

Building Quality Jobs in the Recovery

International Conference

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Issues Paper

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INTRODUCTION ¹

The Building Quality Jobs in the Recovery conference is taking place in what is a very challenging economic and social context. The economic downturn has hit, bringing recession and a fear of double dip. There has been an increase in unemployment, particularly among young people, and in long-term unemployment. With this comes the fear that sections of the population may lose connection with the labour market and slip permanently into long-term unemployment and inactivity, as well as creating what has been termed a “lost generation” of youth.

The experience of previous economic downturns shows that it will take a long time before employment gets back to pre-recession levels. Rebuilding employment, ensuring progression and accessibility for all is not an easy task. Even during the period of strong economic growth and low unemployment, net wages and income stagnated for a large proportion of the population while income inequalities have increased. In many prosperous regions firms did not see sufficient incentives to invest in and better utilise the skills available in the workforce and the quality of employment has therefore become a neglected issue in some OECD countries. Some groups, such as youth, immigrants and older workers have suffered particularly strongly from the recession and need specialised support to get back into work. Against this backdrop come reduced resources for the public sector and the need for all tiers of government to do more with less, which is impacting heavily on the local level.

In response to the economic downturn, many local communities are placing an emphasis on increasing the quantity of jobs available locally. The issue of quality has fallen off the agenda for many and creating jobs - “any jobs” - has become the primary aim. However, in the longer term a greater focus on the quality of local jobs is needed. Employers need to better utilise the human resources available to them, raising job satisfaction and incomes at the same time as boosting local productivity. Local agencies can contribute to this process by using a number of different policy instruments and promoting more effective forms of work organisation.

The Irish experience in the context of the economic crisis

The economic growth experienced by Ireland over the last years, often referred to as the “Celtic Tiger”, was unprecedented in Irish history. Fuelled by high domestic demand, Irish economic growth led to significant employment creation and low levels of long-term unemployment across the state. However, the impact of the recent global recession has been felt equally acutely. In the final quarter of 2010, 317 500 jobs had been lost from the moment of peak employment in the Irish economy (Q4 2007). Ireland experienced the largest decline in employment levels of all OECD countries (returning to levels of employment last seen in late 2003). Current levels of unemployment are beginning to stabilise around 13.6%.

Ireland’s pattern of unemployment mirrors the norm in most recessions whereby younger people, those with low skills and migrants bear the most significant losses. However, the overreliance of the domestic economy on construction in the “boom years” has meant that the incidence of unemployment borne by these groups has been even higher and also added significantly to the gender dimension of unemployment increases, with males being disproportionately impacted upon. However, it can be said that a new feature of this recession for Ireland is that no groups have escaped the impact of the recession. Significant numbers on the live register are highly skilled workers, people with third level qualifications, and those with ample work experience.

¹ This paper has been drafted by Lucy Pyne, OECD LEED, who would like to acknowledge the significant contributions of Emma Clarence, OECD LEED, and Pobal to this paper. Many thanks also to Francesca Froy, Ekaterina Travkina, and Sylvain Giguère from the OECD LEED Programme for all their comments and suggestions.

The labour market experience in Ireland is unique in terms of the unprecedented changes in the levels of unemployment and the scale of challenges brought by these changes; employment levels are lagging behind fiscal recovery. The need to reduce public spending in the context of servicing repayment of bailout requirements means that additional resources are unlikely. There is greater pressure on local employment offices to activate an increased number of clients: at present employment services are managing over twice the caseload, and a more diverse caseload, than in the pre-crisis period.

Before the crisis it was acknowledged that Ireland had some way to go to deliver active supports for job seekers. The Irish Government has since 2008 put in place measures to respond to the rise in unemployment and has embarked upon an ambitious plan of institutional reconfiguration and changes to social welfare policy. In addition, a series of active labour market interventions have been introduced to increase access to training and education, to provide temporary placements to enhance work experience and to ensure meaningful occupation for the long-term unemployed, e.g. new programmes such as TÚS (the Community Work Placement Initiative) and a national internship scheme. A significant challenge will be the ability of the state, amidst ongoing fears of a double dip recession and without a significant stimulus package, to “grow” sustainable employment demand. The development of partnership approaches across sectors to deliver efficient and effective responses to individual support and employment creation is now more important than ever (Pobal, 2011).

How do current key Irish labour market challenges compare with the rest of the OECD? The speed and intensity of unemployment rate increases in Ireland have been higher than average. Low skilled people are over-represented on the live register, with a high proportion of this being associated with the collapse of the construction sector in Ireland. There is also a higher than average incidence of male unemployment, again as a result of the construction downturn. Regarding youth unemployment, Ireland has undergone a similar experience to other OECD countries with youth unemployment rates being higher than that for all age groups. Connected to this has been the increase in emigration, particularly among young people, marking a departure from the significant role played by immigration in the labour market during the “boom years” (Pobal, 2011).

The conference themes

The Building Quality Jobs in the Recovery international conference is structured around four thematic issues: youth unemployment; early childhood supports; long-term exclusion; and, the social economy. Each theme has been selected as it significantly impacts on the labour market and the health of the local economy. While all diverse, they are strongly interlinked.

In a time of rapidly increasing numbers of young people out of work and a labour market that is becoming ever more selective, finding ways of integrating more young people into the labour market is a burning issue and one which needs to be tackled from both the supply and demand side. The early years of a child’s life can be one of the root causes in a subsequent disconnection from the labour market and there is a growing evidence-base that correlates the provision of quality early years services, whether universally applied or targeted, market-led or state sponsored, with longer term benefits that can potentially improve a person’s employability and life opportunities. Putting in place effective supports at an early stage can contribute towards reducing the likelihood of drifting away from the labour market. Addressing the specific needs and challenges experienced by young people seeking to enter the workplace, in part by taking into account the importance of early years interventions, can ensure a more successful transition into the labour market. In turn this can contribute towards reducing the likelihood of later long-term exclusion. Such long-term exclusion from the labour market brings with it significant economic and social costs, and can lead to a vicious cycle of multiple disadvantage which is very difficult to break. The social economy is active across all three themes, commonly providing products and services in each and tackling social problems such as long-term joblessness or by meeting unmet social needs, whilst also seeking to be economically viable.

How the themes reflect the Irish experience

These key thematic issues particularly reflect the Irish experience in recent years. Ongoing higher than average youth unemployment has been compounded by the economic downturn and poses significant challenges both for policy formulation and service delivery. Ensuring that Ireland gets maximum benefit from the resources available, and by applying international best practice to reduce high youth joblessness, is critical. Reducing the demonstrated negative impact of long-term unemployment on individuals, families and communities is another national Government priority. It necessitates reflection on all aspects of policy and service delivery and, again, examination of successful international approaches can assist in the process. The social economy is playing a significant part in combating the unemployment crisis and is an important vehicle for engaging local expertise in the development of sustainable enterprises and in service delivery within Ireland.

There are a number of general obstacles hindering the progression of the social economy, including a lack of appropriate policy, legislative and fiscal frameworks to support its development. Social enterprises are a relatively new organisational form which may require a specific legal definition for clarity and fiscal purposes. In addition, for social economy organisations to grow and consolidate their activities, they must have access to capital, and a wide range of financial tools such as debt, equity and quasi-equity instruments can assist here. Learning from and adopting international best practice within the sector will ensure that Ireland can take better advantage of the opportunities of the social economy to activate individuals. Finally, the provision of early years supports is of major importance in Ireland in improving educational outcomes for young people and reducing socio-economic inequalities experienced within disadvantaged communities, as well as raising outcomes within other facets of a child's life including health, welfare, housing. It can assist policy makers in Ireland in taking a longer term approach when considering labour market issues and, through the use of targeted investment, help promote skills development (Pobal, 2011).

By taking into consideration the four themes, this conference will be able to benefit from a perspective which is broader and integrated, more informed and more relevant to the Irish context. These strengths will be reflected in the discussion points and policy recommendations which emerge over the course of the conference, and will provide an invaluable international evidence base from which Ireland can learn.

Policy responses at the local level

Solutions have already been put in place in many OECD countries to address urgent needs, but new ways of working are required to create more sustainable, more productive and more equitable employment for the future. Governments and local authorities have to address these challenges with much scarcer resources and need to be smart to make sure that policies and local initiatives generate growth, job creation and combat exclusion. To get more from these limited funds, communities have to maximise every opportunity to foster growth. The local level² is the level at which government policies can be effectively combined to tackle concrete issues; employment, economic development and inclusion programmes can no longer be designed in policy silos.

2 . By local we mean the level of "local labour markets", where economic development strategies are designed and policy areas need to be linked up. The analysis of local generally focuses on OECD sub-regions with a population of between 150 000 and 800 000 (NUTS 3 or territorial level 3).

While public policy is frequently delivered as if “one size fits all”, the economic downturn has impacted on communities in diverse ways. Interventions at the local level can take into account these strong variations between local economies in terms of the impact of the economic downturn, the business base, the skills level of the workforce, resources and assets (including natural resources as well as the socio-economic and physical legacies of historical development), something which the national level is not as well placed to do. National governments need to award flexibility to their delivery agencies in developing a response that is appropriate to local conditions. As local problems become more complex, a cross-sectoral response is often needed which draws together government policies. It is not just public actors that can benefit from working together in this context; it is also necessary to mobilise representatives from the social partners (trade unions and employers) and the not-for-profit sector (voluntary associations and community groups), to work in partnership on specific issues.

Many partnerships were first created to deal with the social and unemployment consequences of previous economic downturns, and have accumulated a considerable amount of knowledge and know-how in bringing different stakeholders together, ensuring coordination and policy adaptation to local needs. Developing joined up strategies and governance mechanisms that encourage a focus on both the supply and demand for skills is a particularly important function for partnerships working with local labour market issues (Froy and Giguère, 2010).

