**JOBS NOTES**
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LABOR MARKET OBSERVATORIES— CRITICAL SUCCESS FACTORS

KEY MESSAGES

- **Labor Market Observatories** (LMOs) are institutions that help guide job seekers and students, intermediaries, policymakers, training institutions, as well as investors and employers with labor market trends and guidance to build better careers.

- LMOs provide relevant and timely information on labor market trends (for an example, see Figure 1) to allow end users to make informed decisions on skills acquisition and occupations —many times they produce widely disseminated outputs highlighting "the top–10 most in-demand skills" or "20–fastest growing occupations."

- Each LMO is owned by or reports to a Ministry of Labor, Ministry of Education, or Public Employment Service (PES). To be adequately staffed, 4–5 research staff can be hired to produce the core analysis in-house.

- Well-functioning LMOs have access to data on labor markets, collaborate with other relevant agencies, and have a sound statistical infrastructure in place.

- Successful LMOs are responsive to demands of their clients and provide information custom-tailored to their needs; they carry out analysis and monitoring of trends in labor supply and demand to identify mismatches.

Figure 1
Employment Increase in Georgia, 2014–2015
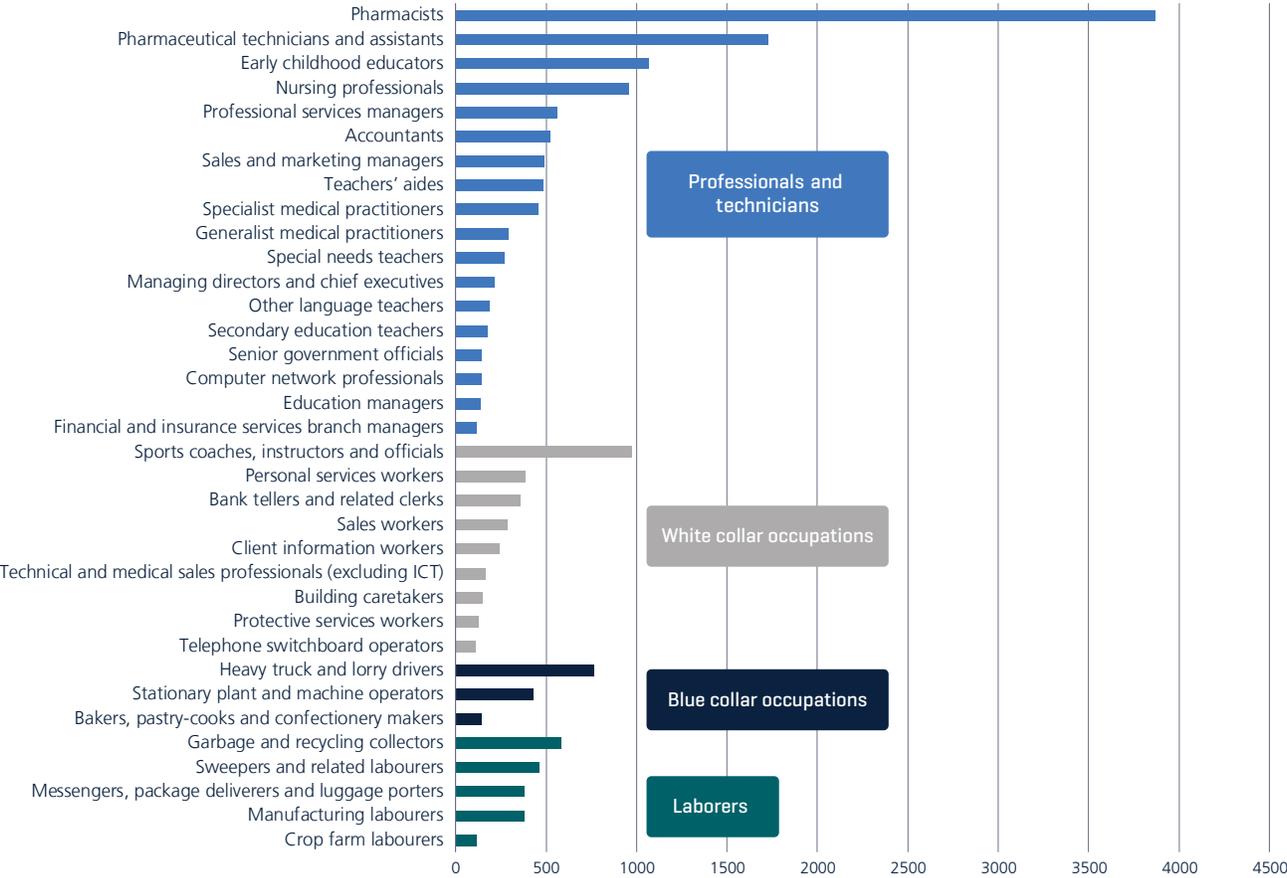
Source: Georgia Occupational Demand Survey (2015).

