



*Ministero del Lavoro e
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Sociale*



Senato
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Decentralisation and Co-ordination: The Twin Challenges of Labour Market Policy

High-level conference organised by the Senate of the Republic,
the Ministry of Labour and Social Security, and the OECD LEED Programme,
in collaboration with Isfol and Italia Lavoro.

17-19 April 2008

Scuola Grande di S. Giovanni Evangelista
Campiello San Giovanni, San Polo, Venice

VENICE ACTION STATEMENT



VENICE ACTION STATEMENT ON ENHANCING FLEXIBILITY IN THE MANAGEMENT OF LABOUR MARKET POLICY

I. Preamble

We, the participants of the high level conference on *'Decentralisation and Co-ordination: The Twin Challenges of Labour Market Policy'*, held in Venice on 17-19 April 2008, propose the following Action Statement, which aims to underline the importance of enhancing flexibility in the management of labour market policy in order better to reconcile national and local goals.

At a time when human resources are so much at the heart of economic growth, it has become urgent to review the organisation of employment policy so that it is better able to respond to the opportunities and threats experienced by localities in a knowledge-based economy. Working together, we hope to make new advances on the critical issue of balancing national policy goals and local concerns in a way which reaps maximum benefits from globalisation.

II. Background: A changing role for labour market policy

In a globalised economy, where both capital and labour are highly mobile and technology evolves rapidly, workforce development institutions have a key role to play in improving prosperity as well as working and living standards. Human resources are a fundamental source of economic development in a knowledge-based economy. Policy makers within the field of labour market policy and training have a major contribution to make, not only in providing the pool of skills which the economy needs locally, but also in fostering innovation, entrepreneurship and social cohesion.

The decentralisation which has taken place in many OECD countries in employment policy over the last 10 years has helped decision-making to occur closer to the 'reality on the ground', but there is still some way to go before local labour market agencies have the capacity to make a significant contribution to broader local strategic goals. Achieving local objectives often requires cross-working between a number of different policy areas (such as employment, vocational training and economic development) to achieve integrated local strategies. This depends on the ability of local policy makers to better align their policies and services, which in turn depends on the *flexibility* they have to influence the delivery of policies and services. By providing such flexibility, national authorities can make it possible for local actors to work together on the complex and cross-cutting labour market issues which affect their particular community, to innovate as necessary and to adapt policies to local needs.

A major factor restricting the ability of national actors to make flexibility available in the management of labour market policy at the local level is the need to retain accountability. Indeed, this is one of the most difficult challenges faced by decentralised frameworks. Proper decentralisation implies a sharing of responsibility for decision-making at the local level among a number of actors, and agreement on an accountability framework politically acceptable to the various government levels. It requires partnership working among different stakeholders and between the national and local levels.

Capacity and intelligence are essential companions to flexibility at the local level. Co-ordinating labour market policy with economic development beyond the fulfilment of short-term business needs requires an understanding of both local and global economic conditions and an ability to help business managers avoid future bottlenecks, skills gaps and deficiencies in productivity. Joint and integrated

planning requires locally-assembled data and expertise which can support the establishment of common strategic objectives and the better management of policy conflicts and trade-offs. Thus, for governments, building capacities and ensuring the availability of disaggregated data should also be central elements in any strategy to ensure the success of decentralisation.

III. Proposed Actions

We, the participants at the Venice high-level conference therefore invite national, regional and local level actors in the field of employment to work together with the aim to:

1. ***Inject flexibility into the management of labour market policy.*** It should be possible for the local level to give strategic orientations to the implementation of programmes. Local staff should have the ability to make decisions on the orientation of public programmes and services, in addition to achieving predetermined objectives.
2. ***Establish an overarching management framework which embeds local flexibility.*** Employment policy should be managed in a way which supports greater local differentiation while still paying attention to aggregate impacts at the national level. In particular, targets should be negotiated with the local level in order to ensure that they meet local strategic needs, while being embedded in a wider framework which ensures that aggregate national policy goals continue to be met.
3. ***Build strategic capacity.*** Enhancing local capacities becomes particularly important in this context, as strategies for human resources development must be integrated and matched to the economic reality on the ground. Staff within labour market agencies should have a strong knowledge of local business practices, local economic conditions, industry developments, and appropriate methods to identify skills gaps and deficiencies in local economic sectors. They should also develop the analytical skills necessary to use this knowledge as a basis for developing broad strategic orientations locally.
4. ***Build up local data and intelligence.*** Building an understanding of economic and labour market conditions demands, as a prerequisite, refined data collection and analysis as well as expertise in a wide variety of fields. The capacity to gather data locally and organise it in a way which can support strategic planning exercises is critical. The national level can support this process by ensuring that data is disaggregated to the local level and by making available analytical tools which can be adapted to local circumstances.
5. ***Improve governance mechanisms.*** Labour market agencies should collaborate effectively with business, trade unions, civil society, education institutions, research centres, economic development agencies and local authorities. There is no governance mechanism which fits all institutional frameworks, but partnerships have a certain value in bringing different stakeholders together to develop appropriate and realistic strategies.
6. ***Improve administrative processes.*** Aligning policies through institutional reform such as decentralisation is a difficult challenge. In large countries, with complex distributions of power, a perfect match may always seem just beyond reach. A wide-scale review of how administrations function, cooperate and manage policies is required to support better collaboration between different administrative layers and between different policy institutions. This is particularly important given that the new, broader goals for human resources development cut across a number of different policy areas.

Box 1. Suggestions for a future agenda for the OECD LEED Directing Committee

While some of the above mechanisms for change are already well understood – with a number of innovative examples of best practice being highlighted at the conference – more work needs to be done to help governments make the administrative changes and governance reforms necessary to meet this challenging policy agenda. The LEED Directing Committee is uniquely placed to look at these issues building on the collaboration with the Working Party on SMEs and Entrepreneurship and the Tourism Committee, which are also served by the Centre for Entrepreneurship, SMES and Local Development at the OECD. We encourage the OECD to continue its pioneering work in this domain, helping employment policy makers and other stakeholders to tackle the challenges and realise the opportunities associated with globalisation. In particular, we encourage the LEED Directing Committee, when planning its future work programme according to OECD rules and procedures, to consider the following issues:

1. *Reconciling flexibility and accountability within labour market policy.* As noted above, a major factor restricting the ability of national actors to make flexibility available at the local level is the need to retain accountability within the delivery of policy. It is essential to develop new mechanisms to reconcile local flexibility with accountability in practice. Under what conditions would local stakeholders (labour market agencies, local authorities, economic development officials) *hold each other to account* in achieving success for their local communities?
2. *Building better quality employment locally.* Meeting only short term business needs in economies with a low level of productivity may lead to high turnover, loss of skills, and poor economic development. In some localities, labour market institutions are working with businesses to improve local production processes and better harness the skills available locally, thereby leading to higher quality jobs and a more competitive local economy. What are the tools and instruments that prove particularly effective in this process?
3. *Strengthening local strategic alliances.* Despite the ‘partnership fatigue’ which is affecting many OECD countries, strategic alliances remain a crucial means of ensuring cross-sector collaboration, particularly when established at a local (sub-regional) level where economic development strategies are implemented. What incentives can be introduced to encourage effective team-working and problem-solving locally? What aspects of the management of sectoral policies and programmes most inhibit cooperative working?
4. *Building local intelligence.* Data and expertise are required to support diagnosis and strategic planning exercises locally. What is the role of national statistical agencies, local labour market authorities and external consultants in building this intelligence? Should the tasks of developing labour market and business information be commissioned jointly by local stakeholders?
5. *Capacity building.* There is a tradition of bureaucratic management in labour market administration which does not facilitate joint working and a constructive networking approach. It will be important for the LEED Programme to continue building capacities for labour market institutions to promote a management approach which is outward-looking, geared towards problem-solving within a longer-term perspective, and based on efficient consultation, cross-cutting collaborative work and peer reviewing.

Venice, 19 April 2008