The conference

The challenging economic and societal times we find ourselves in make debating and putting forward recommendations on job creation in the recovery more pertinent and timely than ever. The conference will review and draw lessons from successful past experiences and innovative solutions to identify how labour market policy, skills development and training policies can contribute to sustainable employment creation, through co-ordination with long-term economic development and local strategies. Through the plenary sessions, the conference will offer the opportunity to display and analyse the impact of the crisis internationally, specific trends within the four thematic areas, models of local development, and policy and skills development initiatives that have proven resilient in the crisis.

Box 1. Area-based partnership, Ireland

In the first half of the 1990s Ireland piloted area-based partnerships in some disadvantaged areas of the country. It was unique at the time to set up these networks of partners locally, unified by a desire to change the future of their communities. A first study mission was conducted in 1995 and produced a seminal report, raising awareness of the model of partnership experienced in Ireland. Many countries have undertaken to adapt the Irish model to their own institutional context, such as Finland, as a result of the Territorial Employment Pact initiative in 1997.

These partnerships, now referred to as Local Development Companies, continue to target supports to the most disadvantaged areas of Ireland. The new Local and Community Development Programme (Department of Environment, Community and Local Government) is channeled through Local Development Companies and targets 80% of programme budgets towards the provision and coordination of education and employment supports to these communities, with the remainder focusing on access and uptake of services and promoting the engagement of disadvantaged communities with policy and practice. These companies now also manage a range of other government initiatives.

Source : Pobal, 2011

Workshops will be held focusing on a wide range of labour market issues such as joined up policies and approaches for youth employment, attracting and retaining talent, targeted approaches within early childhood education and care, skills for competitiveness, collaborative responses within communities and activation methods to insert people into the labour market. These will provide a means for debate, discussion and for putting forward policy recommendations and best practice. The local initiatives forum will provide a space for those involved in the development of labour market policies and programmes on the ground to exchange practice and examine their work in light of international experience. Overall, the expectation is that the conference will bring about debate on and result in informed recommendations on how to best design and implement policies and strategies across the four conference themes; youth employment; youth unemployment; early childhood supports; long-term exclusion; and, the social economy, with particular relevance to Ireland.

YOUTH UNEMPLOYMENT: PUTTING THE YOUNG INTO JOBS AND BUSINESS

Young people have been hit hard by the global economic crisis. About four million more young people were out of work in 2010 than at the end of 2007, and the youth unemployment rate for OECD countries had risen to almost 19% by mid-2010. On average, this is the maximum level experienced in the past 25 years. There are currently nearly 15 million youth unemployed in the OECD area; in France and Italy about one active youth in four is unemployed, while in Spain more than 40% of all youth are jobless (OECD, 2010b). In Ireland, younger people continue to be at a greater risk of unemployment: in Q4 2010, the unemployment rate of persons aged 15-25 was 29%, compared to 13% for those aged 25-54 and 8% for those aged over 55 (Forfas, 2011). This is the “painful human face of the crisis as world’s best and brightest are wasted” (Angel Gurría, The Times).

In the decade prior to the global economic recession, youth labour market conditions had improved significantly: the OECD average youth unemployment rate declined from 16% in the mid-1990s to 14% in the mid-2000s. However, this masks significant differences across countries and even in the good times young people are more likely to be unemployed than adults (OECD, 2010b). Youth unemployment is more responsive to the business cycle, with a higher proportion of young workers holding temporary jobs and concentrated in certain cyclically sensitive industries such as construction (OECD, 2010a).

About 30 to 40% of all school-leavers in OECD countries are estimated to be “at risk” either because they face barriers to finding stable employment or because they experience multiple cumulating disadvantages. The first group,

“A six month spell of unemployment at age 22 would result in an 8% lower wage at 23 and even at ages 30 and 31 wages were 2-3% lower than they otherwise would have been.” Bell and Blanchflower (2009)

Box 2. Youth unemployment in Ireland: The forgotten generation

The National Youth Council of Ireland (NYCI) commissioned a study into understanding the experiences of young Irish jobseekers and their interaction with key state support services through holding a series of focus group and short structured interviews. The study has found that the experience of unemployment has left many young jobseekers feeling scarred and damaged, experiencing negative feelings such as low self-esteem, low morale and feelings of hopelessness. Financial shortage was highlighted frequently as an additional anxiety, with many already carrying a debt burden generated as a college student or while in employment. Some key findings include:

- **Of the 90 young jobseekers interviewed on a one-to-one basis, all agreed that the “prospects for securing rewarding employment in Ireland are not very good.” 70% agreed that it is likely that they will emigrate within the next 12 months in response to their unemployment**
- **Of the 90 young jobseekers interviewed following their meeting with a Social Welfare Jobs Facilitator, only 32% awarded a satisfaction rating about the mid-point**
- **Lack of workplace experience was consistently identified as the most significant barrier to entry for young people to the jobs market. There was considerable interest in internship programmes in order to increase general attractiveness to potential employers**
- **Young early school leavers and those who had completed an apprenticeship appeared most interested in taking up places in further education. Third level graduates were less enthusiastic about engaging in further “higher level” education**

Source : National Youth Council of Ireland, 2010

so called “poorly-integrated new entrants”, often have qualifications but frequently go in and out of temporary jobs, unemployment and/or inactivity. The latter, “youth left behind”, is calculated by the number of young people neither in employment, education or training (NEET) and represented 11% of 15 to 24 year olds in 2007. Young people in this group tend to come from an immigrant background, lack a diploma, and/or live in disadvantaged, rural or remote neighbourhoods.

They face severe problems in making the transition from education to the workplace and risk being trapped in long-term unemployment and inactivity (OECD, 2010a). “Good performers” are university graduates who in normal times do not have particular difficulty in finding a job, but may not always have a job that matches their qualifications (low demand for high skills), or leave their region to look for better employment possibilities (loss of skills through talents flight).

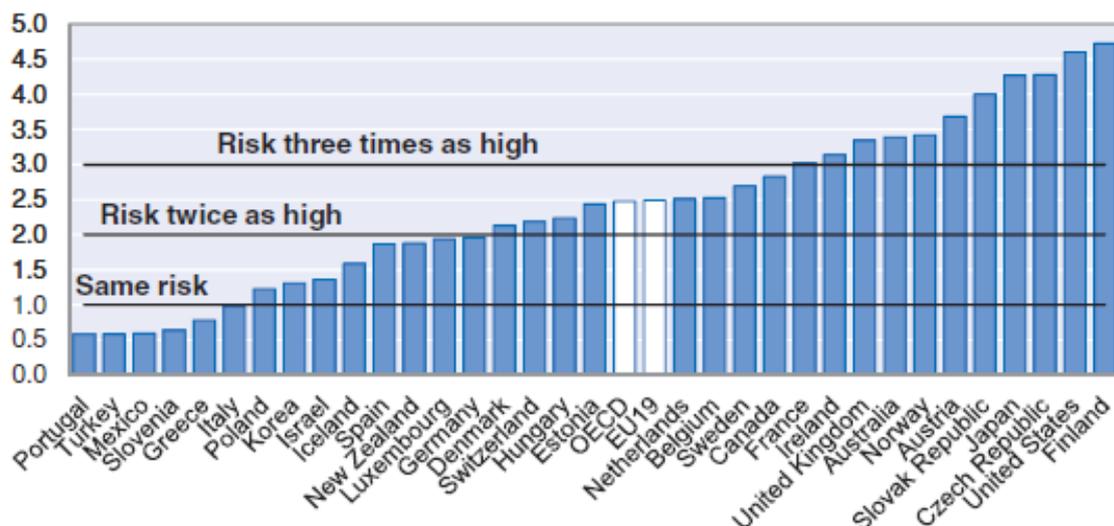
Long periods of unemployment when young have been shown to have potential “scarring” effects which have a harmful impact in later life, particularly for NEET youth. It can lower future income levels, skills validity, future employability, job satisfaction, happiness, and health levels. The lower the level of initial qualification, the longer these scarring effects are likely to last (OECD, 2010a).

The importance of education and skills

The crisis has highlighted that one of the main underlying structural problems in the youth labour market is related to education and training (OECD, 2010b). Some young people are leaving the education system and entering the labour market without a recognised qualification and/or with skills which are not relevant for employers. Outcomes at school and in further education increasingly determine what employment opportunities are available to young people, particularly in the context of an ever more selective labour market. The unemployment rate of young people aged 15-24 in the labour force with no qualification was 27% across the OECD in 2009, whereas the rate for those with at least an upper secondary qualification was 17-18% (OECD, 2010b): Figure 1 shows that low-skilled youth have over as twice a high a risk of unemployment compared to high-skilled youth (2008). While failing to finish compulsory education does not prohibit later upward mobility, it constrains job options and the long-term gains that can be expected.

Figure 1. Risk of unemployment for low-skilled youth compared with high-skilled youth, OECD countries, 2008

Ratio of low-to high-skilled youth unemployment rates



1. Data refer to the ratio of unemployment rates of young (15/16-24) high-skilled people (ISCED>3) over young low-skilled (ISCED<3). ISCED 3 refers to upper secondary qualification.
2. Data for Japan refer to 2003 instead of 2008.

Source: Off to a Good Start? Jobs for Youth, OECD

What the local level can do

While many issues relating to youth and the labour market are addressed at national level, much can be done at local level. Interventions crafted at the local level can allow stakeholders to create targeted responses for the three categories of youth, making the journey from education to employment smoother. These targeted responses include:

- **NEET youth:** Early years education and support with school-to-work transition can reduce the distance from the mainstream labour market. At the same time, adopting a wider approach by tackling multi-generational poverty, improving spatial planning to reduce isolation and to strengthen local social capital, and bringing economic development and entrepreneurship to deprived areas can bring significant results.

