

Labour market intelligence

Without it we are doomed

Do we know how much the informal sector is contributing to our economy? Do we know how we should be training young people for future jobs? And do we know what jobs are dwindling and what increasing?

Hoosen Rasool argues that unless we research, analyse and predict labour market information our economy will never operate effectively.

Did you know that analysing a labour market is like practising medicine? Doctors apply rigorous methods, standard procedures and tools to diagnose a patient's problem. Likewise, labour market analysts apply rigorous research methods, procedures and techniques to identify problems and make recommendations to solve them.

Common problems identified by labour market analysts relate to unemployment, underemployment, skills shortages, poor productivity, poverty, exploitation, regional imbalances and gender inequality.

We can even compare a labour market to a human body. Both are complex and dynamic systems. The body is made of interconnected systems and a failure in one can lead to failures in others.

The labour market systems include wage structure, mobility and migration, collective bargaining, education levels, supply and demand of labour, productivity and

employment search. A failure in collective bargaining may lead to failures in other systems of the labour market. This can distort the functioning of the labour market and lead to bottlenecks which impact on the economy and society.

To determine treatment to help a patient, a doctor needs to identify the underlying cause of the symptom. The doctor conducts tests and applies procedures to find the cause.

Likewise the labour market analyst conducts research to understand labour market processes. The analyst looks for signals such as raw data and indicators which convey trends and which give warning lights on the functioning of the labour market.

Labour Market Analysis is a key element for acquiring intelligence about the labour market. It involves analysing a wide-range of signals and indicators in the economy to develop efficient labour markets and generate decent work

ANALYSIS GOALS

Labour markets are in a constant state of flux. Many countries are implementing dramatic legal reforms together with programmes and projects to stem the impact of the economic downturn. Globalisation, trade flows, migration, new technologies and production systems, new forms of work and re-engineering of business processes are destabilising labour markets.

As a consequence, many countries recognise the importance of quality information to support new labour market policies. Without labour market analysis it is difficult for policy-makers to develop strategies and action plans to overcome labour market problems which hinder economic growth, job creation and poverty reduction.

The objectives of Labour Market Analysis are to:

- guide public and private investment decisions in education and training and improve the quality of training programmes;
- provide information on labour supply and demand;
- give information on occupations that are disappearing and emerging as a result of technological and structural changes in an economy;
- gauge employability and career opportunities of youth entering the market;
- assess future skill requirements of the economy;
- supply information on the informal sector.

SIGNALS AND INDICATORS

Through analysis of market-based signals and indicators it is possible to understand labour market changes and to make interpretations about the supply and demand of labour.

In competitive economies, movement in wages and employment signal demand and supply for particular skills. An increase in the wages of plumbers relative to other trades, or a rising number of vacancies for metallurgists, or the inability of clothing machinists to find employment are labour market signals providing vital information.

Some labour market indicators:

- wage differentials
- employment levels
- overtime patterns
- retrenchments
- collective wage agreements
- job vacancies
- employment trends
- profession-specific studies
- skills audits
- UIF data
- conditions of employment
- migration data
- employment equity reports
- labour supply and demand
- household surveys
- labour force surveys
- sector strategies
- new investor activity
- firm-level studies
- employer surveys
- company surveys
- productivity data
- capital substitution
- imports/exports
- new companies
- consumer patterns
- industry changes
- technological changes
- recruitment practices
- occupational projections
- enrolment data
- tracer studies
- graduate placements
- costs of training programmes
- training provision

METHOD	RESOURCES REQUIRED	BENEFITS	LIMITATIONS
Signalling	Basic statistical knowledge and access to time series data	Simple and relatively easy to undertake as well as to update the information and analysis	The analysis depends heavily on the quality of existing time series data; difficulty of interpreting signals
Econometric modelling	Expertise in econometric forecasting techniques	Able to provide a consistent overview of future demand for specific occupational areas and skills	Time consuming and costly, in part due to methodological issues; numerous problems are also likely to occur due to the validity and accuracy of data
Special studies, such as rate-of-return analysis, tracer studies	Expertise in specialised methods	Provide information related to particular skills	Tracer studies are costly and linked to a specific education/training institution
Enterprise training survey	Expertise in development and analysis of surveys	Relatively flexible and efficient means of predicting changes in the demand for skills	Relies on the perceptions and expectations of respondents (employers), which may be different from other actors; dependent on the rate of response and willingness to share information
Job opportunity index	Collection, collation and analysis of job vacancies from local newspapers	Provides a comprehensive index of how demand for different skills are changing	Advertised vacancies may be difficult to match with skills; resource intensive, with limited coverage of demand from smaller companies
Use of administrative data	Collection, collation and analysis of data available in administrative systems eg education/training enrolment data, data on trade testing	Much of the data for this analysis is readily available and can be analysed in a cost-effective manner to produce findings	Coverage limited to administrative purposes, and it can be very difficult to obtain access to data

SOUTH AFRICA

The South African labour market is a paradox. High employment rates are accompanied by large numbers of job vacancies for skilled labour in all sectors. There are widespread employment, wage, occupational and skills imbalances. There are high levels of non-compliance to collective wage agreements resulting in a growing pool of vulnerable workers. Retrenched workers are pushed into the informal sector as

firms down-size. These imbalances are made worse by:

- poor labour market intelligence;
- low awareness of basic international concepts, classifications and definitions among public officials;
- dysfunctional labour market information systems;
- limited understanding of the nature, intensity and scale of skills shortages;
- weak evidence-based public policy;
- large-scale information lacks;
- lack of policy and programmatic coherence;
- weak diagnostic capacity to research, analyse, monitor, evaluate and do impact assessment.

These constraints mean that wrong signals are sent to the labour market. Policy-making succumbs to sectional interests, ideological preferences, power blocs and anecdotes resulting in poor policy choices.