

## **BREAKING OUT OF SILOS: JOINING UP POLICY LOCALLY**

Governments intervene in a myriad of ways at the local level, but rarely are these interventions coordinated effectively. In the context of the recession, policy silos and fragmented short-term policy interventions have become luxuries which our economies can no longer afford. Carefully balanced strategies are needed so that agencies use their limited resources to help meet shared economic priorities at the local level and set local economies back on the path to economic growth. National government policies can make a great deal of difference in building local economically viable and sustainable communities. But they cannot make this difference if policies are fragmented, services are duplicated, gaps missed, and agencies do not communicate with each other about what they are trying to achieve.

Most of us are familiar with the policy 'silos' which exist at local level - employment offices, economic development agencies and local training institutions working separately from each other, following different policy objectives and working to different time scales. Such divisions are often taken for granted, blamed on historical working relationships ('it has always been like that') and organisational cultures ('they don't work like we do'). However, these divisions come at a cost. The issues and challenges facing local communities are often complex, and require a holistic approach to be resolved. Localities with entrenched difficulties such as multi-generational unemployment, social exclusion and high crime rates, require significant investment in multiple areas - housing, training, local transport - be turned around. At the same time, harnessing economic opportunities in a knowledge-based economy (improving productivity, gearing towards new markets) requires simultaneous investment in infrastructure, skills, research and innovation, again within an integrated approach. It is rare in OECD countries to find holistic policy interventions at the local level which tackle diverse aspects of a problem simultaneously, are well-targeted and have sufficient resources to succeed. Synergies between different actions (e.g., training benefits from economic development interventions) go unexplored, and local resources go unexploited.

How should such fragmentation be tackled? At the local level, actors often respond by trying to build networks and improve communication. In recent decades, local partnerships have been spawned across OECD countries, frequently focusing on particular localities, and/or particular themes (see OECD, 2001). Government agencies use such platforms to meet with other agencies and local stakeholders, including local employers, private agencies, the not-for-profit sector and civic society. Also increasingly prevalent in recent years are jointly developed local strategies. In Europe, in particular, the influence of the European Structural Funds is such that local development strategies are now very common. Such strategies often set out broad aims and objectives, and appear to 'say all the right things' about working together to achieve common goals. More rarely, however, do they contain a proper implementation framework for how they are to be achieved, containing detailed agreements on joint actions, budgets, timescales, etc. Too often, such strategies become wish lists with many different objectives but no consensus on the most important cross-cutting issues which need to be worked on together to achieve real economic growth and inclusion.

Agreeing on such a reduced set of priorities requires negotiating trade-offs, synergies and necessary sacrifices, which is more challenging at the local level, particularly when local agencies do not have the decision-making power to agree to such actions. It can imply a degree of conflict between local agencies which many local actors would find uncomfortable. Even if the will to make sacrifices and work towards a limited set of local priorities is there, a lack of flexibility in determining organisational targets means that many institutions, especially public or quasi-public, are likely to

give priority to their own targets instead of those that are set collectively. The problem is accentuated because local strategies, and the mechanisms set out for their delivery, are not always legally binding. In many cases, partners feel free to participate in collective strategic planning but not necessarily obliged to translate the agreements into concrete action.

### *Policy integration in the context of the crisis*

Today, OECD countries are going through an economic recession which makes the drive towards policy integration stronger than ever. In their responses to the crisis, governments will benefit from joint actions across a number of different policy areas. In particular, education and training is being seen to provide both a means for the continued economic participation of workers who have been laid off and an important investment in their future prosperity as well as that of local communities. It is more and more likely that future jobs will demand higher skills levels, as low-skilled jobs are lost and redefined in the current restructuring process. To achieve higher skills levels, a joined-up approach will be particularly necessary between employment agencies, economic development bodies and also local employers, with a focus on both the supply and demand of skills (see OECD, 2009a forthcoming).

The crisis has also led to an increasing rejection of what are seen as ‘greed-based’ models for capitalism and the emergence of new pressure to ensure that investment in economic development and growth is fair and creates social cohesion and inclusion at the same time as the business bottom line. A fairer world after the crisis will mean ‘not going back to business as usual’ in the implementation of public policy. Integrated policy is therefore necessary to ensure that policy areas cross-fertilise to meet business needs while providing sustainable solutions to the problems of the disadvantaged on the labour market (social exclusion, poor job retention, low skills).