Box 3. Targeted approaches for ethnic minority and immigrant youth at the local level

Migrant youth are more likely to be unemployed than native youth - with an overall unemployment rate about 1.6 times higher than that of the children of natives - and have poorer performance outcomes in schools. They can experience a diverse set of barriers to educational achievement and workplace success, including a lack of good diversity management in schools, language problems, a lack of support and guidance from parents, financial barriers to remaining in school, and low career aspirations. Often they have few networks outside specific ethnic sectors, face discrimination from employers in hiring and promotion, and are more likely to work in family run survival enterprises which can limit their onward career progression and job quality.

A recent OECD LEED learning manual on ensuring labour market success for ethnic minority and immigrant youth put forward a number of recommendations to guide local and national policy makers on ways to better design and implement policy measures. It examined the role of schools and education providers, and the various stages and stakeholders in the journey to employment. The study found that giving young people the possibility to undertake paid work placements, apprenticeships and vocational training was particularly useful in helping to tackle financial constraints while granting much needed work experience. These recommendations include:

- **Support early years provision and multi-generational approaches**
- **Additional supports for the school-to-work transition and financial assistance**
- **Re-engage youth far removed from the system**
- **Support job readiness, raise aspirations and incentivise youth**
- **Collaborate in networks and closer engagement with employers**
- **Target but without stigmatising**
- **Lobby for change where necessary at higher governance levels**

Source : Froy and Pyne, 2011

- **The “poorly integrated new entrants”:** Providing clearer pathways into employment, tackling the demand side barriers, but also working with employers on retention and progression schemes can help to address the specific needs of this group.
- **Good performers:** Broader skills and economic development strategies should address this demand/supply mismatch and provide opportunities for skills utilisation of graduates by flagging the opportunities in the emerging sectors.

Importance of a partnership approach

Success requires place-specific, cross-sector responses involving different local players as part of wider local development strategies. Stakeholders in this area are numerous and diverse, including industry groups and employers, schools, colleges and third level education providers, employment agencies, social economy organisations, local community groups, as well as young people themselves. A partnership approach can enable the tackling entrenched barriers and generating new networks of opportunity for young people, and can also create a more integrated service. Organisations can play an invaluable role as brokers or “linking organisations”, connecting clients to a number of follow-on programmes, thereby aiding continuous learning and development. Policies and approaches can benefit from being “co-created” with local youth to create greater ownership. Not only does this ensure that local initiatives are better adapted to the needs of youth, but the involvement can also help young people to build soft and technical skills.

Box 4. Youth Advocacy Service for Early School Leavers - Galway City Partnership

Galway City Partnership, FÁS (the Irish National Training and Employment Authority) and the City of Galway Vocational Education Committee established the Youth Advocacy Service in 2002 to “research and develop a tailor-made approach to career path planning within a community setting in order to meet the education, training and employment needs of early school leavers and young people with few or no qualifications”. The service meets directly with clients on an individual basis to develop their career path plan, and to develop a comprehensive database on the referral, placement and progression of clients. Clients are from predominantly disadvantaged areas of the city and 36% of clients in 2010 were members of the Travelling community. Recently the project has adapted its strategy of working in schools and with providers to target the young person at risk rather than waiting until the young person has left school or training. To date this project has had significant successes in increasing educational retention and transition to education or training for young people at risk. In 2010, the service worked with 177 clients. It has worked collaboratively with partners to increase understanding and awareness of young people’s needs, improved communication and referral between providers which has facilitated the smooth transition from school to other training and employment options. The programme receives operational funding from FÁS.

Source: Pobal, 2011

A joined up approach can also assist with skills utilisation in the workplace - another particular issue for young people; if talents are not spotted young, long-term career trajectories can suffer. Working with employers is important in terms of tackling demand side issues (such as incentivising employers into hiring more young people) and thus delivering new opportunities to young people. There is significant potential for employers to play a larger role in leading local initiatives both as policy co-creators and co-implementers - particularly as the labour market becomes slacker and public sector resources diminish. Collaborative responses can also be valuable contributors in ensuring that young people have accurate careers guidance as to opportunities in the local economy, and career ladders to support employment progression and better skills utilisation (OECD, 2011c).

Promoting entrepreneurialism and youth start-ups

The critical role played by start-ups and young businesses (including non-profit) in driving economic development and job creation is increasingly understood. In the past, young people's parents made the transition to a world of more stable trades and professions, however this generation and future ones are moving into a world of "occupational quick-sands and volcanoes" in which youth entrepreneurship can be a viable alternative for some young people to dependent labour (OECD, 2001). Consolidating entrepreneurial skills in young people can also benefit local economic development by creating a powerful cadre of future local business and civic leaders.

What drives business success among young people? Individual capacities, including personality traits, creativity, motivation and powers of persuasion are often considered to be key. However, success requires investment in entrepreneurship skills, creation of entrepreneurial attitudes as well as start-up and early-stage business development support. Making places conducive to youth entrepreneurship also makes it easier to create and spot opportunities and turn them into business ventures. The OECD LEED Programme created good practice criteria for local youth entrepreneurship support directed at those designing strategies and infrastructure for youth entrepreneurship, as well as those active in entrepreneurship education and start-up support (OECD, 2009). A tool to self-assess and re-orientate strategies, structures and practices, it is grouped into the following three dimensions:

- **Opportunity creation:** Making places conducive to youth entrepreneurship. The higher the recognition and appreciation for entrepreneurship in a place and the deeper entrepreneurial behaviour is embedded in society, the greater the public support for creating the necessary framework conditions, such as availability of financial, human and physical resources and information, the "easier" it is to recognise opportunities and to turn them into business ventures.
- **Entrepreneurship education:** Generating motivation, attitudes and competencies for entrepreneurship. Assisting the establishment of new firms is a key objective for entrepreneurship education, but not its only one. Creating entrepreneurial mindsets that drive innovation in existing firms is of equal importance, yet success is much more difficult to measure.
- **Start-up support:** Providing a helping hand in business start-up without taking away the "do it on your own". It is all about making entrepreneurship support systems accessible and attractive for young future entrepreneurs, and about rectifying market and system failures in financing and premises.

Discussion Points

- **Examples of joined-up policies and approaches for youth unemployment that have worked best in the past? Where do the potential pitfalls lie?**
- **How can demand-side issues best be tackled and what are the best ways to further engage employers?**
- **In which ways can localities be made more conducive to youth entrepreneurship? How can national level policies support this process?**
- **What financing arrangements can be used to support youth employment strategies?**
- **Is there a need for more targeted youth employment programmes?**
- **What is needed in terms of policies and framework conditions to best promote youth employment in Ireland?**

EARLY CHILDHOOD SUPPORTS IN THE CONTEXT OF BUILDING QUALITY JOBS IN THE RECOVERY

There is a growing evidence-base that correlates the provision of quality early years services, whether universally applied or targeted, market-led or state sponsored, with longer term benefits that can potentially improve employability and life opportunities. An increasing quantity of supporting research shows that access to early childhood education and care provides young children, particularly from low-income and migrant groups, with a better start in life. The provision of quality services encompasses a number of considerations, for example appropriate curricula, professional development of staff, quality assurance standards. Resourcing this sector is a critical issue and varied practices exist across the OECD, mirroring the divided research views on funding mechanisms - an issue which will be addressed at the conference.

The provision of early years childhood supports has been firmly on government agendas in recent years. According to a recent report from the European Commission on early childhood education and care (ECEC) "Europe's future will be based on smart, sustainable, and inclusive growth. Improving the quality and effectiveness of education systems across the EU is essential to all three growth dimensions. In this context, Early Childhood Education and Care is the essential foundation for successful lifelong learning, social integration, personal development and later employability" (EC, 2011). Governments across OECD countries have intervened in childcare markets to promote social cohesion and gender equity by regulation, price control and subsidies. In the U.S., for example, employers are trying to address the workforce needs of the future by meeting the developmental needs of young children today.

A recent OECD report has found that while formal childcare participation can have positive effects on cognitive development, some negative effects on behavioural outcomes may be observed if children are in poor-quality care or in care for long hours (2011b). Hence, ECEC intensity and quality matter.

The Irish experience

There is much work to be done in the early years education and care sector in Ireland. A UNICEF report suggests that Ireland lags behind international standards in ensuring high quality across all services and supports (2008); Ireland was placed at the bottom of a league table of 25 OECD countries, meeting only one of the ten standards. In addition, according to a report in 2007 the cost of ECEC in Ireland was among the highest in Europe (OECD). Finally, in spite of recommendations from the OECD, the Oireachtas the NESF and the Social Partners, Ireland has no national plan for the development of early childhood services (Start Strong, 2010).

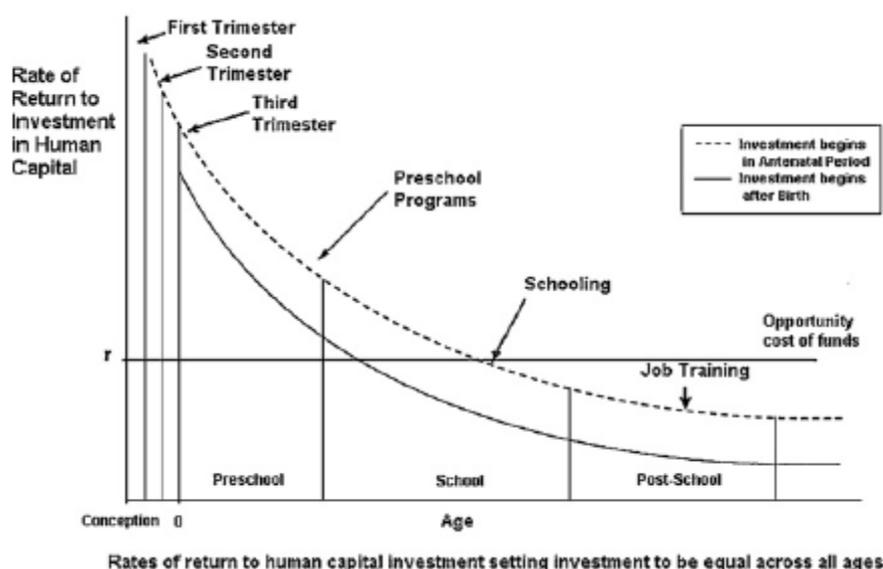
Nevertheless, there have been significant recent developments in the early years sector in Ireland, including the introduction of a free pre-school year in January 2010. The introduction of this universal provision has helped to address access and cost barriers faced by families. Other significant developments include the creation of the Department of Children and Youth Affairs, an investment through two national programmes into the capital infrastructure of €410 million creating 65 000 new places; the introduction of the Siolta quality framework; the Aistear curriculum framework and revised pre-school regulations. The Workforce Development Plan was introduced in 2010 to pave the way for upskilling the ECEC workforce and underpinning high quality services in Ireland. In addition, many disadvantaged families are now supported through a targeted subvention in community-based services under a government scheme (Pobal, 2011).