1

WHAT ARE LABOR MARKET OBSERVATORIES (LMOs)?

LMOs are institutions aimed at producing systematic information on labor market conditions in order to help labor market actors make informed choices leading to better alignment between skills demand and supply. Their main stakeholders are current and future labor market participants (i.e. job seekers and students) who need timely and relevant information to make educational and occupational decisions; intermediaries who help these end users make informed choices (i.e. public employment service case workers and career guidance counselors), policymakers, especially in the areas of labor and education, since the information provided by the LMO will be used to inform their respective policies; training institutions, whose program design will be based on the information available on labor markets; and investors and employers, whose investment decisions will also be informed by such data. Despite serving multiple audiences, the key objective of LMOs is to guide individuals in making informed choices on skills development.

WHAT DO LMOS DO?

LMOs around the world first aggregate relevant existing data on skills and labor demand (from employers) and supply (from the working-age population). Their core function is to then analyze these data and to ensure that timely, relevant, and accessible labor market information reaches their primary audience—job seekers and students—as well as intermediaries, such as public employment service (PES) case workers and career guidance counselors. LMOs can also generate essential new data, for instance through tracer studies, conduct research that aims to promote a better alignment between the skill supply and demand, and convene stakeholders to improve collaboration between them.

EXPECTED IMPACTS

The expected impacts of properly designed and functioning LMOs include:

- More informed educational and occupational decisions of job seekers and students.
- More responsive education and training systems to local labor market demands.
- More responsive employment services to the needs of job seekers and employers.
- Better tailored employment policies to labor market needs.
- Better cooperation among stakeholders.

CHALLENGES

However, the effective operation of LMO crucially depends on the ownership of this institution and usefulness of the information it generates. It is crucial that policy makers and other users set out clear demands for the type of information to be provided by the LMO; however, the demand for better information cannot be taken for granted. Indeed, lack of interest, poor knowledge of information gaps, resistance to change, or political economy factors can reduce the ownership of LMOs. In situations with unclear demands on the LMO or disorganized accountability structure, the information produced by the LMO may be of little value added, low quality or irrelevant for the clients.

SUCCESS FACTORS

Different international experiences have highlighted several crucial factors for the effectiveness of LMOs. For ownership and usefulness to occur, LMOs need to be responsive to demands for information, which involves having an effective governance structure, focused objectives and functions, well-defined user needs, data availability, adequate resources, tailored analysis, widespread dissemination, accountability and feedback mechanisms, and the right mix of independence and collaboration.

Effective governance structure: Effective governance entails that the LMO is owned by or reports to the main institutional user of information, which can be the Ministry of Labor, Ministry of Education, or PES. Inefficiencies arise when there is a disconnect between the user/client and the owner, or when there are too many owners who have different interests leading to no one feeling responsible and accountable.

