

GUIDANCE NOTE 5

Promoting labour market information systems

Topic overview

According to Skills Panorama⁽¹⁾, a labour market information system (LMIS) consists of systems, mechanisms or processes for **gathering, organising, providing and analysing information** about the state of the labour market, occupations and jobs, including key changes taking place within employment, jobs and occupations. Emphasis could be put on strong coordination and regular cooperation among the relevant institutions which produce labour market information. The aims of an LMIS are:

- matching **labour supply and labour demand**;
- supporting **decision-making and evaluation** of employment policy.

A 2012 survey of experts on the major challenges faced by youth in labour markets found that 54 % of 36 African countries cited a mismatch of skills between what job seekers have to offer and what employers require as a major obstacle (AfDB, OECD, UNDP, UNECA, 2012). Skills mismatches point up a poor quality of vocational education and training (VET) programmes and the **absence of linkages between VET systems and employers**.

The **LMIS helps reduce the information deficit on the labour market** and is aimed to reduce (or avoid) skills mismatch. On the other hand, if people do not have information about employment openings, they may remain unemployed. Similarly, if people do not have information about occupations, they may

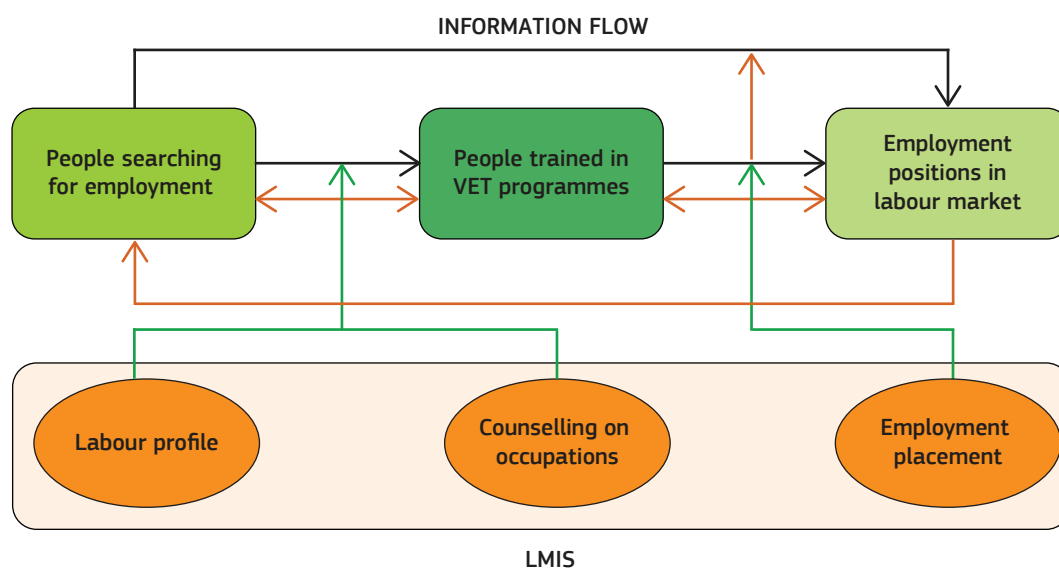
SUMMARY OF KEY ASPECTS

- The LMIS is a labour market policy instrument to improve information flow in the labour market. It can inform policies to better anticipate and match supply and demand and can reduce (or avoid) skills mismatch by providing timely information to employers, VET providers, students and job seekers.
- Skills anticipation and matching is defined as a strategic and systematic process by which labour market actors identify and prepare for future skill needs, thus helping avoid potential gaps between skills demand and supply.
- Skills anticipation should not be assumed to mean interventions by governments and public institutions on the supply side alone.
- The information on what is required in understanding technologies and markets at the detailed economic sector level requires the involvement of employer and worker representatives at that level.

choose an occupation where there is no demand for workers. Individuals seeking employment, companies offering employment and VET providers that have to make decisions about the kinds of VET programmes for the future workforce all need to assess future prospects carefully — looking to fill information deficits and avoid future imbalances and mismatches (see Figure GN6.1).

LMIS is necessary for **skills anticipation**, which is defined as a strategic and systematic process by which labour market actors identify and prepare for future skills needs, thus helping avoid potential gaps

⁽¹⁾ For a description of Skills Panorama, see <http://skillspanorama.cedefop.europa.eu/en/content/our-mission>.

FIGURE GN5.1 LMIS generic structure

Source: GIZ, 2012.

between skills demand and supply. To help advise constituents on the various means of forecasting skills needs, the European Training Foundation (ETF) has developed a practical guide on anticipating and matching skills demand and supply (ETF, 2012).

