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ON LOCAL ECONOMIC AND EMPLOYMENT DEVELOPMENT**

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Local Economic and Employment Development (LEED)

UPGRADING THE SKILLS OF THE LOW-QUALIFIED: A NEW LOCAL POLICY AGENDA?

Note by the Secretariat

This note outlines a new research project to be carried out by the LEED Programme as part of Activity 1 (Decentralisation of Employment Policies, Local Partnerships and Governance) of its Programme of Work. It is submitted to the Committee for comments and suggestions.

Sylvain GIGUERE - TDS/LEED
Tel: 33-1 45 24 85 70; Fax: 33-1 45 24 16 68; sylvain.giguere@oecd.org

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Rationale for the study

1. In recent years, sustained economic growth and strong demand for labour have facilitated the re-integration into the labour market of many workers with low qualifications and poor work experience. Simultaneously, there has been a shift in the nature of active labour market policies (ALMPs). Many OECD countries have moved towards a “welfare to work” approach, essentially centred on job placements and outcomes (OECD, *Labour Market Policies and the Public Employment Service*, 2001). This policy shift was motivated by the belief that labour market inclusion represented the most effective form of social inclusion.

2. An outcome of these trends is that entrants and returners in the labour market have not always been placed in, or obtained rewarding jobs with opportunities for progression on the career and pay ladder. A growing concern is that those categories of workers with less qualifications and work experience will be badly hit as the economy slows. At the same time, employers still report skill shortages and demand more workers with specialised training even if growth is sluggish.

3. It is often argued that, during economic recoveries, more efforts towards upgrading the skills of the incumbents on the labour market are required (see, for example, De Koning, 2001). Important social and economic benefits can be derived from a policy promoting employment sustainability through upskilling. First, upskilling is a means to prepare the workforce to adjust to a rapidly and constantly changing labour market. It helps new labour market participants diversify their qualifications and skills, improve their productivity, and move to better jobs. As a result, individuals are in a less vulnerable position when unemployment rises again and less likely to re-enter a spell of inactivity. Secondly, evidence from both the US and the UK show that many individuals who move from welfare to work remain in poverty because earnings alone prove insufficient to meet family needs (White and Forth, 1998; Bartik, 2001). The high incidence of poverty among working households thus suggests that policies emphasising job placement must be supplemented by measures that improve employment retention and enhance movement up job ladders (OECD *Employment Outlook*, 2001). Thirdly, employers faced with skill shortages and skill gaps also gain from measures to upskill the workforce. This was confirmed by several examples of partnerships recently set up to better co-ordinate training services and adapt them to local business needs (OECD, *Local Partnerships for Better Governance*, 2001). Finally, the territorial competitiveness arising from improvements in the economic skill-base benefits society at large.

4. Recent studies on ALMPs at OECD and elsewhere have concentrated on the role and impact of initiatives aiming to re-integrate long-term unemployed and disadvantaged job seekers into the labour market. Little research has been carried out to evaluate measures that seek to upskill former welfare recipients and low-paid workers so as to improve their employability, job stability, retention and mobility. Further, the local dimension of these measures is insufficiently known, let alone the linkages with social and economic development policies that could improve their effectiveness. Yet it is often argued that upskilling should be closely related to local conditions and be part of economic development strategies to maximise their mutual impact.

5. If the workers with low qualifications and poor work experience are to sustain their position in the labour market, it then becomes crucial to evaluate what works at the local level and to identify the type of measures that should be implemented during the next period of economic recovery.

Employment sustainability and upskilling: some definitions

The concept of *employment sustainability* denotes a policy goal defined as the “maintenance of a stable and upward employment trajectory in the longer term”. Achieving employment sustainability is more than just getting a job and can also be more than staying in the same job with the same employer. It involves a continuous and uninterrupted period of employment without drops in earnings or a rapid return to benefit claiming (Kellard et al, 2001). Employment sustainability is therefore related to several further concepts which reflect medium term goals: *employability* (the presence of skills and assets and how they are used), *job stability* (recognising the relationship between the characteristics of the job and the job holder), *job retention* (the ability to remain in work when circumstances change) and *job mobility*. *Occupational mobility* refers to progression in pay, responsibilities or status, whilst *geographical mobility* refers to an individual’s willingness or capacity to move to a new location to gain employment or to remain in employment.

Upskilling represents the central labour market policy tool through which the above medium and long-term employment goals may be achieved. Upskilling is a generic term that generally refers to training but may also include other supportive measures to equip workers with new skills and competencies. It does however differ from the concept of lifelong learning which embodies a broader educational, cultural and time perspective. Taken together, measures to promote upskilling and lifelong learning can raise the mobility and employability of workers, mitigate the costs of job displacement resulting from rapid technological change and reduce resistance to reform (OECD, *Structural Reform and Adjustment*, 1998).

Whilst upskilling refers to measures targeting workers, i.e. labour supply, the recognition that individual employability is affected by contextual factors requires this instrument to be combined with measures directed at employer demand as well as adequate personal, family and infrastructural support. They must hence be part of an integrated package towards employment sustainability at the local level.

Aims of the study

6. This research activity will explore the ways to increase both the effectiveness and local appropriateness of programmes and initiatives to promote employment sustainability and upgrade the skills of low-qualified workers. It will seek to fulfil three major objectives:

- review and assess the effort in the OECD in upskilling over the last economic recovery, and identify the corresponding labour market outcomes.
- assess the upskilling experience in selected countries: identify some of the main programmes designed by public agencies and initiatives led by the private and non-profit sector (training, counselling, mentoring, promotion of geographical mobility); evaluate their effectiveness; and characterise the role of the main actors in the design and implementation of effective measures.
- identify relationships between upskilling and local social and economic issues, and the role that upskilling measures can take in broader local development strategies.