### *Our findings*

So how can governments make the changes necessary to encourage real policy integration at the local level? Why have strong joined-up approaches developed in some areas, while they seem always beyond the reach of others? The OECD LEED Programme has explored answers to this question through comparing practices and policy contexts in eleven countries –North America (Canada and the United States), Australasia (New Zealand), Western Europe (Denmark, Greece, Italy, Portugal) and Central and Eastern Europe (Bulgaria, Croatia, Poland and Romania). A new LEED publication ‘Breaking out of policy silos: joining up policy locally’ draws on this research to identify transferable lessons from the countries involved and provide a set of policy recommendations of relevance to actors at both the national and local levels.

So what are the factors which ensure that localities overcome such challenges and achieve policy integration? The study explored the influence of five factors in particular in enabling or restricting policy integration locally:

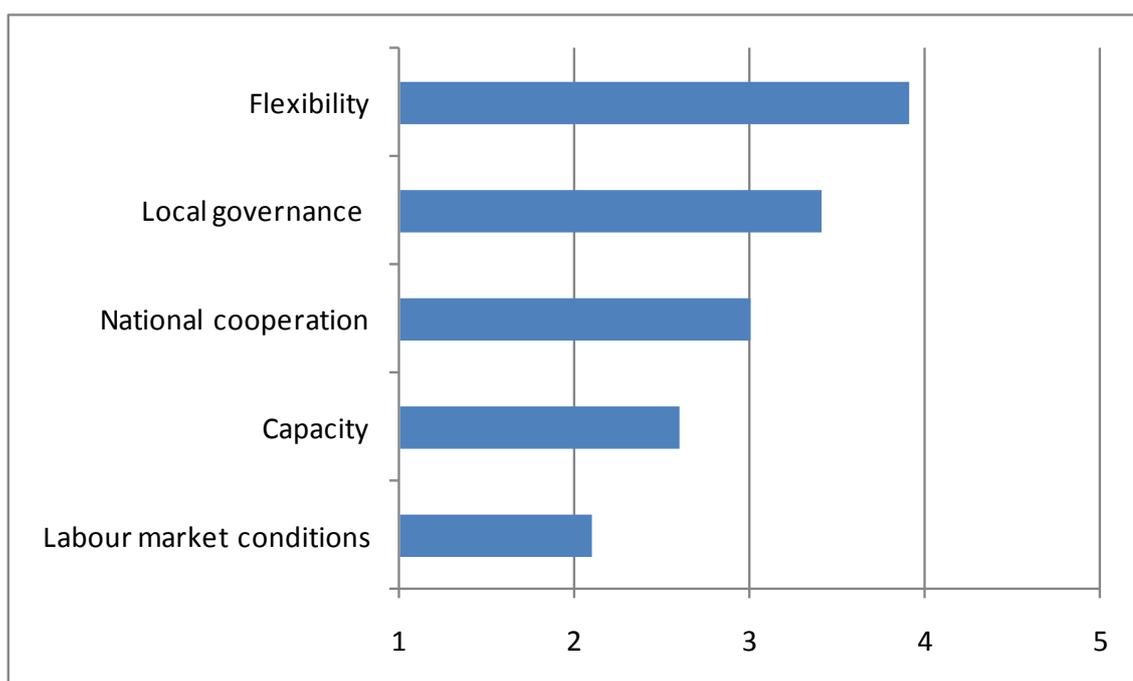
- **National co-operation:** Does the degree of national co-operation between ministries and government agencies have an influence on the degree of alignment between policies delivered locally? For example, if the national department of labour has consulted with the ministries for education and for regional development when developing a new active labour market programme, will this make it more likely that training courses for the unemployed are responsive to local economic development needs?
- **Local governance:** What are the governance arrangements which make a difference locally? Does having a single local partnership on which all public sector actors are represented produce policy integration? Or is it better to have multiple theme-based partnerships which are set up quickly to deal with certain issues and dissolve as quickly when the issues are no longer pressing? Do business-led partnerships support the delivery of policy which is more geared to local economic needs? Do such demand-led partnerships

focus inherently on more short-term problems, and lack the capacity to plan for the longer term?