However, skills anticipation should not be assumed to mean interventions by governments and public institutions on the supply side alone. Rather, national **strategies for development, employment, industry and innovation can have significant impacts on the demand side** when accompanied by financial incentives. An example is the promotion of renewable energies, which will have an important impact on green skills demand (see [Guidance Note 13](#)). In such a case, national employment services might need to step in to support companies to better anticipate their skills needs.

Another means of improving the potential for companies and VET providers is through the **development of sectoral strategies**; this includes the establishment of sector skills councils (see the case study in [Guidance Note 3](#)). The rationale for taking a sectoral approach towards skills anticipation and matching is that different economic sectors have very different skills needs. The information on what is required in understanding technologies and markets at the

detailed economic sector level requires the involvement of employer and worker representatives at that level (see Box GN5.1).

According to an International Labour Office policy brief (ILO, 2011), an analysis of current LMIS practices has shown that developing countries that have succeeded in linking VET systems development to improved employability, productivity and employment growth have directed their VET policies towards meeting three objectives:

- matching **demand and supply** of skills;
- maintaining the **employability of workers** and the sustainability of enterprises;
- sustaining a **dynamic process** of development.

Procedure

The general approach for the promotion of LMIS is focused on **understanding the current situation in developing countries with regard to the collection of labour market information and how it is used**. Overlaid on this is the rich international experience of how European countries establish an LMIS. Of

BOX GN5.1 Anticipating and matching skills demand and supply in Bangladesh

The Technical and Vocational Education and Training Reform project (2008–2012) in Bangladesh, funded by the International Labour Organization and the European Union, is primarily focused on **skills development in the manufacturing and information technology sectors**. Initial stages of the project included mapping of relevant economic sub-sectors, with analysis of growth and employment potentials in each sub-sector and identification of future skills needs through a small-scale enterprise survey; these fed into the development of sectoral strategic plans.

Through the establishment and operation of five **industry skills councils** — made up of the key enterprises in the sector as well as government and worker representatives — the information developed on skills demand is translated into VET programmes in the identified fields at VET providers and improved placement of VET graduates, including through work-based apprenticeship programmes. Work experience components are included in VET programmes, so learners can practice their skills in a real work setting.

Source: ILO, 2008.

course, many of these countries have a mature LMIS. Even where systems are less advanced, there is no single approach that can be applied to another country as contexts such as employment policy, institutions and conventions all differ. It should be noted that the labour markets in developing countries show a high concentration towards informal economies and therefore deviate significantly from conditions in Europe. However, regardless of whatever practice is chosen, it is vital that the LMIS be appropriate for the country in question and be accepted by and meet the needs of all key players.

STEP 1: Identify and engage with key LMIS players

Key LMIS players are those who are connected to current LMIS activities in the country in question. An essential point is the interdependence of LMIS key

players and what kind of labour market information they produce. For example, **effective employer surveys need to have a good database of businesses** from which to draw a sample. Thus, a regular business survey, typically carried out by the ministry of economy, is a prerequisite and supported by timely and good quality information input from cooperative parties. The checklist in Table GN5.1 clarifies where information gaps need to be closed, and provides an initial overview.

STEP 2: Carry out an inventory of labour market information sources

The output of Step 1 will show that the collection of labour market information is fragmented, with **many organisations involved**, each with its own interest in using the information in their activities. In many developing countries, the social partners in the form of employer organisations and trade unions are interested in the potential use of an LMIS but contribute little to the LMIS due to capacity constraints. The research community is normally underdeveloped and so there are no centres e.g. in universities, studying labour market information and making analyses. Common questions to be addressed when formulating the inventory are as follows.

- How can up-to-date **information on labour demand** be obtained?
- How can the **quality of labour market information** be improved?
- How can **information on required occupations** be improved?
- How can **self-employment** be supported?
- How can employment in **specific sectors** be promoted?

STEP 3: Analyse the key weaknesses of the current LMIS

Step 2 will demonstrate that there are a number of LMIS activities in the country. Many developing countries do not have a workable LMIS yet, though some of

TABLE GN5.1 Example of relevant LMIS key players

GOVERNMENT AGENCIES	• National statistics offices • Ministries (labour, education, economics, finance, etc.) • Public employment services • Regional development agencies • Regional and local governments
EDUCATIONAL INSTITUTIONS	• Public and private schools (all types) • Centres for further education and training • Higher education institutions • Other training providers
EMPLOYER BODIES	• Federations of industry • Chambers of commerce • Sector training bodies
EMPLOYEE BODIES	• Confederation of trade unions • Trade unions without membership in an umbrella organisation • Small business organisations/informal trade associations
RESEARCH COMMUNITY	• Higher education research bodies • Research centres/institutions
OTHER ORGANISATIONS ACTIVE IN THE LABOUR MARKET	• Employers without membership in an umbrella organisation (public and private sectors) • Private employment broker • Non-governmental organisations by means of various projects

the basic ingredients are in place and this could provide a useful foundation for further development. The starting point for the analysis might be the following list of **common weaknesses** which can be observed in many countries:

- **lack of confidence** in some of the main sources of LMIS (e.g. labour force data not regularly published);
- **lack of information technology infrastructure**, e.g. manually collected data are not computerised and thus limit opportunities for analysis;
- **limited resources** in employment services restrict the extent and quality of employer interaction;
- no **systematic assessment** of employer VET needs across all economic sectors;
- weak **structural mechanisms** linking policy practice with movements in the labour market;
- **no forward-looking** labour market analysis.