Social and economic returns

There is evidence that investment in the education of children has the highest rate of return when focused at the earliest levels of education. Longitudinal studies of a number of early intervention programmes find that the personal benefits (cognitive development, behaviour and social competence, educational attainment, earnings), social benefits (reduced delinquency and crime) and government savings (higher tax revenues, reduced social welfare spending) associated with intervening early in a child’s life clearly outweigh the costs (Karoly et al., 2005 in Doyle et al., 2009). The curve in Figure 2 below illustrates the rate of return to investment at different stages of the life cycle, and shows a higher rate of return at younger ages for a constant level of investment. Early investment has been shown to reduce the chances of young people dropping out of school early, increase the equity of educational outcomes, and reduce the costs for society in terms of undeveloped potential. The benefits gained at an early age need to be sustained through follow-up programmes to prevent “fade out” over time (Froy and Pyne, 2011).

“Many subsequent social issues such as crime, teenage pregnancy, low education and unemployment can be traced to an adverse early years’ environment.” Doyle et al. (2009)

Figure 2. Rates of return to human capital investment
Setting investment to be equal across all ages



Source: Doyle, et al. (2009)

Children’s earliest experiences form the basis for all subsequent learning; (i) early learning confers value on acquired skills, which leads to self-reinforcing motivation to learn more, and (ii) early mastery of a range of cognitive, social, and emotional competencies makes learning at later ages more efficient and therefore easier and more likely to continue (Heckman, 2006). Research documents the importance of deficits in cognitive and non-cognitive skills (such as motivation, perseverance, and tenacity) in explaining low levels of skill and ability, high dropout rates, and ensuing social and economic problems (Heckman, 2006).

Remedial interventions later in the life-cycle to compensate for deficient early family environments are more costly, requiring, for example, more intensive one-on-one tutoring and support. As Heckman argues, at the levels of resources in 2006 society over-invests in remedial skill investments at later ages and under-invests in the early

years. Heckman argues that while much current educational policy is based on a fundamental optimism about the possibility of human change, the longer society waits to intervene the more economically inefficient it becomes to invest in the skills of the disadvantaged. A serious trade-off exists between equity and efficiency for adolescent and young adult skill policies, while there is no such trade-off for policies targeted toward disadvantaged young children (Heckman, 2006).

Early childhood supports assist children not only in their future education but also in their integration into society, generating well-being, and contributing to their employability when they become adults. As a recent communiqué from the European Commission points out, early years interventions have a crucial role to play in laying the foundations for improved competences and enable the creation of a more skilled workforce capable of contributing and adjusting to technological change (2011). There is clear evidence that participation in high quality supports and care leads to significantly better attainment in international tests on basic skills, such as the OECD Programme for International Student Assessment and the Progress in International Reading Literacy Study, equivalent to between one and two school years of progress (EC, 2011). High quality provision also enables parents to better reconcile family and work responsibilities, boosting employability.

Targeting disadvantage

Participation in early years programmes is most beneficial for children from disadvantaged backgrounds. In France, evidence suggests that attending pre-school (école maternelle) has a small but positive effect on the chances of not repeating the second grade of primary school and this positive association is mainly observed among children from disadvantaged backgrounds. A recent OECD report suggest that attending pre-school from age two may help reduce the social inequalities that prevail in elementary schools (2011b). In some countries public pre-school programmes specifically target children in poverty. Examples of successful interventions include the Head Start Program, the Perry Preschool Project, the Abecedarian Program, and the Chicago Child-Parent Centres in the U.S. (Carneiro and Ginja, 2008 in OECD, 2011b). Targeted interventions outside the U.S. include the Sure Start Programme in the UK and Preparing for Life, Ireland (see Box 5).

Research from the USA shows that the beneficial impact of ECEC on children from poor families is twice as high as for those with a more advantaged background. European Commission (2011)

What the local level can do and the stakeholders involved

Improving early years interventions at the local level can best be done through putting in place adequate support measures for local stakeholders. The stakeholders involved are numerous, including those working in early years centres and education providers, local authorities in the sectors of education, welfare, children's services, parents, community groups. By working in partnership to develop a vision for service delivery, as well as reviewing and developing infrastructure to reflect changing demand and legislation, local stakeholders can ensure more targeted provision better suited to their local needs. Integrating early years policy with wider policy fields such as health, education, welfare can prevent fragmentation and duplication, and ensuring continual feedback and co-ordination with national level policy makers is also required. Primary stakeholders can establish partnerships with the wider community, such as ethnic minority organisations, those hard to reach and the underrepresented in accessing services. This can ensure that service planning is more coherent and joined up, and in addition make it easier to share data and outcomes across agencies.

Recent policy initiatives in Europe represent a significant move towards investment in the antenatal and early year's period at the local level. The UK government launched a large-scale pilot study of the Family Nurse Partnership (FNP) Programme, a preventative programme for young first time mothers offering intensive and structured home visiting. It is delivered through Sure Start Children's Centres in many areas, and family nurses work closely with health visitors and midwives and professional from other services for children, young people and families. The government has committed to double the number of places on the FNP programme to 13 000 by 2015 (UK Department of Health). The first large-scale European childhood intervention programme has been initiated in Ireland as part of a community-led initiative. Preparing For Life, operated by the Northside Partnership, aims to improve the levels of school readiness in several designated areas of disadvantage in North Dublin and also works to facilitate local communities and agencies to work together and measure progress (UCD Geary Institute). See Box 5 below.

Box 5. Preparing for Life, Dublin, Ireland

Preparing For Life (PFL) is a five-year school readiness programme and is part of a drive to transform the lives of Irish children born into disadvantaged communities over the coming years. The programme is designed to work with families from pregnancy onwards and aims to support the healthy development of the child. The experimental programme is the first of its kind in Ireland and aims to provide evidence on the best practice for early childhood interventions. 200 pregnant women living in disadvantaged areas of north Dublin were recruited. The PFL programme is jointly-funded by Atlantic Philanthropies and the Office of the Minister for Children and run by the Northside Partnership. It is one of a series of early childhood interventions which have recently been initiated in Ireland with the ambition of changing the life outcomes for children who are at risk.

Evaluation is a key element of the programme. Although such programmes have worked in America, evaluating them in an Irish context is an imperative: "While there have been similar early childhood programmes developed in other countries, mainly the US, we cannot assume that the effectiveness of a US-style intervention can be replicated in an Irish setting given the vast differences in our social welfare system and cultural context. Also, there is very little data on the needs and behaviours of Irish children. This evaluation will not only tell us if the intervention is effective or not, it will also provide much needed data on disadvantaged groups of society" (Doyle, 2009).

Source: Geary Institute, UCD

The financing debate: public versus private

While OECD countries tend to realise the value of early years care and education, the issue of how to fund these services remains unresolved, particularly as many countries are struggling economically with huge debt burdens and declining tax revenues. Funding arrangements vary substantially. Some countries direct funding through families – leaving it to parents to decide what kinds of interventions are best suited to their children (e.g. as credits/deductions in the tax system, vouchers), while others subsidise certain types of early education directly. Public spending on ECEC is justified by arguing that there is a kind of "market failure" that interferes with the functioning of the private economy (Cleveland and Krashinsky, 2004). There are potential benefits and costs associated with publically financed ECEC, as summarised in Table 1 overleaf.

In light of declining state finances, governments may decide that funding ECEC from the business/commercial sector or engaging in public/private partnerships is the obvious choice, ensuring future economic benefits without emptying the declining state coffers. However, according to Prentice (2007) a policy that is "rationalised by economic returns" is vulnerable if results fail to live up to the expected benefits and therefore caution should be exercised. A wide body of Canadian and American literature on for-profit childcare indicates that, as a sector, for-profit childcare

Table 1. Potential benefits and costs of publicly financed ECEC

Type of Effect	Potential Benefits	Potential Costs
Effects on Childrens		
Stimulates the development of children in the important early years.	Can improve school readiness and have long term payoffs in abilities, income, productivity and economic growth, reduced delinquency and criminal activity, improved health, higher tax revenues and better citizenship.	The cost of resources necessary to provide good quality early childhood education. Also, the excess burden costs of higher taxation.
Ensures high-quality non-parental childcare for children.	Good quality licensed childcare provided by trained and dedicated childcare professionals is better for children than many current informal arrangements.	The extra resources needed to provide higher quality childcare.
Provides a more equal start in life for children.	Promotes equality of opportunity. All children can benefit from some amount of early childhood education. Children from low-income families incur especially large benefits.	
Effects on Mothers and Families		
Providing assistance to young families when expenditures are high and incomes are low.	Government funding of ECEC when parents are young and higher taxation when older acts like a long-term loan programme to allow parents to make better lifetime decisions about work and children.	Assistance to young families, and more family-friendly leave and benefit policies at work, may encourage higher fertility, raising public costs.
Encourage mothers to maintain labour force attachment, continuity of job experience, take job promotions, work full-time rather than part-time, change women's assumptions about future job paths, promote gender equity.	Mothers are encouraged to make work decisions in long horizon framework to permit reasonable financial independence, avoid poverty if divorced, in old age, etc.	Mothers may suffer tension from "super-mom" work and family activities unless gender roles continue to change and family policies are supportive. Have to change society's assumptions of gender roles.
Effects on Society		
Common social and educational experiences when children are young.	Encourages social cohesion, good citizenship, the integration of immigrant families, early screening of children with behavioural, social or cognitive difficulties. Early foundation for integration of children with disabilities.	Increased taxes. Possible sense of decreased parental choice.

