Better Use of Skills in the Workplace

WHY IT MATTERS FOR PRODUCTIVITY AND LOCAL JOBS

OECD

International Labour Organization

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Preface

There are both economic and social reasons to look at how to better use skills and talent in the workplace. Workers who better use their skills are more likely to have greater job satisfaction, earn better wages and are more prepared to adapt to changes in the nature of work. Employers benefit from a more productive and innovative workforce, enabling them to maximise business performance and profitability. Despite these potential benefits, workers across the OECD report that their skills are not fully utilised in the workplace. This gap represents a drag on local economic development placing downward pressure on job quality as well as economic diversification opportunities.

Skills utilisation concerns the extent to which skills are effectively applied in the workplace to maximise employer and individual performance. As such it involves a mix of policies including work organisation, job design, technology adaptation, innovation, employee-employer relations, human resource development practices and business product market strategies. It is often at the local level where the interface of these factors can best be addressed. Policies which aim to improve skills use in the workplace can help address the multi-faceted challenges many local economies are facing and contribute to national productivity and inclusive growth objectives.

Through case studies of eight OECD and non-OECD countries, this joint publication from the OECD and the ILO explores programme examples which aim to promote a higher level of skills use in the workplace. The examples highlight why there is a need to build policy coherence across employment, skills, economic development and innovation policies. It also highlights the need to ensure that the issue of skills utilisation is built into policy development thinking and implementation.

The increasing recognition of the importance of better using skills reflects a new approach to conceptualising and designing local employment and skills strategies. The OECD and the ILO remain committed to delivering high quality analysis which aims to embed skills analysis into economic development planning to deliver more inclusive local development.

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Foreword

The OECD has recently affirmed the importance of increased productivity and continued economic growth as means of providing the best opportunity to raise the prosperity and well-being of people. Skills represent the great equalizer and provide a critical route out of poverty and inequality for many individuals. However, traditional approaches to skills have focused on supply as a means of boosting overall local economic development. Skills utilisation approaches represent a new way of thinking about public policies, moving away from traditional supply side approaches to focus on how to better work with employers to raise the quality of jobs at the local level and provide employees with more autonomy to create innovation in the workplace.

This report has been prepared by the Centre for Entrepreneurship, SMEs, Local Development and Tourism (CFE) of the Organisation for Economic Co-operation and Development (OECD). It is part of a project undertaken in co-operation with the United Kingdom Commission for Employment and Skills (UKCES), the Australia Department of Education and Training, and the International Labour Organization (ILO). This project is coordinated by Jonathan Barr (Head of the Employment and Skills Unit, OECD LEED Programme) as part of CFE's Local Economic and Employment Development (LEED) Programme under the direction of Sylvain Giguère, Head of OECD LEED Division.

The report was prepared by Anna Rubin (OECD), Jonathan Barr (OECD), Angela Attrey (OECD) and Paul Comyn (ILO). Johnny Sung (Institute for Adult Learning, Singapore) and Chris Warhurst (Warwick University) contributed to Chapter 1. The case studies were drafted by Peter Totterdill (UK Work Organisation Network, United Kingdom); Johnny Sung (Institute for Adult Learning, Singapore); Susan Crandall (University of Massachusetts, United States); Myung Sook Jun (Chonnam National University, Korea); Phung Trong Hieu (International Labour Organization); Damian Oliver (NSW Skills Board, Australia); Enrique Fernández-Maldonado Mujica (Pontificia Universidad Católica del Perú, Peru); and Mary Ann Mendoza (International Labour Organisation).

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Executive summary

OECD countries face two intertwined policy challenges: a long-term decline in productivity has occurred over the last two decades, while the gains in economic growth have increasingly accrued to those already at the top of the distribution of income and wealth. The impacts of this phenomenon are felt most at the local level, where economic welfare and well-being outcomes re-inforce each other. In response, skills have emerged as a key policy solution. Promoting the increased use of skills can help employers move towards higher value-added employment and maximize business performance. More productive jobs tend to be of higher quality and have higher wages, thereby improving social and economic outcomes at the local level.

Policy makers have largely focussed on boosting the supply of skills, namely the number of people with vocational or academic qualifications. Relatively little policy attention has been paid to the use of skills in the workforce and the alignment between the competences of workers with the needs of the business. This is despite evidence from the OECD indicating that surveyed workers report not maximising in their use of literacy and numeracy skills in the workplace.

Promoting increased skills utilisation requires a new response at the local level. Part of the response falls within the traditional purview of public policy, including programmes to boost innovation and vocational education and training. Another critical factor involves working more directly with employers to look at issues related to work organisation, job design and human resource development practices. This requires a move away from policy silos, which can build up at the local level, to bring together employment services, training policies, economic development organisations as well as innovation programmes.