STEP 4: Explore policy options on organisational forms of information channels

Job seekers are not a homogeneous group, and **every individual may need different types of information**. Some job seekers are already well informed and are only looking for vacancies. Others need more profound counselling. Some information channels are less accessible for certain groups of job seekers, especially when special skills like computer knowledge are required to perform the job search; sometimes, even reading skills may be a barrier.

Countries providing an LMIS therefore usually offer **different channels of information** to be able to serve the various needs of job seekers, employers and government institutions. An already widely used and further expanding information channel is access to electronic job market databases. Access is very often organised, for instance, by offices of the national statistical agency and/or job centres of the national employment service. A computer-based LMIS may provide information on the labour market itself as

well as on VET programmes offered. Under-emphasis of labour market information related to the analysis/dialogue/policy action aspects should be avoided.

The main target group for a **computer-based LMIS** is job seekers with a recent work history and good skills who are very likely to find a new job quite easily. Common questions to be addressed when formulating policy options include the following.

- Are there any **job vacancies**?
- What **kind of unemployment** is prevailing?
- Can the **unemployed be reached**?
- What are the **organisational structures** that can be used for installing an LMIS?
- How can the LMIS be **funded**?

National employment and training observatories (also known as labour market observatories) can be found at the sectoral (industry), local, national, regional or international levels. They often consist of employment services; education planners; training providers; career counsellors; small and medium-sized enterprises (SMEs); employer and employee organisations; non-governmental organisations; and civil society groups involved in human resources development, skills formation and employment issues. Observatories work hand in hand with national training organisations and vocational training centres (ILO, 2003).

STEP 5: Planning and budgeting of preferred LMIS scenarios

The final step works out the details of a selected number of **preferred scenarios for future expansion or improvement of the LMIS**, focusing on planning and budgeting within a mid- to long-term perspective. The aim is to transfer the policy decision (or options) into a planning and budgeting phase in order to realistically plan and prepare for LMIS implementation. The ideas to be presented under Step 5 offer a first attempt at developing an action plan for an LMIS that meets the current needs of the country and responds

to the need to set up an LMIS that will develop over a reasonable time frame. It builds on the current LMIS foundation and enhances some existing methods of information collection that would offer some relatively quick results.

References and further reading

AfDB, OECD, UNDP, UNECA (African Development Bank, Organisation for Economic Co-operation and Development, United Nations Development Programme and United Nations Economic Commission for Africa), 2012. '[The Employment Outlook for Young People](#)'. *African Economic Outlook*.

ETF (European Training Foundation), 2012. '[Anticipating and matching skills demand and supply: Synthesis of national reports](#)'. Working paper. ETF, Turin.

GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit), 2012. 'The Labor Market Information System as an Instrument of Active Labor Market Policies'. Beiträge aus der Praxis der beruflichen Bildung No. 11. GIZ, Bonn.

ILO (International Labour Office), 2003. '[Current Practices in Labour Market Information Systems Development for Human Resources Development Planning in Developed, Developing and Transition Economies](#)'. EMP/SKILLS Working Paper No. 13. ILO, Geneva.

ILO (International Labour Office), 2008. '[Mapping and Analysis of Growth-Oriented Industrial Sub-Sectors and their Skill Requirements in Bangladesh](#)'. Research document. ILO, Dhaka.