Content and methods

General trends and data (Part 1)

Objective

7. To review and assess the upskilling effort over the last economic recovery, and identify the corresponding labour market outcomes.

Sub-objectives

- review the current and past structure of ALMPs in OECD countries. Identify major differences in the emphasis given to measures directed at employed workers (particularly the low-paid and poorly-qualified);
- as part of case studies, identify the strengths and gaps in the provision of upskilling and other in-work support services for the low-paid workers and weakly-experienced, and identify potential obstacles which may have prevented the development of, or the access to provision;
- establish the labour market outcomes resulting from an emphasis (or lack of emphasis) given to upskilling in the respective countries and from the obstacles to upskilling.

Methodology and Data Collection

8. Cross-country comparisons will be made on the basis of the OECD Labour Market Policy database (LMP), labour force statistics and complementary data provided by Member countries. The following items will be extracted:

- expenditure and beneficiaries of measures targeting employed workers in relation to measures targeting those in unemployment;
- evolution of spending in ALMPs for employed workers in relation to GDP and the unemployment rate;
- proportion, among those expenditures, of measures targeting specific groups, e.g. new participants in the labour market, former welfare recipients, low-paid and poorly-qualified workers;
- proportion of various types of ALMPs – training, job subsidy, counselling, assistance to enterprise creation, etc – expended for employed workers in general, and for the low-paid and poorly qualified in particular.

9. Literature review and secondary analysis of reports using household panel data, programme performance indicators, employer and household surveys will be carried out to:

- identify patterns of workforce recruitment, training and dismissals;
- gather qualitative evidence of the impact of job instability and recycling on individual motivation such as a potential reduction in job search behaviour.

10. In the event of a further stage for this project, data collection could be envisaged to explore the employment inflows and outflows of low-qualified workers through the Eurostat Labour Force Survey as well as the design and conduct of a large-scale employer survey into training attitudes.

Policy analysis (Part 2)

Objective

11. To assess the upskilling experience.

Sub-objectives

- In a sample of countries and regions, identify the main programmes designed and implemented by the public services and initiatives led by the private and non-profit sector (training, counselling, mentoring, promotion of geographical mobility);
- Characterise the role of the main actors in the design and implementation of measures;
- Evaluate the impact of such measures on job retention and sustained employment in the context of a slowing national economy.

Methodology and Data Collection

12. Literature review and cross-country comparisons (ideally four case study countries) will be made on the basis of various policy documents such as country reports, National Action Plans produced by the European Commission, official reports and publications by individual Employment and Labour Ministries;

13. Primary data collection will draw on the informed opinion of LEED delegates, and questionnaires will be sent to labour market and training agencies. Additionally, telephone interviews with key labour market agents will be carried out. These sources should shed light on:

- the link between upskilling measures and other re-employment and in-work support programmes;
- the balance between initiatives targeting individual workers and those directed at employers and the type of incentives and assistance offered in each case;

- the results and the efficiency of these programmes and initiatives;
- the impetus for upskilling, i.e whether it is primarily initiated by the public, private or non-profit sectors.

Upskilling in the local socio-economic context (Part 3)

Objective

14. To identify the links between upskilling and local socio-economic development issues and to analyse the role that upskilling measures should take in broader local development strategies.

Sub-objectives

- Establish the characteristics of the local context that are determinant for the effectiveness of upskilling initiatives;
- Analyse the links between job retention/upskilling and social issues (e.g. obstacles towards access to employment and geographical mobility) and economic development priorities (e.g. strategic orientations, measures to foster entrepreneurship, new investment projects);
- Identify the institutions that should be involved in designing and implementing upskilling programmes and initiatives and the role that these should take in broader social and economic development strategies.

Methodology and Data Collection

15. Local case studies, ideally in the four selected countries, will be based on telephone interviews with local agents, including actors from the voluntary sector and private sector employers, and secondary use of small-scale surveys. This should provide evidence regarding:

- the linkages between upskilling and local policies such as post-employment support and economic regeneration strategies.
- the extent to which the strategy is delivered in partnership between the PES, training providers, regional government, development agencies and employer organisations;
- the perceived or established effects on individual progression through the job market.

16. In a further stage for this project, it is envisaged that in co-operation with the PES, short questionnaires be sent to local job centres to assess current and future levels of co-operation, as well as perceived bottlenecks. Additional data collection could include local survey visits and face-to-face in-depth recorded interviews with employers but also with the recipients of upskilling and post-employment support in selected case study areas.

Expected output and timetable

17. The result from this explorative study project will be a report, drafted by Corinne Nativel, Consultant, under the supervision of Sylvain Giguère, Administrator. For each of the three main objectives specified in this note, the report will present and analyse the evidence gathered; draw preliminary conclusions; and identify issues for further work if necessary.

18. The report will follow the following structure:

- Introduction
- Trends in upskilling in the OECD
- An assessment of the upskilling experience in selected countries
- Upskilling and the local socio-economic context
- Conclusion

19. In the light of the work done, two options may be considered: i) to organise a conference to debate conclusions and trade-offs for policy identified in the report; (ii) to define a programme of work to address issues for further work identified in the report.

Timetable

20. This explorative study will be carried out from 17 September 2001 to 28 February 2002 on a 3.5-4 days-a-week basis.

September-October 2001	Preliminary data collection Survey of the literature Seeking feedback from experts and delegates Preparation of questionnaires
November-December 2001	Intensive data collection: national and local case studies
January-February 2002	Data analysis and report writing

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