- **Policy flexibility:** To what extent are the hands of local agencies tied due to the way their own policy area is managed? Are performance management frameworks too strict, meaning that officials are constrained to meeting their own performance targets without the time or resources to work on broader community issues? Are they able to influence the nature and content of the policies and programmes they deliver so that they are more responsive to local needs? Are local agencies constrained in the way they can use their budgets to develop common initiatives and solutions to complex problems? Does the legal framework in which they operate constrain them to certain activities and not others?
- **Capacities:** what is the influence of the skills and resources available at the local level? Does strong local leadership empower people with the ability to overcome administrative barriers and inflexible governance arrangements? Does a lack of resources mean that people are more likely to work together to maximize the value of what little they have, or do people become protective of limited budgets as they fear encroachment from other agencies? What sorts of skills are needed for people to work co-operatively with representatives from other agencies and develop integrated strategies for the long term? Can such skills be taught? Do local actors have sufficient analytical skills to understand the information and data they collect, to plot trends and to identify how local assets will position the region within global markets?
- **Labour market conditions:** In any analysis to identify causal relationships at the local level, the influence of labour market conditions needs to be taken into account. For example, do certain situations of labour market stress encourage a more integrated approach? What constitutes a ‘burning platform’ which will give rise to a joint approach?

Overall, our experts found that policy flexibility was the most important factor affecting local actors’ ability to align and integrate their activities locally, followed by local governance, national co-operation capacities and, lastly, labour market conditions (see Figure 1 below). The following pages look at each issue in turn, identifying key emerging findings from the study.

**Figure 1. Policy co-operation between ministries at the national level**



## NATIONAL CO-OPERATION

### Key points

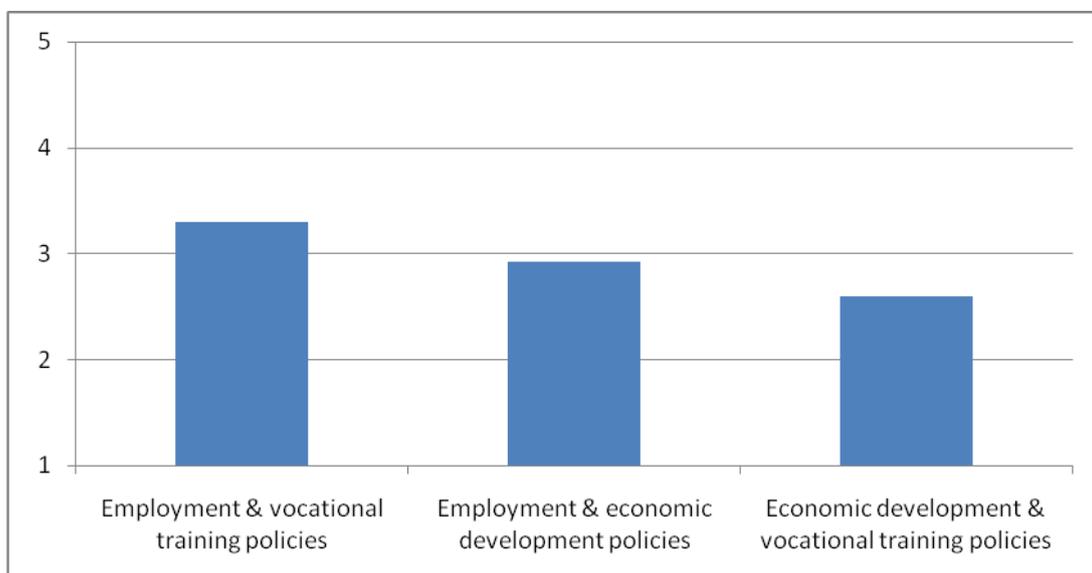
(1) Ministries responsible for vocational training policy and employment policy are most likely to collaborate with each other at the national level, with economic development policy often seeming to act in isolation (see Figure 2 below). This is largely because the responsibility for economic development is often fragmented across a number of different ministries.