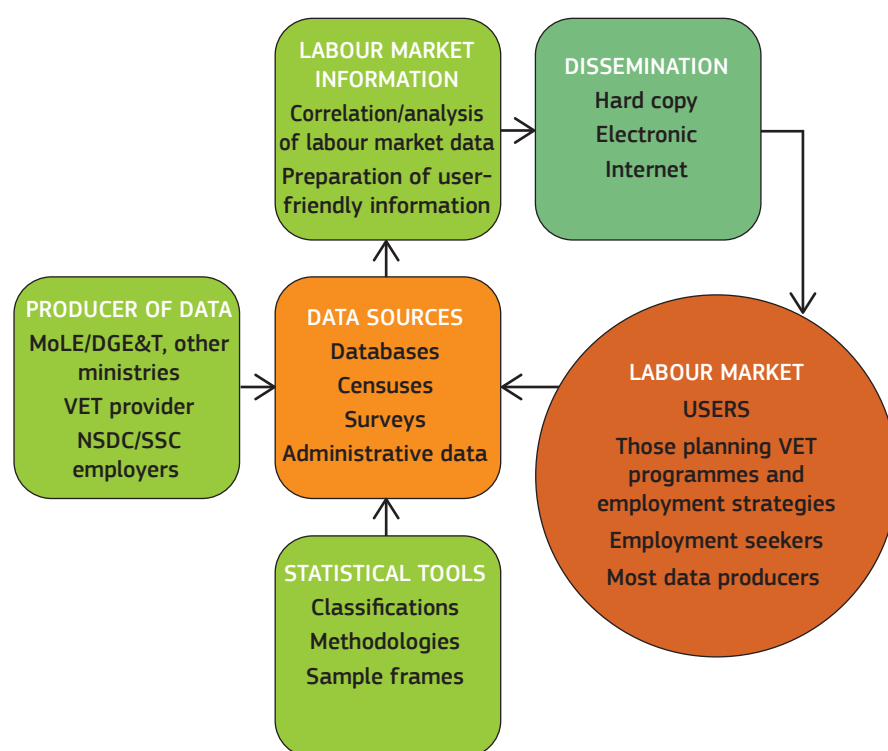
ILO (International Labour Office), 2011. '[Formulating a National Policy on Skills Development](#)'. Skills for Employment Policy Brief. ILO, Geneva.

ILO (International Labour Office), 2014. '[Is Education the Solution to Decent Work for Youth in Developing Economies? Identifying Qualifications Mismatch from 28 School-to-Work Transition Surveys](#)'. Work4Youth Publication Series No. 23. ILO, Geneva.

Case study: Pilot project for LMIS in India

The **India-EU Skills Development Project** is meant to support key stakeholders in implementing selected aspects of the Indian VET policy. Component 3 of the project aims to enhance an LMIS and analysis practices at the national level and at the state/industrial cluster level on a pilot basis. More specifically, with regard to labour market information available at the state/cluster level, it was planned to pilot new or amended methods of implementing a sector LMIS (see Figure GN5.2), drawing on resources allocated by stakeholder-driven sector skills councils (SSCs). The first sector LMIS has been tested with the stakeholder-driven Automotive Skills Development Council in the state of Maharashtra.

FIGURE GN5.2 LMIS conceptual framework



Source: India-EU Skills Development Project, 2013.

Note: MoLE/DGE&T = Ministry of Labour and Employment/Directorate General of Employment and Training; NSDC = National Skills Development Corporation.

CHALLENGES AND OPPORTUNITIES

Given the current Indian policy agenda of having to capacitate large numbers of people, the purpose of collecting qualitative and evidence-based labour market information seems out of sync with the key players' **focus on large numbers and quick results** — which does not match the pilot project's focus on the qualitative aspects of the LMIS. From the start, there have been different expectations on planned outcomes, and the expectations of key players have always exceeded what can actually be achieved by a limited pilot project with a focus on quality rather than quantity.

ACTIONS TAKEN	A survey methodology and tool has been developed consisting of an enterprise questionnaire; this was piloted with enterprises in New Delhi and amended based on their feedback. A criteria-based selection process of identification of enterprises in Maharashtra has been used taking into consideration different sub-sectors and company sizes, and addressing both the organised and unorganised (informal) sectors. The project attempted to eliminate as many inconsistencies and mistakes as possible prior to implementation of the survey. However, some lessons were learned during this stage of the LMIS. The questionnaire needs to be piloted, and there should be enough time allocated prior to the survey for a thorough review and adaptation of the survey instrument. Future surveys might also involve the chamber of industry and commerce at the district level and/or any other employers' organisations with a good local network prior to implementation.
LESSONS LEARNED	• The design of any LMIS requires time and effort be spent on agreeing on objectives which are realistic and linked to achievable results. • The SSCs in particular need to make a firm commitment to the LMIS in terms of time, staff, information and networks, and should continuously involve themselves to improve knowledge and build their own capacity. • The method of using random sampling of companies is only feasible if there is an up-to-date database of employers made available to the survey team, preferably including contact details of human resources development and training managers. • The questionnaire as the main analysis tool for a qualitative LMIS cannot be standardised for all economic sectors and has to be adjusted to the specific purpose and objectives. It must address the different features of the organised and unorganised sectors. • Implementation of an LMIS requires appropriate and ongoing administrative and management support.

Source: India-EU Skills Development Project, 2013; The Development of Labour Market Information Systems; <http://www.india-euskills.com>.