This joint OECD-ILO report provides a comparative analysis of programme examples focusing on improving skills use in the workplace across eight countries. The case studies provide insights into the practical ways in which employers interact with government services and policies at the local level. The following key lessons and recommendations emerge from this report:

Key lessons and recommendations

Skills utilisation should be identified as a priority across policies in addition to being the focus of targeted local interventions

Issues related to skills use are not systematically identified as a policy priority. Policy makers at the local, regional and national levels should articulate skills use as a strategic policy priority and consider what types of incentives are required to better engage employers in examining how they could more effectively use the skills of their employees. The case studies from Singapore, Vietnam, and Peru highlight the ability to use financing

models (e.g. grants and tax credits) to incentivise the increased use of skills in the workplace.

Leadership by employers and high levels of employer and worker engagement is required

For change to occur in workplaces, employers must have significant buy-in and investment in the benefits of prioritising and developing human resources. While public interventions can help to incentivise actions by employers, workforce development must be a functional part of an enterprise's business model in order to be sustainable in the medium- to long-term.

The most successful changes that occur at the enterprise level are often industry-led, particularly by employer groups or chambers of commerce. Workers and their representatives are also valuable partners in efforts to raise labour productivity and skills utilisation in the workplace. The case study from Australia in this publication highlights the importance of leadership from employer representative bodies to ensure that workforce development activities are systematically embedded across an entire industry rather than a single employer.

Specialised, technical expertise is needed to get employer buy-in and affect change

Better skills use requires a number of intertwined local- and business-level considerations that are often outside the traditional portfolio of public policies, therefore it can be helpful to work with an anchor institution or brokers at the local level that have specialised technical expertise to offer to employers on work organisation, job design, human resource development practices. Such organisations include vocational education and training institutions, sector councils, human resources consulting firms and other business associations. Unions are also natural partners in improving the quality of employment at the local level. The case studies from the United Kingdom and the United States demonstrate the importance of have specialised technical expertise to affect workplace and management changes.

Initiatives should be strategically targeted to SMEs in order to maximise effectiveness and efficiency

Public programmes should be strategic in their efforts to effect change at the workplace level, but trade-offs may exist between effectiveness and efficiency. Public procurement can be used to help firms think over the long-term, requiring a certain level of working conditions and a certain commitment to training. SMEs, particularly those in low-wage sectors, have the most to gain from the shift to higher value-added production but they also often lack the capacity to fully engage in the holistic work required to achieve this goal. The specific needs of SMEs may require specialised targeted supports to ensure that they can benefit from setting up partnerships for the sharing of innovations and new technologies. The case study from Korea demonstrates the potential of using supply chain management practices to support SMEs in developing workforce innovation programmes.

Multi-faceted interventions are needed – both at the level of workplaces and local economies

The degree to which skills are used effectively is a function of a wide variety of factors both internal and external to the workplace. Consequently, successful interventions must

consider bundles of management practices as well as the links between product market strategies and skills. Integrated approaches that consider training, employment and economic development priorities can also help to improve the business case for investing in the skills and potential of workers. For local employment services, this may include changing performance management systems to look at both the quality and quantity of job matches. For training providers, this means working more closely with employers to move away from just boosting the supply of skills. For economic development agencies, this means also focusing on the quality of jobs when attracting inward investments. Lastly for innovation policies, this means not just focusing on large R&D opportunities but also incremental innovations that can be achieved in the workplace.

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Chapter 1

Policies and practices for improving skills utilisation locally

This chapter highlights why it is increasingly important for policy makers to focus on demand-side skills policies. Traditional supply-side approaches often overlook how employers are using skills in the workplace, which can undermine productivity and growth and weakens the demand for skills. Across the OECD, many countries are dealing with stagnant productivity growth while inequalities are simultaneously rising across a number of key employment and social measures. Policies to better use skills can create the conditions for enterprise growth and new economic opportunity and development but they remain under-developed across many countries. This chapter also highlights a number of areas, where policies can be targeted for better results on the ground.

Introduction

Countries across the world face a set of intertwined policy challenges. Across the OECD, labour productivity has steadily declined over the past two decades, a trend that has also spread to emerging economies. In parallel, inequalities have continued to deepen both within and between places, as economic welfare and well-being outcomes reinforce each other (OECD, 2014). Urban areas continue to capture the majority of the gains of economic growth, while less dense places are increasingly being left behind (OECD, 2016a). The pattern of production also increasingly favours the wealthiest people. The share of income accruing to the top 10% of earners in the OECD area is now almost 10 times that of the bottom decile, an increase of over 40% since the mid-1980s (OECD, 2016b).