(2) In many countries, the nature of co-operation remains relatively formal, arising, for example, from legal obligations to consult with other ministries when developing policies and programmes. The frequency of meetings between ministries tends to be higher in North American countries and in New Zealand (where ministries involved in employment, economic development and skills often meet at least once a month) than in European countries (where some ministries only meet on a yearly basis).

(3) Co-operation rarely translates into real policy integration in terms of joined-up strategies with clear implementation criteria at the national level. Still more rare are common targets which would encourage joint working between different ministries towards common goals.

(4) The simple fact of having co-operation at the national and state/provincial levels does not necessarily translate into increased co-operation at the local level. While in some countries, for example, there is strong communication between different policy areas at regional level, equivalent agencies remain 'left out of the loop' at the local level.

Figure 2: Policy co-operation between ministries at the national level

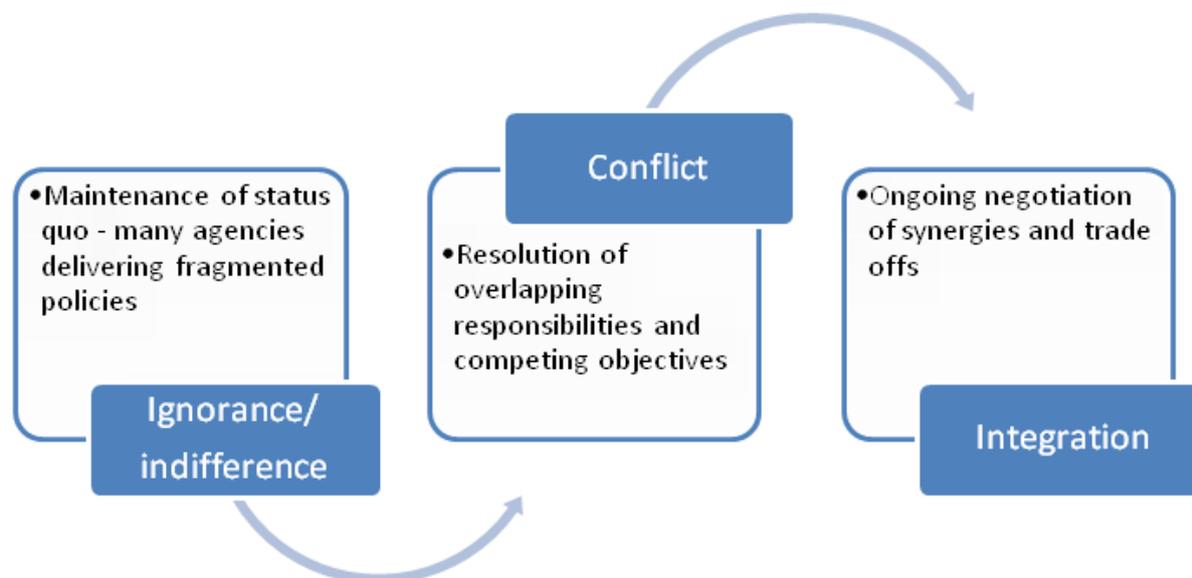


Note 1: The figures here include both the federal and state/provincial level in Canada and the United States.

Note 2: Where 1 is no co-operation and 5 is very high co-operation

## LOCAL CO-OPERATION

Figure 3: From indifference to integration at the local level



### Key points:

(1) The degree of local co-operation was seen to have a relatively strong impact on the degree of policy integration and alignment at local level. Co-operation was perceived as highest in the case study regions in Denmark, New Zealand and the United States and lowest in Romania and Bulgaria.

(2) Economic development actors seem to be the most likely to co-operate at the local level, particularly as they often have a mandate to develop local and regional development strategies. Other policy areas, however, can also take a leadership role, particularly employment policy makers in countries such as the United States and New Zealand.

(3) Participating in multi-stakeholder partnerships does not necessarily strengthen ongoing relationships with other local agencies or increase information sharing.

(4) Co-operation with the private sector proves a challenge in many localities, although targeting interventions on specific sectors and clusters can be particularly effective.