Source: Adapted from Cleveland and Krashinsky (2004).

provides poorer quality of care to children and is much worse for early childhood educators on the axes of training, wages and benefits, and working conditions among others (Cleveland et al., 2007; Prentice, 2005 in Prentice, 2007). Prentice argues that the cost-benefit evidence-base to date relies heavily on small-scale studies with disadvantaged populations and that returns suggested by these small studies may be not be replicated when done on a larger scale “of universal programs”.

Greater debate informed by evidence-based research is required in relation to the optimum funding arrangements. Penn (2007) argues that more detailed research is needed on the corporate and single for-profit sector, both about its day-to-day operations and its economic impact. National and local variations in other expenditures, including on social risk, also need to be considered. However, perhaps the key issue in the funding debate relates to the quality of service provision and the adequacy of funding - irrespective of its source - to ensure the provision of guaranteed high quality, regulated early years services for all. In the absence of this, successful outcomes will be difficult to achieve in the longer term.

Discussion points

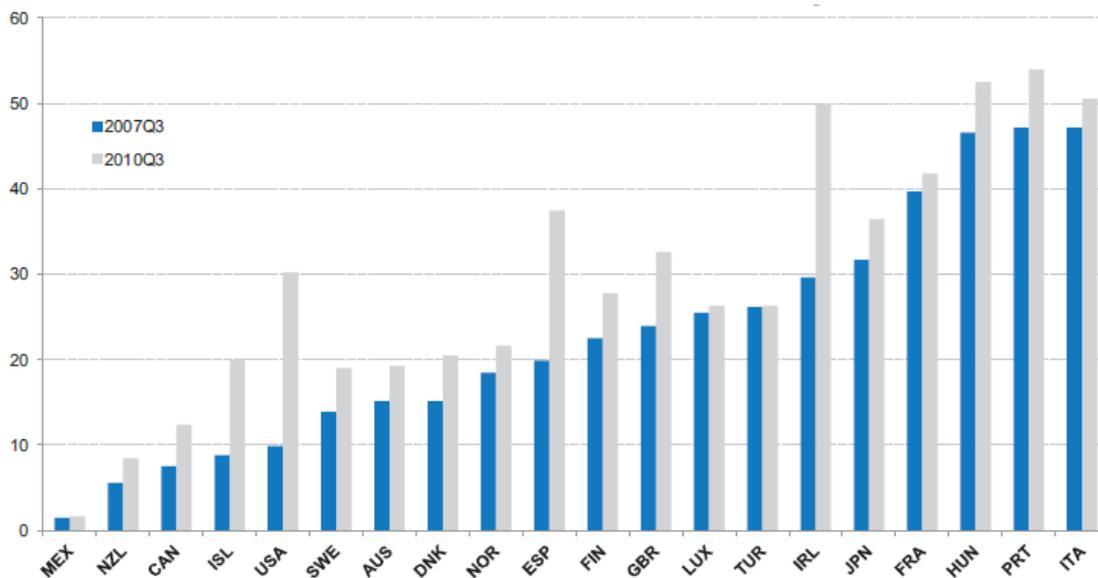
- **How do early years interventions impact on future employment outcomes and is this something government/employers should be considering now as a long-term measure?**
- **To what extent should interventions be targeted at the most marginalised children/families as opposed to universal provision?**
- **Is there an optimal way to fund early years provision?**
- **What is the role for the local level in shaping ECEC provision, and what is the best way for this to feed into national policy?**
- **What is needed in terms of policies and framework conditions to better support ECEC approaches in Ireland?**

PREVENTING LONG-TERM EXCLUSION FROM THE LABOUR MARKET

The economic and social costs associated with failing to address long-term exclusion from the labour market should not be underestimated. Individuals out of work for long periods of time can quickly enter a poverty/welfare trap, while communities with high numbers of jobseekers may have neither the resilience to confront economic difficulties, nor to be able to seize economic opportunities when they do appear. What emerges is a vicious cycle of multiple disadvantage which is very difficult to break. Whilst the costs associated with intervention can appear significant, the cost of failing to intervene will be even greater, such as welfare dependency, increased social unrest and crime, poor physical and mental health, and insecure housing (OECD, 2011d).

Figure 3 below shows that in a number of countries the share of long-term unemployment has risen significantly during the crisis, and this is particularly the case in Ireland. Despite the Irish economy’s many underlying strengths, such as an open economy with flexible product and labour markets, high levels of human capital and a business-friendly environment, high unemployment is a difficult challenge and a particular concern is the significant increase in long-term unemployment³. In December 2010, long-term unemployment accounted for 51.5% of total unemployment compared to 22.2% two years earlier. Within three years both long-term joblessness increased five-fold from 1.3 to 7.3% (Drudy and Collins, 2011). It is feared that a continued deterioration of the labour market could result in a persistent problem of underemployment, as experienced by Ireland between the mid-1970s and mid-1990s, thus posing a threat to social cohesion.

Figure 3. Countries where the long-term unemployment share has risen during the crisis
Share of people unemployed for more than 12 months in total unemployment



1. Series smoothed using three-quarter centred moving average.

Source: Economic Outlook 2011, OECD

3. Generally defined as being unemployed for more than one year.

The longer individuals remain out of work, the more difficult it becomes for them to find a job and the less they may try. The additional risk associated with being out of work for long periods of time is that people drift away from the labour force for good. OECD research shows that at this stage there has been little evidence of widespread withdrawals from the labour force in OECD countries, but protracted slack in labour utilisation makes this more likely (OECD, 2011a). So far withdrawals have been largely concentrated among young people and the low-skilled, and less so among older workers (ibid.). Long-term unemployment also brings with it the spectre of decreased life chances within families and across generations. The importance of parental income, education and employment for children's life chances has been well documented and unemployment is something that can be "passed down" within families; children whose parents have experienced long-term unemployment are more likely themselves to be unemployed. Accordingly, addressing long-term unemployment is part of a wider focus on the development of policies and strategies to limit the consequences, and break the cycle of inter-generational disadvantage (OECD, 2011d).

Impact on vulnerable groups

Past economic downturns have demonstrated that vulnerable groups are more negatively affected than the wider population by cyclical economic decline. There are many factors that put people at risk of long-term unemployment, including poverty and social exclusion, poor skills levels, age, discrimination, caring responsibilities and past criminality. The breadth of such factors highlights the diverse challenges which need to be addressed in order to reduce long-term unemployment. It is important to point out that economic growth is not necessarily inclusive and is therefore not in itself the only solution. Indeed, even at the height of the most recent economic boom, and with low unemployment levels in many countries, there remained a section of the working age population that was not economically active (OECD, 2011d).

The vulnerable have been further sidelined by the growth in the numbers of people affected and increased competition for jobs (OECD, 2011d). Aggregate demand is generally too weak to begin making serious inroads into unemployment and slack has been picked up by remaining employees. Compounding these factors are signs of a "jobless recovery", making the path to labour market reintegration more difficult. It demands from policy makers innovative and effective strategies, at a time of significant public budget cuts (OECD, 2011d). At the same time, it is important to recognise that just matching vulnerable groups to local low-skilled jobs is not enough. Before the downturn, the economic boom was accompanied by the creation of temporary and low-skilled jobs in certain sectors, such as the growing care sector and construction. While providing employment, it contributes to labour market churn (as people go in and out of jobs) and does not significantly improve individual's quality of life. Linking people to decent work which offers opportunities for progression is a critical element of any policy response to long-term unemployment (OECD, 2011d).

Labour market policy responses to the crisis at the national and local level

The economic crisis has had different impacts on labour market outcomes across countries. To some extent this reflects differences in the degree of exposure to specific aspects of the crisis (i.e. financial and housing market bubbles) but it also points to differences in policy settings both in place before the crisis and measures implemented in response – including labour market policy (OECD, 2011a). While the social welfare system, employment services and active labour market policies cannot "fix the economy" or create jobs on the scale required, they have a critical role to play in preventing and addressing high unemployment and the growing share of it that is long-term.

In their responses to the crisis, national governments across OECD countries have put in place a number of measures in the field of employment and training policy, including reinforcing social nets, investing more in local employment services and scaling up the resources for active labour market policies (ALMPs). More than two-thirds of OECD countries raised resources for job-search assistance and training programmes, while one-third provided additional resources to apprenticeship schemes (OECD, 2011a). There is fairly robust evidence that spending on ALMP improves the probability of finding a job (although the effect might be stronger for the short-term unemployed than for those unemployed for a longer period) (OECD, 2011a). Effective labour market policies can make a difference and some OECD countries, including Australia, Japan, Korea and the Netherlands have managed to contain the increase in unemployment, while Germany has actually reduced unemployment during the crisis (OECD, 2011f). Significant injections of capital as part of stimulus packages have led to job creation at the local level both in the public and private sectors, while policy responses have also been undertaken directly with firms to retain vulnerable workers, for example by helping firms implement short-time working schedules.

