



# European Network of Public Employment Services

A contribution to the strategy

'The PES role in modernising the labour market and managing structural change – preparing for post COVID-19 challenges'

2020



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## Preface

The European Union (EU) has been hit hard by the COVID-19 crisis. The macroeconomic effects of this crisis are much more severe than those of the last economic crisis of 2008/9. The latest GDP data show that the COVID shock has resulted in a massive decrease of almost 15% compared to 2019. Such a significant economic downturn is likely to have repercussions. Europe is facing a challenging future with a need for restructuring, uncertain labour market developments, and a risk of increasing inequalities. A lot of responsibility on the road to recovery will therefore fall on the Public Employment Services (PES), which are now requested to prepare for these tasks ahead.

Many Member States have quickly introduced job retention policies such as short-time work (STW) schemes and have announced generous economic support measures. This has stabilised employment and prevented for the time being an unprecedented labour market shock, even if unemployment has increased to some extent. However, the volume of hours worked has decreased by almost 14% (Q2 2020 – Q2 2019).

The complexity and strong dynamics within the crisis have urged PES to quickly adapt their institutional capacity to respond to an increasingly challenging environment. Rising numbers of unemployment benefit recipients mean PES staff having to deal with a growing administrative burden. In addition, the closure of many PES offices required both PES customers, as well as PES staff, to switch to digital channels. This placed further obstacles on service delivery with large numbers of PES staff working remotely and the digital infrastructures of PES reaching their limits.

The introduction of STW and similar job preservation schemes was an additional burden to PES capacity. Those PES that are responsible for administering such schemes often had to reallocate staff to cope with the additional workload.

At European level, the COVID crisis has had a considerable impact on the negotiations of the multiannual financial framework 2021-2027, leading to a swift agreement for a recovery programme for Europe. The EUR 750 billion *NextGenerationEU* programme has been rolled out across three pillars. Support to Member States will also be provided through the SURE instrument (Temporary Support to mitigate Unemployment Risks in an Emergency) aiming at financial assistance to STW schemes.

The aim of this paper is to contribute to the discussions on how to respond to the COVID19 crisis. It represents reflections and key recommendations of the PES Network on the short and medium-term effects of the pandemic on the labour market and future challenges and tasks that lay ahead for the PES.

## **PES support to recovery**

Due to the rapid responses of the Member States a significant increase in unemployment rates has so far be prevented. However, the use and efficacy of these interventions are time bound and it remains difficult to predict the medium-term effects of the COVID crisis on the labour market. Those sectors that have been hit particularly hard are likely to take longer to recover. In contrast, several sectors have grown during the crisis with increasing jobs in health, IT, and those related to ecological sustainability. These contrasting effects mean that imbalances and structural changes in the labour market are likely to accelerate.

PES are now confronted with several pressing issues. The extension (and closure) of job preservation schemes will pose a significant administrative and organisational burden on PES. New Active Labour Market Policies (ALMPs) for those who have suffered most from the economic crisis will need to be designed and introduced. Additionally, those labour market challenges that existed before the COVID crisis have not necessarily gone away and are likely to exacerbate the problems for policymakers and ultimately the PES. Implementing a new digital channel strategy because of the crisis will be costly and resource intensive, as well as likely to require new skills among staff. The current crisis can therefore be considered as a severe test for PES on whether they are able to meet present and future challenges. In that respect the crisis provides a test for PES on whether they have succeeded in implementing efficient change management over the past few years.

### **Sufficient resource allocation for PES to manage the crisis**

The administration of job preservation schemes in many countries, although proving to be successful in preventing unemployment, are resource intensive for PES and because many Member States have extended their schemes, the burden remains high. The use of temporary staff may compensate for the short-term reallocation of needs, but cannot represent a longer-term solution.

The longer the crisis lasts, the more likely is a strong increase in unemployment. This will require additional capacities to support jobseekers and prevent an increase in long-term unemployment. Additional personnel, including those on short-term contracts and contracted-in expertise, can be crucial to ensure efficient administration of current job preservation schemes and allow PES staff to focus on service provision to all customers. However, sustainable staffing will be crucial to service a growing PES customer base. With the emergence of new forms of employment such as platform work or portfolio work, PES will need to review their capacities to be able to offer appropriate services to these increasingly relevant target groups. There is also a risk that vulnerable people are disproportionately hit by the crisis. PES need to have measures and capacity in place to assist the growing number of vulnerable jobseekers who require more intense and comprehensive support.

Key recommendation 1: Member States are requested to provide sufficient funding for PES to increase their capacity for the appropriate management of the crisis and the post-crisis situation.

### **Improve labour market intelligence**

Increasing unemployment means increasing demand for service delivery. To meet these challenges, PES will need to be more efficient in counselling, coaching and guiding their customers. This necessitates better predicting labour market trends and ongoing monitoring and evaluation of skills and competences needed in the labour market. PES will need to work closely with employers, social partners, the scientific community, training

providers and other stakeholders to achieve better forecasting of skills requirements leading to training more attuned to skills demand.

Introducing or improving sophisticated profiling and matching tools through use of big data and algorithms will be highly relevant to support fast and targeted placement of jobseekers. PES have increasingly invested in up-to-date IT infrastructure and implantation of relevant tools. However, the success of these developments depends on the quality and quantity of data available, the continuous development and improvement of the data and tools, a change of counsellors' working methods and, importantly, a strong political commitment.

Key recommendation 2: Ongoing investment in IT infrastructure is needed to secure sustainable and efficient service delivery.