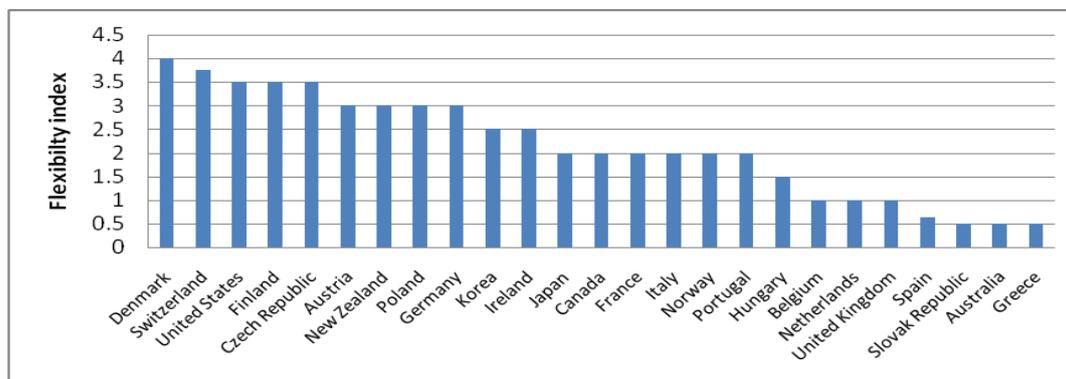
(5) National schemes exist in some countries to encourage greater collaboration and co-operation at the local level. These can be effective – particularly in rural areas - as long as such schemes incorporate strong exit strategies and result in mainstream changes to the way institutions work, as opposed to the proliferation of parallel short-term initiatives.

(6) Managed conflict is perhaps a necessary stage in the path from fragmentation to policy integration, at least in terms of promoting the frank exchanges which will lead to a real consideration of trade-offs and synergies, and the effective prioritisation of resources at the local level (see Figure 3 above).

(7) Obstacles to co-operation include: ambiguity about roles, fear of conflict, differences in geographical boundaries, contested leadership, and narrow institutional mandates. A balance is also needed between informal co-operation (which facilitates day-to-day delivery of objectives) and formal collaboration (which means sustainable forms of co-operation which are not just reliant on the personalities of individuals).

## FLEXIBILITY

Figure 4. OECD countries with most flexible local labour market policy



### Key points

(1) Flexibility in the management of government policies was found to be the most important factor affecting policy integration at the local level. This includes: i) the ability to influence the design of policies and programmes; ii) the ability to decide how budgets are spent; iii) the legal framework; and iv) the ability to negotiate and decide on performance targets.

(2) Previous OECD LEED research shows that flexibility in labour market policy varies considerably across countries (see Figure 4 above), but that both centralised and decentralised systems can offer flexibility to their labour offices. Employment policy was generally found to be the most rigid of the policy areas.

(3) Flexibility in education policy largely relates to the ability to influence locally the content of curricula; this was generally found to be low. In some countries, more flexibility has recently been granted to individual training institutions to decide locally on programme content. This can be effective in tackling short-term skills needs, but may reduce the power of regions to plan strategically their training and skills policies in the medium to long term. Economic development policy is the most flexible policy at the local level, although in some countries, particularly in Central and Eastern Europe, it remains relatively centralised.

