

Launch in Italy of OECD publication *Job Creation and Local Economic Development*, 2016

13.00, 30 November 2016

Ladies and gentlemen,

I am pleased to be here today to launch the OECD's new report, *Job Creation and Local Economic Development 2016* here in Italy. I would like to thank the Autonomous Province of Trento for hosting this event and more generally, for its ongoing strategic partnership with the OECD.

In recent times, a lot of attention has been placed on rising inequalities and a slowdown in labour productivity as being the two defining challenges of our time. While these challenges are a national concern, their effects can often be best seen locally. We are seeing increasing divides between local areas, as highly skilled workers and the employers who seek them are drawn to well-off cities and districts, while other places are left behind. Policy-makers can make a positive difference when addressing inequalities and boosting productivity by focussing on quality jobs and skills.

One of the most important assets within an economy is human capital, that is, people. It is critical to develop and nurture the skills of our young people and workforces. Education is a powerful predictor of well-being. It is associated with a range of other positive outcomes, such as better income, employment, and health.

While most OECD countries have enjoyed an overall increase in educational attainment over the past 15 years, our report shows that gaps exist – and have increased – between local areas. Skills are increasingly concentrated in larger metropolitan areas, creating inequalities across different geographic locations within a country. For example, in Italy, the gap in the level of post-secondary educational attainment between the best and worst performing local areas more than doubled between 2001 and 2013: from a difference of 4.2, to 8.5 percentage points. The best performing areas were Rome, Trieste and Bologna, - major cities in Italy - while the lowest performing areas were Verbania-Cusio-Ossola, Imperia and Rovigo, which are smaller towns in the North.

Gaps are also widening in the geographic distribution of medium to high-skilled jobs in Italy, which are those that are typically resistant to automation and offshoring. Similar patterns have been observed in other European countries, such as Finland, France, Latvia, Norway, the Slovak Republic, Slovenia, and the United Kingdom. If these trends continue, there is a risk that we will reach a threshold where these smaller cities, towns and communities – and the people who live there – will be unable to catch up and stuck in a cycle of low growth and poverty, further exacerbating popular frustration and discontent that we are observing today.

The OECD report explores a number of avenues for dealing with these challenges and provides new insights on what both national and local leaders can do to boost job creation, economic development and inclusion locally. It provides practical policy advice to enable local economies to move towards a virtuous cycle of higher quality, and more productive jobs.

One critically important factor is a strong and flexible vocational education and training (VET) system. VET organisations can take a lead role as anchor institutions at the local level by reaching out to employers and aligning programmes and curriculum to their needs. Across the OECD, apprenticeships are increasingly being used to better link individuals to good jobs. Our report recommends that mayors and other local leaders should actively reach out to business through breakfast meeting, corporate events, and the recognition of best corporate practices to encourage more participation in apprenticeships. They can also use local spending powers to increase the amount of training places offered. In Switzerland, sub-national cantons give preferential treatment in public procurement contracts to employers that offer apprenticeships. Within Italy, apprenticeship programmes can play an important role in reducing youth unemployment, which stands at almost 40% - significantly above the OECD average of 14% and represents the highest rate after Spain and Greece.

Entrepreneurship is another tool that should be mobilised for integrating disadvantaged young people into the labour market. Entrepreneurs create jobs, raise competition and are responsive to changing economic opportunities and trends. The report highlights the good work being done in Italy by the Confindustria Youth Entrepreneur Association to promote a culture of entrepreneurship and encourage and support young Italian Entrepreneurs. The Association organises seminars and workshops on the business experience of youth and aims to provide a platform for information and knowledge exchange.

We know that SMEs and entrepreneurs are essential building blocks for a dynamic, innovative and diversified local economy. We also know that Italy is a global leader in championing SMEs development as highlighted in the OECD review *on SMEs and entrepreneurship policies in Italy*. SME clusters in Italy have indeed emerged as particularly resilient drivers of national economic growth which has not be the case in many other countries. However, across the OECD, support and services for SMEs and entrepreneurs often go unutilized because of administrative complexity, duplication and inefficiencies. SMEs and entrepreneurship policies often fall under the remit of both national and sub-national governments and cut across the responsibilities of a number of different ministries. As implemented in Canada and Mexico, co-funding agreements between levels of government for entrepreneurship and SME programmes can improve coordination and encourage local government participation.

Ladies and Gentlemen,

It is part of the OECD's mission to foster better policies for better lives. I hope all leaders, at local and national level, will seize the analysis, guidance and data provided by *Job Creation and Local Economic Development 2016* to help them bolster their policies for inclusive growth.

Thank you.