Box 6. Impact of the crisis on local labour market programmes and services

A forthcoming OECD LEED publication examining flexibility and accountability in local employment services in four countries - Belgium (Flanders), Canada (Alberta and New Brunswick), Denmark and the Netherlands - asked whether the economic downturn had changed the way local labour market offices delivered their programmes and services. 54% of respondents from local public employment offices in the surveyed countries reported significant changes. In some places, the crisis has led to enhanced collaboration between local labour market offices, municipalities and other actors, whereas in others, partnerships have had to be put on the back burner as the focus has turned to achieving minimum service delivery standards. This has resulted in reduced capacity to fully exploit the degree of flexibility in existing management frameworks.

Source : Froy, Giguère, Pyne and Wood, forthcoming

In terms of Irish government-led responses to the crisis, Ireland has not had a significant stimulus package and the requirements of EU/IMF repayments process have put tight restrictions on future spending expansions. Historically, Ireland's spend on passive labour market policy has been high compared to active supports⁴ and the scale of the crisis has necessitated significant service reconfigurations to promote active labour market policy. In addition, the scale of the growth in unemployment has put services for those at greatest risk of labour market exclusion under major pressure. Ireland has developed a Jobs Initiative Programme as an active labour market policy response. The programme addresses employment demand through continuing to focus on attracting foreign direct investment through low corporate tax rates as well as focusing tax incentives for prioritised sectors including tourism and research and development. Alongside this programme, an ambitious national and local reconfiguration of employment and welfare supports and services is underway along with system improvements in profiling of individual needs. A range of activation programmes have also been introduced including tailored third level education initiatives, internship programmes and work experience programmes in the community and voluntary sector in which participation is incentivised. These activation measures have been funded through a levy on pension schemes (Pobal, 2011).

It is necessary to continually review the supports and services in place for unemployed jobseekers to assess their level of success (NESC, 2011). For example, criteria for those eligible for employment and training programmes offered by public employment services may restrict accessibility at the local level. An OECD LEED study asked local labour market offices if there are "vulnerable groups that you are not able easily to work with?", (e.g. immigrants, the low-skilled, homeless people, older workers, those already in employment). An average of 79% of offices said

4. The only years in which Ireland spent a higher proportion of expenditure on active measures were 2000 and 2001 (ESRI, 2011).

yes. This suggests a need to further develop schemes which specifically target those people who “fall through the gaps” of other programmes (Froy, Giguère, Pyne and Wood, forthcoming).

Area-based and targeted policy interventions

High levels of long-term unemployment amongst the most vulnerable groups are often concentrated in particular communities, particularly those with significant levels of deprivation. In such communities, complex issues frequently combine to produce multiple disadvantages. Examining and tackling long-term worklessness in terms of its spatial distribution can offer insightful analyses and ensure a better understanding of the contributing factors. Local area-based approaches have been an important feature of many policy and strategy responses to tackling social exclusion and reducing unemployment. Accordingly, it is valuable to draw on experiences and compare strategies in order to identify what works, and what does not work within area-based approaches (OECD, 2011d). It raises a series of challenges to public agencies to identify and target actions to meet these needs, which may have significant local variations. On what should they focus? What should be the balance between hard inputs (such as physical infrastructure changes) and soft inputs (such as education and capacity building)? Who are the stakeholders who should be involved, and how should they best be governed? What information and data is required to make them a success?

Given the diversity of individuals who confront long-term unemployment, their different needs will require varied responses. Thus, area-based approaches may need to be accompanied by those which focus explicitly on people who are long-term unemployed and from vulnerable groups, and that acknowledge their diverse backgrounds and specific needs. For example, ex-offenders confront specific challenges when seeking to access the labour market. Given the absence of a single policy response that can tackle the contributing factors leading to long-term unemployment, it is necessary to ascertain which set of policy intervention tools are more suitable in varying circumstances. For example, is it more beneficial to offer targeted interventions specifically designed to assist those who are long-term unemployed rather than mainstream interventions accessible to all who are out of work? Should targeted interventions be further broken down to tackle the sub-groups within this, such as youth, ethnic minorities, those from impoverished backgrounds and lone parents? It is important to link area-based approaches and targeted policy interventions (OECD, 2011d).

Investing in local skills supply and utilisation

The downturn has highlighted the fact that some local labour markets are more adaptable than others in response to external trends, and the vulnerability of low-skilled workers who have been more prone to lose their jobs as they become “expendable” to local employers. In order for all communities to be more adaptable, it is important that tomorrow’s workforce is equipped with high-level generic skills (e.g. the ability to analyse, problem solve, communicate well, be creative), so that individuals can transfer between sectors and innovate. This requires strong investment in early years and school-age education. At the same time, local people need to be able to access local employment and training systems throughout their working lives to adapt to new and emerging skills requirements through flexible systems of “life-long learning”. Policy makers are increasingly seeing the value of investing in broad local skills strategies, involving a variety of different local partners. A review of local practice in OECD countries, *Putting in Place Jobs that Last* (Froy, F. and S. Giguère, 2010), showed that in addition to investing in school age education, balanced local skills strategies often focus on three main types of action:

- **Attracting and retaining talent:** e.g. invest in local quality of life, promote diversity, develop universities and training institutions, market localities, provide incentives for returning migrants;
- **Integrating disadvantaged groups into workforce development systems:** e.g. set up outreach training centres, establish alternative forms of learning, set up support mechanisms to improve retention, provide career advice, provide specific support for immigrants;
- **Upgrading the skills of the low qualified:** e.g. customise training for local employers, develop career clusters/career ladders, establish business-run training centres, set up centres of excellence and innovation partnerships, encourage businesses to provide career planning.

In response to the economic downturn, many local communities are currently placing an emphasis on increasing the quantity of jobs available locally and by addressing demand side issues. However in the longer term, a greater focus on the quality of local jobs is also needed. Employers need to better utilise the human resources available to them, raising job satisfaction and incomes at the same time as boosting local productivity. Local agencies can contribute to this process by using a number of different policy instruments, such as incentives for employers to invest in new technology and the promotion of more effective forms of work organisation. Working with intermediaries is particularly important here, as is developing joined up strategies and governance mechanisms that encourage a focus on both the supply and demand for skills.

What is more, addressing long-term unemployment should be seen within a wider context which prioritises and values inclusive local development and supports it by ensuring that all have access to opportunities. Actions by national government have been matched by actions to invest in skills at the local level and there has been a strong regional and local dimension in a number of areas such as better job-people matching services, investing in education and training, and business support to raise productivity (Froy, F. and S. Giguère, 2010).

Boost labour demand: Promoting entrepreneurship and building SME capacity

The vital contribution of SMEs and entrepreneurship to job creation and productivity growth is widely recognised. Across the OECD area SMEs account for approximately 99% of all enterprises and two-thirds of employment. Between 1-6% of employment was generated by new firm creation across a range of countries, while high growth enterprises play an even stronger role. SMEs lost fewer jobs than large firms in past recessions, and in the current crisis employment in SMEs has continued to hold up better than employment in larger enterprises in several countries (OECD, 2011e). The change in economic circumstances for many OECD countries has led to a redoubling of efforts to promote new enterprise establishment and equip existing SMEs to flourish in the recovery.

Success in enterprise creation is underpinned by access to capital and a comprehensive set of skills and competencies among entrepreneurs. Due to the crisis, access to capital remains one of the most significant challenges for the creation, survival and growth of SMEs. Strategic and small business management skills and entrepreneurial traits can be instilled by appropriate policies in vocational education, university and continuing professional development. Entrepreneurship training is a rapidly developing policy field with strong potential for learning from other areas, but it is important to focus on the real needs of entrepreneurs, which extend well beyond traditional business planning and accounting skills (OECD, 2011e). Social entrepreneurship is also gaining momentum as a contributor to economic development and social inclusion objectives.

Local partnerships and collaborative responses

The challenge of reducing long-term exclusion from the labour market and raising skills levels has many faces and requires a joined-up approach between key agencies. The delivery of employment and education and training services to support the long-term unemployed rests with a range of different actors, including central and local government, NGOs and commercial providers, as well as other public bodies. Interaction with providers of key non-labour market services including health, housing and debt management are sometimes as important as interactions with traditional employment services in delivering successful employment outcomes.

Successful collaboration requires partnership and a unified approach. Most of us are familiar with the policy “silos” which exist at the local level. 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. Synergies between different actions go unexplored and local resources go unexploited. Agreeing on a reduced, joint set of priorities requires negotiating trade-offs, synergies and necessary sacrifices, and 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 are likely to give priority to their own targets instead of those set collectively. In particular, an exodus of skilled workers, a diminishing workforce and the loss of young people seeking work elsewhere nationally or abroad, can become the “burning platform” providing an incentive for greater cooperation. Talent loss, often disproportionately experienced in rural areas, requires key players to examine the underlying context and the challenges they face, and to come up with a joint vision and strategy. For example, by developing existing knowledge bases, expanding successful sectors and creating regional business clusters, and promoting entrepreneurship.

Box 7. Activation methods to counter Irish emigration

Emigration among Irish nationals continues to rise sharply, moving from 27 700 to 40 200 in the year prior to April 2011 (CSO, September 2011). Ireland’s emigration rate is the highest in the European Union, almost double that of the country with the second highest – Lithuania (Eurostat, 2010). Whilst emigration has always been a part of Irish history, this is a significant change from pre-recession Ireland when immigration to meet employment demand was a key characteristic of the Celtic Tiger economy. Whilst unemployment is not the sole driver of emigration and short-term emigration can benefit the sending and receiving economies, the lack of jobs (particularly for younger people) is contributing to the decision of many to emigrate. A unique characteristic when compared with emigration in the 1980s are the number of skilled workers draining from the country.

The Irish Government has established activation measures to provide opportunities at home and stem the flow of emigration. Skills forecasting information has been used to inform funding of third level education programmes targeted at those who wish to re-skill or up-skill. An internship programme providing work experience and skills training has been developed to give people on the job experience and provide potential access routes into work and is currently being piloted.