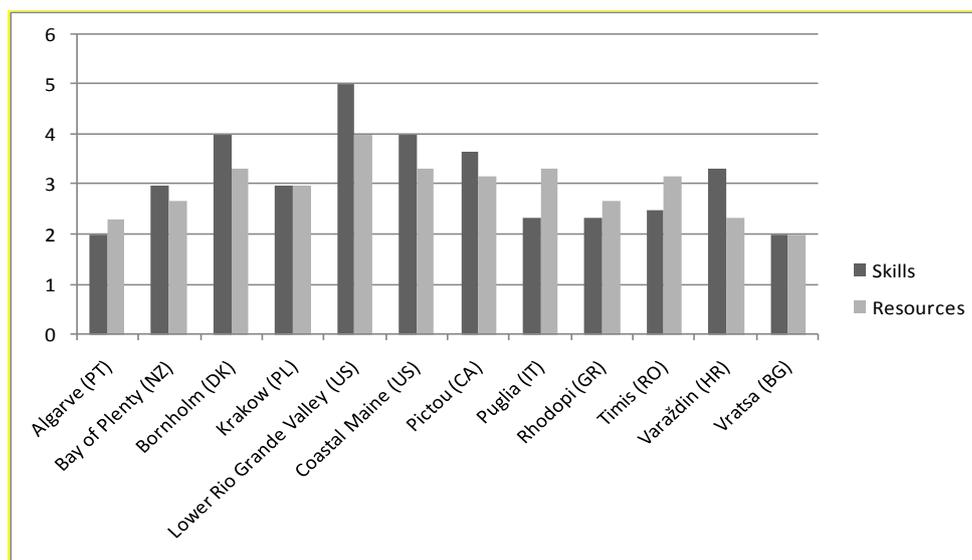
(4) In terms of particular management tools, it was not perceived that there was a strong difference in flexibility between the different tools. Local actors, however, felt they were most constrained in the management of their budgets, and least constrained by their legal framework. Management by objectives (MBO) is only used to any great extent in less than half the countries under study. In these countries, it can have a distorting effect, encouraging policy officials to meet their own sectoral targets and neglect strategies agreed in partnership with other actors. Some countries are finding ways around this through negotiating targets further with their local offices and developing more 'horizontal' forms of accountability including local monitoring boards. A focus on cross-sector targets and outcome targets, e.g., through a 'community score card' approach, can be helpful.

(5) Perceptions of flexibility vary between the national and local levels, with some national policy makers stating that they would be broadly positive about local actors 'pushing the boundaries' of their legal and management frameworks if this would lead to good results. In contrast, at the local level, many officials are relatively timid about breaking the rules when implementing policies and programmes. This may be wise, given that national policy makers often fail to communicate their more relaxed perspective on rules and regulations to their auditing bodies.

(6) Flexibility can be awarded incrementally. The United States 'waiver' system has been successful in granting greater flexibility, e.g., to local Workforce Investment Boards which are experimenting with new activities and have a proven capacity to deliver. This can be seen as an efficient way of building capacities whilst also promoting innovation and awarding flexibility to those most able to make good use of it.

## CAPACITIES

Figure 5. Levels of skills and resources in the case study areas



### Key points:

(1) There is a 'chicken and egg' situation when it comes to capacities at the local level – national governments fear that capacities are low and are therefore reluctant to allocate new responsibilities and flexibilities to local actors. At the same time, without such responsibilities, it is difficult for local actors to build their skills and develop a professional 'problem-solving' approach to local issues and challenges. Local actors rated their capacities as higher than was thought by national actors.

(2) A lack of skills was generally felt to be more important than a lack of resources at the local level (see Figure 5 above). However in countries with relatively strong systems of co-operation and policy flexibility (such as Canada, Denmark, New Zealand and the United States), resources tend to play a stronger role.

(3) Across each of the policy areas, a lack of staff with the generic skills to participate locally in integrated working was perceived as a problem. In some countries, the public employment service is perceived as a relatively passive institution, with low-trained staff and a lack of rewards for innovative action. In Central and Eastern European countries, the vocational training system has been particularly slow in adapting to new economic realities, providing out-dated training and acting as a bottleneck for economic development.

(4) The ability to design concise and targeted strategies is particularly lacking at the local level, with a tendency to produce long 'wish lists' for action as opposed to strategies which both reflect the 'pressing and unique' issues affecting a given locality and provide a coherent plan for how to tackle these.

(5) Leadership skills are important locally. Political factors, however, can sometimes act to the detriment of policy integration through: i) short-termism; ii) political allegiances affecting the selection of projects; and iii) a tendency to spread resources too thin in an attempt to guarantee equality of opportunity.

(6) Information and data is particularly lacking at the local and sub-regional levels, undermining a good understanding of the local context. In many countries, information is only weakly disaggregated, particularly in the field of skills and productivity, leading to expensive and ad-hoc surveys by local organisations which are not always shared effectively. Where good information and data is accessible, this can provide an effective tool for galvanising local action.

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