Focused objectives and functions: The primary aims of an LMO are to monitor and interpret trends concerning labor supply and demand, to identify labor and skills mismatches, and to present accessible and timely information on these trends and mismatches to its clients. The core functions of the LMO should be structured based on these objectives. A multitude of objectives and functions can hinder the effectiveness of the LMO by spreading its staff too thinly across tasks.

Well-defined and prioritized needs of clients/ users: The information needs of LMO clients, such as policymakers and labor market actors, including students, job seekers, employers, investors, and training institutions, have to be properly identified. Given that

these clients may have different information needs, their prioritization matters for the focus of LMO work.

Availability and sharing of data: Access to detailed data on labor market trends will be a key determinant for success. For that, statistical infrastructure needs to be already in place and core data available. In addition, government agencies will need arrangements for sharing these data with the LMO. Obtaining free access to data owned by other agencies is often a problem. Limited access to existing data causes inefficiencies and waste of public resources. Overly-stringent privacy protection laws can also be an issue for conducting valuable analysis.

Adequate resources: Adequate and continuous funding is required for sustainability. In terms of human resources, the LMO should have the capacity to identify information needs, perform its core function of analyzing labor market and skills demand and supply based on existing data. For this core analysis, LMOs need very few capable people (e.g. 4–5 research staff in Poland's regional Labor Offices), who can be recruited from outside the organization hosting the LMO or trained within this organization. Although some LMOs commission all analysis out, this works less well compared to LMOs producing core analysis in-house. To ensure the credibility of its outputs, it is thus important to invest in the development of expertise and staff skills, and build high quality standards.

Tailored and accessible analysis: Analysis should be custom-tailored to the specific needs of LMO clients. It must be then presented in a way that is understood by and appealing to the users, making use of brevity and simplicity. Simple and practical formats tend to be more effective than lengthy reports in order to reach target audiences such as jobseekers and students. For instance, top-10 most in-demand skills or 20-fastest growing occupations have greater relevance to students and job seekers than complex charts and tables.

Widespread dissemination: As the experience of countries such as the Czech Republic shows, good analytical activity is not enough to improve decision making; proper dissemination of results is also required for informing choices of final clients. Bulletins, booklets, leaflets, and online tools are some of the timely, up-to-date products that can ensure that information reaches the intended audience. This information will need to be made available to,

for instance, school teachers, career advisors and job counselors, who can then communicate it on to students and job seekers. Social media channels can also help to reach students and new labor market entrants.

Accountability and feedback: The performance of LMOs needs to be evaluated based on their ability to respond to the needs of the clients. Adequate feedback systems should be in place to ensure that LMO outputs are regularly adjusted based on changing needs of its users.

Collaboration and independence: LMOs are part of a broader institutional environment, and collaboration with other experts and actors is crucial. Indeed, international collaboration with other LMOs is highly beneficial, as it generates knowledge spillovers. However, and at the same time, the analysis of LMOs cannot be influenced by vested interests of any kind.

TO WHOM SHOULD THE LMO REPORT?

There is no unambiguous answer to that question. Different options exist, including an independent body, a separate government agency, one of the government ministries or the PES (Table 1). Each solution has advantages and disadvantages. The final decision with regard to which government institution is better suited to own the LMO will mainly depend upon who the main clients and stakeholders are. However, a key challenge observed in many countries (e.g. Georgia, Macedonia, and Moldova in ECA) is the lack of coordination or alignment between labor market needs on the one hand and educational choices and skills development policies on the other. This central challenge requires strengthening the information base for education and labor policies, and coordination between the two. Given that the ultimate users of the information produced by the LMO would be job seekers and students, the two Ministries that tackle challenges related to these two populations — Ministry of Labor (with PES as its usual affiliate) and the Ministry of Education — are best placed to hold the LMO accountable for its outputs. Indeed, most of the existing LMOs around the world are placed under the Ministry/Department of Labor and/or Education (see Table 1 below). This is the case in countries as diverse as Botswana, Australia, Cameroon, Denmark, France, Jamaica, Rwanda, South Africa, or the UK.

