



Regional Key Competencies

- a way to manage structural changes [ATG]

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Analysis of the labour market : instruments, use and precautions

Part II : "Indicators & Benchmarking"

1. Some concepts and indicators for the labour force

The comparative analysis of the functioning of the labour markets imposes a clear definition of some concepts and indicators on beforehand.

Within the whole population, some people are too young (younger than 15) or too old (65+) to be on the labour market.

When we say **Total Labour Force**, we mean the population aged between 15 and 64, that is actually working or wishes to work. The working-age population is composed of people holding a job, of people not holding a job and of people looking for one.

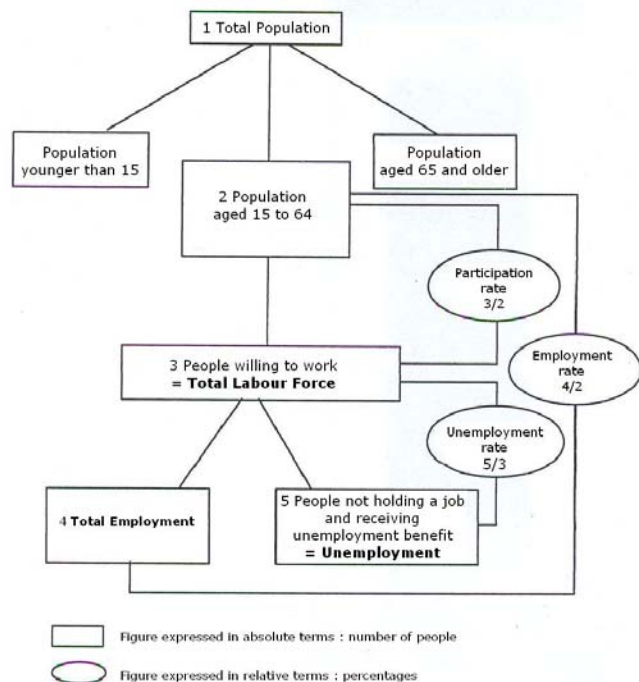
Total employment is composed of workers receiving a wage and workers not receiving a wage, without the people on job seeker's allowance.

The inactivity rate is composed of people not holding a job or looking for a job.

The participation rate measures the proportion of the working-age population (15 to 64) that engages actively in the labour market, either by working or looking for work (on job seeker's allowance). Thus, this rate measures a behaviour related to the labour market; behaviour that in itself is related to a considerable number of variables, as much linked to the individual, her or his family, culture and as to the economic context.

The employment rate refers to the working-age population that is employed (employed working-age population = population active occupée). It gives an idea of the effective employment participation of a population that could potentially work.

Unemployment rate indicates the proportion of people who – within the working-age population – are without a job and who are available on the labour market. It measures the imbalance between supply and demand of labour.



2. Benchmarking and precautions related to the use of indicators

Originally, at the beginning, Benchmarking (standardisation/testing of performances) was a marketing technique that consisted of studying and analysing management tools and organisation modes/ways of companies in order to confront them by comparison and to obtain a competitive market benefit. This technique has progressively gained importance in managerial vocabulary and HRM. It is used in particular as a technique for the evaluation of activities and performances of companies as compared to the standards of the profession according to a system of reference established beforehand.

Note that however it's important to position oneself, Benchmarking isn't but a means and can not be a goal in itself. The comparative analysis calls for the use of criteria, standards or references which, in complex situations, could lead to the construction of a stereotypical ideal that is sometimes far away from the reality of the markets.

To produce results, benchmarking uses a series of indicators and has as an objective the identification of "good practices".

An indicator is a simple tool allowing to observe regularly the evolution of a phenomenon, in positioning it in relation to fixed goals. It is a measuring instrument.

We can distinguish different levels of indicators.

- Resource indicators refer to allocated financial means. They allow to verify the respect and conformity of financial decisions and also their levels of use.
- Realisation indicators refer to the activity. They are measured in units, e.g. the number of people that has been in a training programme.
- Result indicators refer to the immediate effect and to the effects induced immediately by the intervention.
- Impact indicators refer to the impact of the activity beyond the immediate effects on beneficiaries, e.g. the general impact of training programmes on a larger group of the population.

Indicators are not always easy to use.

Sometimes data is not available, the measuring methods can be a problem and sometimes it is difficult to combine certain indicators.

Let's take as an indicator the **employment rate** which, since the Luxembourg summit in 1997, has become the reference to measure the objectives to be attained and let's analyse its behaviour in the light of international comparisons.

The *employment rate* is the relation between the *Total employment* and the *total labour force* population aged between 15 and 64. If we take the example of Belgium which in 1983 has raised the age of compulsory schooling to the age of 18, we immediately understand that the level of employment of young Belgians aged between 15 and 18 is next to zero. Young people enrolled alternately education - that is composed of periods in school and periods in a company – are seen as students in Belgium whereas in other countries they have the status of employee.

Each international comparison risks to be biased because the school system of certain countries has not been taken into account.

The definition of *employment rate* also creates the idea that one has to be holding a job starting from the age of 15, which puts at risk the right to a maximum number of years of schooling and which contradicts the policy statement of life long learning.

If we look closer into the notion of "holding a job", one has to use the definition of the International Labour Organisation (ILO). A person is "said to be holding a job" when during the reference week she or he has worked for at least one hour.

This clearly shows the fragility and limits of this indicator, even without entering into a more qualitative approach of labour.

Another example perfectly illustrates the difficulties in anticipation of the evolution of sectional labour markets and the vulnerability of the concept of matching training to employment.

Ten years ago the sector of the clothing industry had a lack of workforce and a quantitative difficulty in the supply of skilled labour of technical and professional education.

With the help of the sectoral fund for training, a training centre was set up in order to respond to the sector's demands related to workforce. Two years later, the first students graduated from the training centre and... found themselves to be without a job. In the meantime the economic climate had evolved in the sector, which had lost an important number of companies due to a sudden increase of relocations. Young people whom had been promised good job opportunities were all of

a sudden confronted with their own reconversion.