employers' views (transitions, etc.)
    - Components of demand (expansion, replacement, turnover)
    - Skills vs. labour shortage
    - Skills deficiencies – fine tuning
  - New data sets and new data mining techniques
- Impact evaluation
  - Education and training provision
  - ALMPs
  - Immigration
  - Career guidance
  - Enterprise supports