

Title:

Why Public Employment Services always fail. Double Sided Asymmetric Information and the Market for “Lemons” in six European Countries

Stream:

The role of employers in pensions, childcare and active labour market policy

Abstract:

The question is why public employment services (PES) always seem to fail; especially in terms of job matching. It is a general finding across Western countries that very few job matches are facilitated by the PES; despite variations in the effort and resources that governments put into the system. The article explains this failure of PES with the so-called double sided asymmetric information problem at the labour market. The point is that even though PES potentially reduces the search costs both employers and employees have strong incentives not to use the PES. The reason is that employers try to avoid the worst employees and the employees try to avoid the worst employers. Therefore the PES is caught in a low-end equilibrium that is almost impossible to escape. The only real possibility of the PES is to “invest” in a good reputation. This situation is illustrated by interviews with private 41 employers from six different European countries.

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