Source : Pobal, 2011

The challenges brought on by entrenched long-term unemployment and labour market inactivity are complex and require a joined-up and holistic approach at the local, regional and national to be resolved (OECD, 2010d). Policy integration is not easy. A study by the OECD examined the factors which can ensure that localities overcome the challenges associated with achieving policy integration. It found that five factors in particular play a critical role in enabling or restricting policy integration locally: National co-operation: Local governance: Labour market conditions, Capacities and Flexibility. Of these, it found that flexibility was identified as having the highest influence of all the factors on policy integration at the local level. This flexibility in the management of policy includes flexibility

in programme design, financing, being able to define target groups, the freedom to set goals and performance management at the sub-regional level, to decide on collaboration locally, and the ability to decide to outsource services. Whatever the degree of co-operation and partnership working between stakeholders, it has limited ability to produce change if organisations do not have the flexibility to adapt their policies and programmes according to the criteria above to meet the agreed priorities (OECD, 2010d).

Increasing the incentives for investment

In the context of the downturn, many countries are being forced to reduce public deficit and minimise expenditure. There is a need to draw upon a wide-range of funding sources in order to create and sustain inclusive local economic development. It is important to think of innovative mechanisms to finance support for long-term unemployed people getting back into the labour market in such an economic climate. How can innovative sources of financing best be exploited? The social economy and private sector (venture philanthropy) can play an important role in social cohesion and improving employment prospects for people who are more vulnerable to unemployment. However, there are weak incentives in place for private investment in deprived communities. A critical aspect of this will be to examine what financial incentives for organisations can be created to get the longer-term unemployed back into work.

Discussion points

- **To what extent should interventions be targeted at the disadvantaged?**
- **When is the best point for intervention to prevent long-term unemployment?**
- **With reduced public resources, what financial incentives for organisations can be created to get the longer term unemployed back into work?**
- **How can skills be better matched with demand? Is it possible for policy makers to influence employer ambition and improve the way that skills are used?**
- **Access to financing for SMEs is likely to remain an issue even when recovery is widely established. Looking beyond the recent crisis, what support might be appropriate?**
- **What are the key barriers to collaborative work between stakeholders at the local level and how can these be removed?**

JOB CREATION THROUGH THE SOCIAL ECONOMY

Whilst the social economy is in no way a new phenomenon, the past decade or so has seen a significant growth both in the sector itself and in the interest of policy makers in the role the social economy has in addressing difficult and complex social problems. Comprising as it does organisational forms such as co-operatives, social enterprises, mutuals and associations, the very term “social economy” seeks to capture the social and economic elements inherent in such organisations. Rejecting the maximisation of profit for its own sake, social economy organisations seek to be economically viable whilst tackling social problems or by meeting unmet social needs, such as through the provision of goods and services. Indeed, it is important to recognise the size and scope of the social economy. According to the European Union, 10% of all businesses within the EU are social economy organisations which employ more than 11 million people, that is, some 6% of the entire working population. Internationally, the International Co-operative Alliance notes that co-operatives employ more than 100 million people, some 20% more than multinational enterprises. Such data emphasises that the social economy is not a minor economic actor.

The ability of the social economy to address complex, multi-faceted issues has been widely acknowledged and indeed this recognition has, arguably, contributed to the increased policy interest in the social economy. However, it is important to see the social economy as more than an instrumental device for tackling complex social problems as such a perspective overlooks the wider potential of the social economy to create and maintain greater levels of social cohesion, to increase participation within communities and to contribute to the economic growth. This means that social economy organisations have a powerful role to play in local development processes. Furthermore, the positive impact of the social economy should be seen as extending beyond those whom it directly serves. OECD LEED work has highlighted the way in which cohesive communities are more resilient to economic shocks, and are more able to seize economic opportunities when they do come, and so the ability of the social economy to enhance social capital within a locality should be seen as a specific contribution to that capacity.

Job creation and the social economy

In recent years, the social economy has grown and new entities, such as social enterprises, have emerged in response to changes in the provision of welfare and the increased role for the non-profit sector. The social economy’s ability to address complex social issues and contribute to job creation lies partially in the way in which social economy organisations are embedded in local communities. Social economy organisations operate mainly at the local level, and are rooted in local communities, relying on, and contributing to, the development of formal and informal networks of people, knowledge and resources. The potential comparative advantage of the social economy in combating labour market exclusion therefore lies in two distinct areas. Firstly, as many social economy organisations have local roots and an in-depth knowledge of the territory, they are better able to recognise and address local needs, and, crucially, to engage with “hard-to-reach” people who may be otherwise unwilling to involve themselves with government agencies. Secondly, the social economy organisations have the potential to be conduits for greater participation, acting as advocacy and empowerment organisations for users, and helping to raise awareness and understanding of the needs of, for example, groups who confront discrimination and hostility within society.

Actors seeking to tackle the complex dynamics which underpin long-term unemployment are presented with difficult challenges. Addressing such complexity and the multiplicity of problems which frequently accompany long-term unemployment requires policies that not only seek to increase access to economic opportunities, but also address wider social difficulties that contribute to labour market exclusion. Such policies can, for example, address education and training short-falls for both young people and adults, as well as the provision of employment opportunities for those who experience difficulties accessing employment as a result of long-term unemployment, poor skill levels, health problems or disadvantage due to disability. They can also contribute to incorporating older people into economic activity, thereby addressing the challenges of ageing populations. The provision of such opportunities can also help individuals to gain the “soft skills” needed to move back into employment, such as by increasing self-confidence.

The social economy is diverse and organisations undertake a range of activities, from providing goods and services of general interest, through to the provision of social services. An important area of activity for the social economy has been in the area of job creation either as a core organisational objective, or as a part of wider activities. As the example of Duhallow Community Food Services Ltd in Cork, Ireland, demonstrates, social economy organisations can combine their core activities, in this case providing meals to older people, with the creation of jobs for local, disadvantaged workers.

Box 8. Duhallow Community Food Services Ltd. (Ireland)

Duhallow Community Food Services Ltd. was established in 1997 and provides meals to older people in the Duhallow area of Cork. The preparation and sale of bakery goods for private retailers, alongside catering activities, provides additional income which is used to support the organisation’s work. Whilst focused on preparing and delivering affordable meals, the organisation also provides employment and training opportunities to disadvantaged individuals. This has not been transition employment but rather, through the support of the Community Services Programme, administered by Pobal, individuals who have received training have been able to be retained within the organisation. This is positive both for the Duhallow Community Food Services Ltd. and for the local community, as jobs have been created which would not have been otherwise.

Source: Department of Community, Rural and Gaeltacht Affairs/Pobal (2009) Case Studies on Social Enterprise Providing Services to Older People.

Another example of an organisation fulfilling a range of different roles is ŠENT, a multi-organisational structure based in Slovenia, which provides a range of activities, including transitional employment and work integration opportunities, alongside the provision of care to those with mental health problems, as well as awareness raising activities to improve the perception of people with mental health problems.

The diversity of activities which can take place within an organisation highlights that importance of not adapting a “one-size-fits-all approach” when considering the way in which social economy organisations are supported. The creation of skilled employment opportunities in social economy organisations providing goods and services of general interest will require different support mechanisms than social economy activities which specifically target job creation amongst vulnerable and disadvantaged groups, such as through transitional work integration. In the latter case, such support mechanisms, including finance, need to take into account the difficulties which arise when an organisation provides training and skills development to those who may be lacking them, alongside developing markets for their goods and services. Accordingly, a short-term subsidy may be insufficient to create sustainable jobs. This is particularly apposite for some groups, such as ex-offenders and recovering addicts, who may confront deeply rooted difficulties in accessing the open labour market and for whom transition may be a very long process.

Box 9. ŠENT – Slovenian Association for Mental Health (Slovenia)

This non-profit association was founded in 1993 with the aim of assisting the social inclusion of people with mental health problems. It has a wide range of activities to assist the rehabilitation of those suffering from mental health problems, and facilitate their social inclusion in the labour market. Thus, its programmes of activities include: health and social care, education, consultancy, public relations about mental health, and work integration.

The ŠENT Association is a multi-organisational structure employing around 80 people with about 80 volunteers, and covering an impressive range of activities with a commitment to strong values: mutual support, social solidarity, inclusiveness and non-discrimination, improvement of care, and respect for mental distress and the rights of the individual.

It comprises a network of seven regional community mental health centres with residential groups, conducting programmes all over Slovenia. It has 12 Day Centres (counselling, workshop, and social networking activities), and a unit to support the housing needs of its target group, as well as a unit for educational programmes for the public and for families/relatives (providing support, advocacy against prejudice, and the promotion of human rights of the mentally ill). There is also a work integration programme that operates through four Employment Centres including Estate Razori, a social enterprise: Dobrovita Plus, and a specialist institute Sentprima for advising, training and rehabilitation of people with disabilities. And it collaborates extensively with a wide range of partners nationally and internationally.

Dobrovita Plus operates as social enterprise and was founded in 1994. It is run as wholly owned subsidiary: providing work integration through work maintaining green spaces in Ljubljana. Estate Razori, one of its four employment centres, is situated in the countryside outside Ljubljana and has been restored and now carries out eco-farming, psycho-social rehabilitation, and work integration by providing care services for the elderly.

Source: Study Visit to Slovenia undertaken by OECD LEED January 2010.

International experiences confirm the effectiveness of differentiated forms of funding, both in terms of amount and duration, which is based on recognition of the diversity of the social economy and its activities. Nor should recurrent funding for services performed by social economy organisations imply dependency. Rather such contracts for service between government and social economy organisations provide essential employment and integration services. For government, this is an investment in the public interest, not a subsidy, and should be viewed within the wider context of the short, medium and long-term costs associated with not addressing the needs of individuals and groups through the work of the social economy.

What does the social economy need to create jobs?