### **Further digitalisation of PES services**

The increasing digitalisation in many parts of the economy is one of the drivers of structural changes in the labour market. New job profiles, tasks, process chains and work organisation require up-skilling and reskilling of the workforce. Digitalisation goes beyond the acquisition of ICT-related skills, but includes soft skills such as communication, social- and analytical skills, as well as creative thinking and adaptability to technical progress through continuous training.

Overall, the COVID-19 crisis has accelerated the digitalisation of PES services. Since many PES were required to shut local offices, customers were served by digital channels. Such rapid channel shifts proved challenging for both PES and their customers and the prior degree of digitalisation of service delivery was an advantage. Since the onset of the crisis, PES have gradually implemented more and more digital services to jobseekers and employers. In the medium-term PES need to reflect on how their service delivery should be designed in a post-crisis scenario. It will be necessary to find the right balance between digital and traditional delivery of services. This includes retaining those approaches that have proven successful during the crisis while ensuring that groups of customers are not left behind by new service concepts. Overall, this requires PES to fully exploit the potential of digital services where appropriate and providing traditional delivery where necessary. Consequently, PES will face further investment in digitalisation including capacity building amongst PES staff.

Key recommendation 3: Digitalisation is a key challenge and opportunity to the PES. Comprehensive and balanced approaches are required to respond to the impact of digitalisation for both customers and PES staff.

### **Lead the up-skilling and reskilling of the workforce**

Skills development will remain a major task for PES to prepare the workforce for the recovery. New structural trends will require up-skilling and reskilling of the unemployed as well as those in employment. Prevention of unemployment is therefore likely to become a more prominent task for PES. This will come in addition to their traditional task to support jobseekers, including the most vulnerable.

PES need to react by matching the skills requested by the labour market. A proactive approach requires PES to identify expanding sectors and occupations and provide appropriate vocational guidance to the workforce. Proactivity includes provision of preventive measures to support workers still in employment, but at risk of becoming unemployed, including those facing redundancy. Providing such support requires cooperating with employers to (co)design comprehensive support packages underpinned by strong partnerships as well as up-to-date labour market information.

The *European Green Deal*<sup>1</sup>, a roadmap towards a climate-neutral circular economy for the decades ahead, will provide additional stimulus for labour markets. Therefore, strategies to capitalise on the full potential of this EU initiative need to be developed. For PES it is important to respond to this trend and start reflecting on potential interventions. For example, to support the Green Deal, PES could improve their knowledge base on possible green jobs. The introduction of environmental aspects within the career guidance portfolio of PES could ease career transitions. PES also need to identify changes in skills requirements and jobs due to the greening of the economy and could also consider the introduction of green aspects when providing employment incentives such as wage subsidies.

A major challenge in supporting the skills development of the workforce will be the appropriate provision of training. As one of the largest providers of vocational training, PES play a crucial role in upskilling. During the lockdown during the COVID crisis, training measures were often suspended. However, e-learning courses have proved to be a viable alternative to traditional course delivery and many PES have quickly launched new e-learning opportunities. However, there are certain limits to online courses as participants need sufficient digital skills and IT equipment to participate and course material needs to be adapted and prepared appropriately. Partnerships with training providers and employers and the co-creation of measures will be crucial in order to derive maximum benefit from online courses.

Key recommendation 4: PES need to take the leading role in the skills development of the workforce. This requires a proactive approach including forecasting of skills needs, provision of upskilling for both workers and jobseekers in close cooperation with the labour market stakeholders. E-learning opportunities need to be strengthened.

### **Effective partnership building to improve service delivery**

PES are increasingly engaged in partnerships to effectively deliver their mandate to assist jobseekers and employers. Partnerships can take various forms though they share a common purpose to deliver quick and appropriate solutions in a continuously challenging and complex environment. PES have engaged in partnerships for a long time. Prominent PES partners include public institutions and regional and local authorities, social partner organisations, NGOs, private employment services or temporary work agencies. Partnerships have proved beneficial for PES, especially on access to new capacities and qualitative competences not sufficiently available within PES.

Against the backdrop of the COVID-19 crisis and the challenges ahead, it will be crucial for PES to maximise the potential of partnerships and to capitalise on their benefits. To this end, PES will need to carefully assess current and future challenges and actively seek partnerships where they are deemed advantageous in meeting customer needs. Great importance should be attached to intensified cooperation with the education and training sector to improve the focus and content of training to meet labour market needs.

Key recommendation 5: PES need to further engage in partnership building to increase their service delivery capacity and quality. In view of the challenges ahead, cooperation with the education and training sector will be of particular importance.

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<sup>1</sup> Further information on the European Green Deal is at:  
[https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal\\_en](https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

## **Exhaust the full potential of technological progress**

Technological progress has opened new opportunities for PES such as the rapid development of digital tools for service delivery. Recent trends suggest that the use of algorithms will further increase and will pave the way towards the automation of services through the application of artificial intelligence. The development and maintenance of more IT not only implies increased costs, but also depends on the availability of the required inputs (e.g. data). The quality and quantity of data depends on the internal capacity of PES and the legal backdrop that permits the safe sharing and analysis of external data sources.

PES, as public institutions, are aware of the sensitivity of personal data and welcome recent European data protection legislation. However, whether the full potential of new technologies can be exploited to service the needs of the labour market under the current legal framework remains an issue. Therefore, more critical in-depth assessment and, if necessary, potential adjustment of the legal framework should be considered. It will be crucial to achieve the balance between protection of data and individual rights, and the potential to offer better and more efficient services to PES customers. PES have experience in handling this balance and are well-placed to contributing to this.

**Key recommendation 6: To exhaust the potential of technology, existing legal frameworks need to be considered in the context of rapid and continuous technological progress.**