Table 1
Labor Market and Skills Observatories Across Countries

Country	Key component	Institution in charge	Description
OECD			
Australia	Labor market information portal [http://lmip.gov.au]	Department of Employment	Up to date labor market data to help people understand their local labor markets.
	Employment Research and Statistics JobActive [jobactive.gov.au]	Department of Employment	The Australian Government undertakes research and analysis of employment trends across Australia to support government policy development.
	MyFuture [http://myfuture.edu.au]	Education Services Australia Ltd (Privately managed)	Job Outlook is a careers and labor market research information site to help you decide on your future career. Use the search options below to find a wealth of information covering around 350 individual occupations.
Chile	Mi Futuro [http://www.mifuturo.cl]	Ministry of Education	Provides information to help (prospective) students make study and career choices, with strong focus on employability and earnings.
Denmark	Job Indsats [http://jobindsats.dk]	Department for Labor Market and Recruitment, Ministry of Labor	JobIndsats.dk makes it easy and fast to obtain an overview of employment policy and efforts to create jobs for everyone
	Job Effekter [http://jobeffekter.dk]	Department for Labor Market and Recruitment, Ministry of Labor	Instrument to find studies and research (public or private) on the labor market.
France	The national portal for employment policy and professional training	Department for Employment, Ministry of Labor and Vocational Training	The national portal for employment policy and professional training.
	http://travail-emploi.gouv.fr/etudes-recherches-statistiques-de,76/	Department for research and statistics — Ministry of Labor and Vocational Training	Compiles and analyses data on the labor market.
UK	National Online Manpower Information System (NOMIS)	Office for National Statistics (ONS)	NOMIS provides free and easy access to the most detailed and up-to-date UK labor market statistics from official sources.
	Office for National Statistics — Theme Labor Market	Office for National Statistics	National statistics on labor and employment.
US (California)	Labor Market Information Division [http://www.labormarketinfo.edd.ca.gov]	Employment Development Department, State of California	

Country	Key component	Institution in charge	Description
EUROPE			
Bulgaria	University Ranking System	Ministry of Education	Use of administrative tax and social security data, and sample-based surveys of graduates and employers to provide information on various indicators including employability.
LATIN AMERICA AND CARIBBEAN			
Colombia	Higher education information system	Ministry of Education	Provides, among others, information on graduate profiles, average income and employability.
Jamaica	Labor Market Information System [http://www.lmis.gov.jm]	Ministry of Labor and Social Security	Job matching facility as well as a database of qualitative and quantitative information.
	Labor Market Intelligence Department's Labor Market Information Portal [http://lmip.heart-nta.org/LMI.aspx]	The Human Employment and Resource Training Trust, National Training Agency (HEART/NTA)	One-stop area where up-to-date labor Market Information is accessible to enable users to understand labor supply and demand trends.
AFRICA			
Botswana	Labor Market Observatory [http://botswanalmo.org]	Ministry of Education and Skills Development, Botswana Qualifications Authority, Botswana Examinations Council	Collects, analyzes, monitors and captures labor information.
Cameroon	Fonds National de l'Emploi [http://fnecm.org]	Fonds National de l'Emploi (National Employment Fund)	Promotes employment in Cameroon, partly through the dissemination of labor market information.
Rwanda	Labor Market Information System [http://lmis.gov.rw]	Ministry of Public Service and Labor	Provides quantitative and the qualitative information and intelligence on the labor market.
South Africa	Labor Market Intelligence Partnership (LMIP) [http://www.lmip.org.za]	The Department of Higher Education and Training (DHET)	Collaboration between government and a national research consortium that aims to build a credible institutional mechanism for skills development.

Source: Based on Sorensen and Mas (2016), "A Roadmap for the Development of Labor Market Information Systems".