Given the megatrends impacting economic growth, such as urbanisation, rapid technological changes, an ageing workforce as well as increasing labour market polarisation, skills have emerged as a key priority for policy makers. To date, governments have primarily engaged with the issue of skills from the supply side – namely, focussing on the need to improve the number of people with post-secondary academic or vocational qualifications. However, there is an increasing recognition that policy makers must also engage with the issue of skills from the demand side. This involves understanding the nature of the skills demanded by employers and the optimal utilisation of those competences in the workplace.

This increasing focus on skills use reflects a contemporary approach to holistic design of economic development and labour market policies, including the consideration of issues outside the traditional purview of policy makers. As noted by the ILO, an international, national and regional strategy based on improved quality and availability of education and training can engender a 'virtuous circle' in which skills development fuels innovation, productivity increases, enterprise development, technological change, investment, diversification of the economy and competitiveness (ILO, 2008).

Across many places in the OECD and around the world, there is considerable diversity to the degree to which employers value and utilise the skills of their employees. There is a broad distinction between employers that pursue "high road strategies", where employees and the skills that they possess are viewed as an integral part of a business's competitive advantage, or "low road" strategies, where labour is considered a commodity and workers are seen as a cost to be minimised. A recent analysis of the performance of local labour markets across the OECD found that the percentage of sub-regions in a position of low skills equilibrium is uncorrelated with national labour market performance (OECD, 2016a). While "low road" and "high road" strategies can deliver good labour market performance in terms of unemployment and labour market participate rates, a low-road strategy will expose workers to different risks at the local level, hampering potential innovation and R&D opportunities.

There are a series of internal and external factors that influence the decision of firms about whether to pursue high or low road employment strategies. These strategies can become self-reinforcing not only at the level of individual workplaces, but also within

national and local economies. This is a significant policy issue for policy makers at all levels, in a global context where disparities in social and economic outcomes are fundamentally linked. In general, boosting productivity and economic growth without sacrificing job quality can only be secured by getting more employers onto the "high road". This require the creation of more and better jobs that make full use of highly-skilled workers, while also improving the quality of jobs held by low-skilled workers.

Box 1.1. **Looking beyond the jargon: What is skills utilisation?**

Despite an increasing amount of literature generated in the last 15 years, there is no commonly agreed definition of skills utilisation (Payne, 2010). At its core, skills utilisation refers to the way that employers use the skills of employees in the workplace, and the alignment of the competences of workers to the demands and needs of the business.

A working definition of skills utilisation developed by CFE (2008) on behalf of the Scottish Government is "skills utilisation is about ensuring the most effective application of skills in the workplace to maximise performance through the interplay of a number of key agents (e.g. employers, employees, learning providers and the state) and the use of a range of human resources, management and working practices. Effective skills utilisation seeks to match the use of skills to business demands/needs."

A variety of terms have been used to conceptualise the better use of skills. Some of these concepts are normative while others are more descriptive. The list below provides several examples of how these issues are generally discussed.

- **High road vs. low road employers.** Economic development professionals and advocates for low-wage workers often refer to high road vs. low road employers. In their study of low-wage work in the Netherlands, van Klaveren (2008) identifies four aspects of firm strategies that distinguish between high and low road firms: 1) product market strategies (focus on high value-added, high quality production and services vs. low-cost, low quality; 2) work organisation (enhanced forms of work organisation versus traditional, strict divisions of labour); 3) human resource policies; and 4) job quality.
- **High performance/high-involvement working.** A considerable body of evidence looks into HR practices known as high performance or high-involvement workplaces. High performance working practices are bundles of activities that include both aspects of work organisation (e.g. team work, employee autonomy, task discretion, mentoring, job rotation, and applying new learning) and management practices – employee participation, incentive pay, training practices and flexibility in working hours) (OECD, 2016a; Johnhston and Hawke, 2002). In general, there are two broad schools of thought within the literature: "high commitment management" emphasises the improvement of employee autonomy and intrinsic satisfaction, while ' high involvement management' focusses instead on the ability of employees to make decisions to improve production processes (Harley, 2005; Guthrie, 2001).
- **Organisational capital.** The economists Prescott and Visscher (1980) made early reference to what they called organisational capital. Black and Lynch (2005) identify three aspects of "organisational capital" that have a significant impact on productivity: 1) employer-provided workforce training 2) employee voice, especially in relation to decision making associated with the design of production processes and greater autonomy and discretion in work structure; and 3) work design, including the use of cross-functional production processes that result in more flexible allocation and re-allocation of labour in the firm. However, other researchers define organisational capital somewhat differently. For example,

Box 1.1. **Looking beyond the jargon: What is skills utilisation?** *(cont.)*

Youndt et al. (2004) define it as the institutionalised knowledge and codified experience residing within and utilised through databases, patents, manuals, structures, systems, and processes.