Exploring what is needed for the social economy to create jobs is central to the plenary session and workshop focusing on the social economy as part of the joint OECD LEED/Pobal Building Quality Jobs as Part of the Recovery conference. However, OECD LEED work in this area has highlighted how the social economy cannot create jobs, whether they be transitional or permanent, if it is not fostered and supported within appropriate policy, legislative and fiscal frameworks, indeed one which recognises the social economy as an important economic actors rather than merely a secondary labour market, and if the wider needs of the social economy are not recognised and addressed through the various stages of the an organisation's life cycle⁵.

5. Such issues will be explored in a forthcoming 2012 OECD publication, provisionally titled Improving Social Inclusion at the Local Level through the Social Economy.

Infrastructure: legal frameworks and support structures

Legal frameworks are an important tool, and one which contributes not only to the organisational form which social economy organisations may take, but also how they can undertake their activities. Whilst many OECD countries already have clear legal frameworks for co-operatives, associations and mutuals, this does not mean that they may not need alteration to take into account the range of activities which such organisations have evolved into undertaking. At the same time, social enterprises are a relatively new organisational form which may require a specific legal definition in order for clarity, such as through the identification of their objectives and duties, as well with regard to the regulation of the fiscal aspects of their operation.

Like any other business, social economy organisations need business and skills development support tools to nurture their creation and growth, albeit ones which recognise their unique objectives and the range of activities they pursue. For instance, the last decade has witnessed the development of numerous networks and other bodies that support the social economy during the start-up phase, such as the “Co-operative Enterprise Hub” in the UK with its network of advisors, and Dublin City University’s Ryan Academy Social Enterprise Virtual Incubator.

Financing

For social economy organisations to grow and consolidate their activities, they must have access to capital. Indeed, a diversity of financial tools is required which include debt, equity and quasi-equity instruments that correspond with the life-cycle of social enterprises, as well as the various financial needs of these organisations at each stage of their development.

New financial instruments and favourable environments for social enterprises are beginning to appear in most OECD countries, and as such, numerous interesting initiatives are being developed in the financial markets that explicitly seek to serve social economy organisations. The introduction of short-term, micro finance tools in many countries is necessary but insufficient alone to support the evolution and development of the social enterprise sector. The policy choices for governments are numerous. They include new regulations for financial institutions, legislation, credit enhancement (guarantees), and fiscal incentives for potential investors (such as tax credits).

Government can also enter into partnerships with social finance institutions or intermediaries as an investor or partner and can provide base-funding to social finance institutions either as start-up support or as on-going, recurrent funding, in line with the objectives of these institutions. Today, the need for social finance is met largely by a supply side approach where public policy targets potential investors. Of value in itself, it has to be co-ordinated with the demands of social economy organisations, since they emerge in different socio-economic contexts and experience multiple phases of development.

An interesting development in the financing area has been the introduction of Social Impact Bonds in the UK. Social Impact Bonds access non-government finance to fund programmes delivered by social economy organisations aimed at addressing complex social issues and investors usually receive a return based on the savings generated through the success of the intervention within a specified time limit. Social Impact Bonds help social economy organisations to overcome a lack of working capital which often hinders their ability to participate in contracts where the payments are based on outcomes, as well as leverage private financing which seeks to align social and financial goals.

Box 10. Social Impact Bonds: Reducing Re-offending (UK)

The first Social Impact Bond in the UK was launched in 2010, by Social Finance, a non-profit organisation, when it signed a contract with the Ministry of Justice. The bond focused on reducing re-offending levels amongst individuals leaving Peterborough Prison and raised five million pounds (GBP) for a five year programme to work with 3 000 offenders. Social economy organisations are providing programmes to individuals both within prison and after they leave, as well as to their families, in order to help them integrate and settle into their communities.

Investors will receive a return on their investment if re-offending rates are reduced by 7.5% when compared to a control group of similar short-sentence prisoners and if the reduction rate is higher, an increased return up to a maximum of 13% over an eight year period will be paid.

Source: www.socialfinance.org.uk

Access to markets

Operating on the market effectively is a challenge for any social economy organisations, and yet is critical to their ability to create and maintain jobs. As a result, policy measures to promote greater access to markets must address several needs and there are a number of policy solutions which can enhance such access. These include:

1. Strengthening managerial capacity: governments can support this strengthening by ensuring the provision of appropriate at management training whether it be by offering vocational programmes or by instituting such training programmes in intermediary organisations at the local level.
2. Creating a level playing field for SMEs and social economy organisations, particularly social enterprises: enabling policy measures for SMEs should be made available to social economy organisations, notably, social enterprises, who are engaged in market activity in order to be sustainable.
3. Procurement: government is a major purchaser of goods and services in all countries. These purchases are often made on the basis of least cost, but low cost purchasing does not necessarily correspond with the overall well-being of communities, and indeed may not be cost effective when a range of costs are taken into account. One means to increase the access to markets by social economy organisations that cannot compete with private sector providers on costs alone is to consider issues of social value as integral to the procurement process. This situation could be of significant benefit to government by contributing to the reduction of poverty and social exclusion through the procurement process.

Governance: Co-constructing policy and partnership working

Involving social enterprises and similar organisations in the development and co-construction of policy has been shown to make policy delivery more effective. Partnering with government is critical to the ability of social enterprises to meet their objectives. Previous OECD work shows that policy co-construction, involving non-government actors and stakeholder participation, and done horizontally as well as with a dynamic or “recombinant” concept of co-ordination across jurisdictions, provides a strong framework for policy coherence. The co-construction of public policy demonstrates positive outcomes in contrast to the limitations of a top-down programme approach. Policy development and innovation has to take place on at least three levels:

1. the creation of new horizontal spaces within government;
2. the development of multi-sectoral intermediaries in the social economy; and,
3. vertical integration of local, regional and national policy to develop a coherent policy framework with appropriate division of responsibility for each level of government.

Effectively, this calls for a dynamic and more circular approach to governance engaging all stakeholders in an on-going dialogue to assure policy effectiveness. It also combines the processes described above into an integrated

Box 11. Chantier de l'économie sociale (Québec, Canada)

In March 1996, a working group on the social economy was created in the context of a Summit on the Economy and Employment, convened by the Government of Québec. This group had six months to evaluate the potential of the social economy to contribute to sustainable employment and economic revitalisation. The innovative and dynamic capacity of the social economy identified by this working group led to the creation of the Chantier, with a two year mandate to develop a strategic plan for the social economy, identifying those sectors that could contribute to job creation, economic growth and social well-being. In 1999, the Chantier became a non-profit organisation to pursue its development of the social economy independently.

The Chantier de l'économie sociale is a network of networks of collective enterprises (co-operative and non-profit), local and regional development institutions/agencies and social movements. It is an example of distributed governance and social innovation. As an intermediary that negotiates with government on behalf of numerous organisations in a diversity of sectors of activity, the Chantier participates in the co-construction of public policy with government to enable the development of the social economy in Quebec.

Source: <http://www.chantier.qc.ca/>

Box 12. Québec government action plan for collective entrepreneurship

In 2008, the Ministry of Municipal and Regional Affairs and Territory (MAMROT) launched an action plan to develop the social economy across the province. This five year plan will provide actors in the social and solidarity economy concrete and adapted measures to respond to the needs of communities in a sustainable manner. The following are among the actions proposed by government:

Annual support of CAD (Canadian Dollars) 650 000 for the Chantier de l'économie sociale, representing an increase of approximately 45% in the support given to this network.

Creation of a fund to promote initiatives in the social economy by committing CAD 100 000 for knowledge mobilisation on the social economy.

- **A fund of CAD 850 000 to support innovative projects in the social economy on the Island of Montreal (urban).**
- **Modification of the law on associations and non-profit organisations.**
- **Measures to facilitate the inclusion of youth, aboriginal communities and new immigrants into the social economy.**
- **Support for social and solidarity economy enterprises in the cultural and community media sectors.**

To assure the implementation and follow-up of these measures, the Ministry emphasises its commitment to horizontal collaboration and "concertation" between government representatives at all levels and regional and local actors. To achieve this, the government has created an inter-ministerial committee and a technical support group that brings together those engaged in the social economy.

Source: www.mamrot.gouv.qc.ca/regions/regi_econ_plan_acti.asp

system of social innovation. A positive example of such a dynamic approach to policy co-construction can be seen in Chantier de l'économie sociale in Quebec (Canada) and the Quebec Government's Action Plan for Collective Entrepreneurship.

Whilst the need to co-construct policy is clear, at the same time it is important not to underestimate the value of partnerships between the public and private sectors, and the social economy. Particularly in terms of labour market re-integration programmes, it is becoming clear that partnerships between social economy organisations and the private sector can make a valuable contribution to individuals entering or re-entering the labour market. In Trento, Italy, the importance of such partnerships can be seen in certain social co-operatives that provide training and guidance to those, such as disabled people, who require extra support to enter the labour market. Work experience is gained within the social co-operative before the individual takes employment in the private sector, with the social co-operative continuing to play a supportive, mentoring role. Thus, these links between the social economy and the private sector can be seen as having a critical role in encouraging insertion into the labour market and ensuring its medium- and long-term success.

Conclusion

The challenge for policy makers is to work with social economy organisations, and their representatives, to develop the tools needed which will enable social economy organisations to flourish and to fulfil their role not only in meeting social needs and tackling difficult and complex social issues, but as important economic actors. By exploring together what social economy organisations need in order to enable them to create jobs, it is anticipated that both policy makers and social economy organisations will develop a better understanding of each other.

Discussion points

- **What are the positive attributes which the social economy has that enable it to contribute to overcoming labour market exclusion?**
- **What are the factors which contribute and hinder the job creation potential of the social economy?**
- **What types of support does the social economy need?**
- **What are the features of the effective enabling environment required for the social economy to fulfil its potential?**

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