- **Organisational forms and learning dynamics.** Using the European Survey on Working Conditions, Lorenz et al. (2005) identified four types of types of organisational forms: 1) learning (e.g. high levels of autonomy, task complexity, learning and problem-solving and low levels of monotony, repetitiveness, and work rate constraints; 2) lean (e.g. strong learning dynamics and reliance on employees' contribution to problem-solving but low autonomy in work and tight quantitative production norms); 3) Taylorist (e.g. minimal learning dynamics, low complexity, low autonomy and constraints on the pace of work); and 4) simple (e.g. work organisation methods that are for the most part informal and non-codified).
- **Workplace innovation.** The term "workplace innovation" is commonly used in a European context. The Dortmund Brussels Position Paper on Workplace Innovation (2012) defines workplace innovation as a social process which shapes work organisation and working life, combining their human, organisational and technological dimensions. This participatory process simultaneously results in improved organisational performance and enhanced quality of working life.

Use of skills varies within and across countries

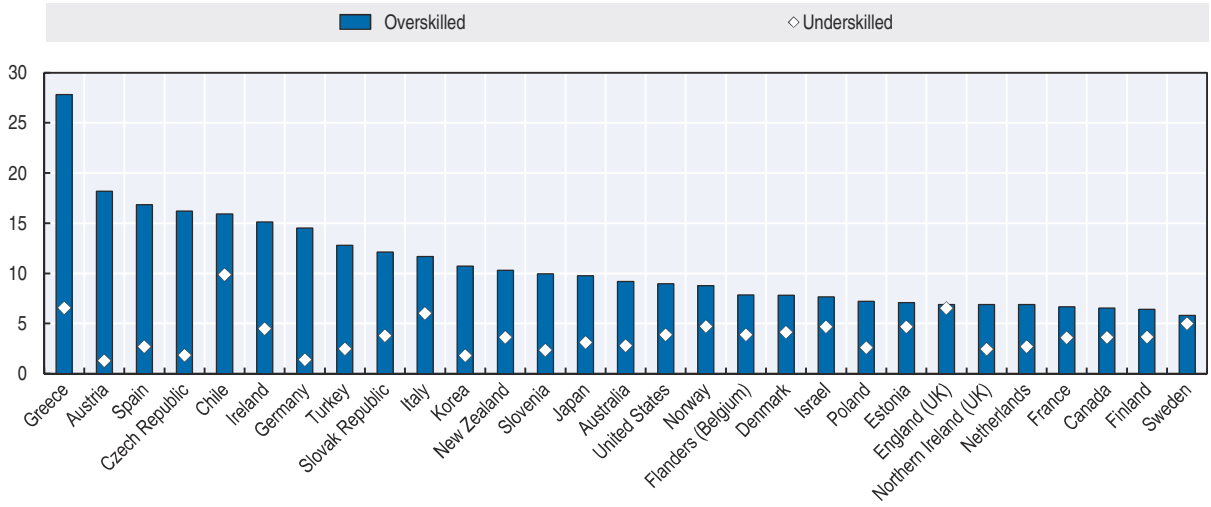
Evidence collected by the OECD through The Programme for the International Assessment of Adult Competencies (PIAAC) suggests that the extent to which skills are used in the workplace differs markedly across and within countries. Figures 1.1 and 1.2 show the percentages of workers that report that they are either over-skilled or under-skilled in their jobs. For literacy, the percent of workers who report being over-skilled ranges from 27.8% in Greece to 5.8% in Sweden. For numeracy, it ranges from 22.1% in Greece to 5.1% in the Netherlands. In general, more workers report being over-skilled than under-skilled in literacy and numeracy across the OECD countries surveyed.[1]

Skills mismatch is a broad term that can refer to a range of concepts (OECD, 2016c). A phenomenon that receives much public attention is the difference between the aggregate demand for and supply of skills in the labour market. Structural change in economies will impact employers and workers at the point of hire: workers may lack the skills they need to become employed and employers may face persistent vacancies. Skills shortages of this nature receive much attention but tend not to be extensive (Felstead et al., 2017).

Another form of mismatch is based on skills under-utilisation. This is based on the alignment of skills use to business demands and needs. In general, this form of "mismatch" is premised on the skills of hired workers exceeding the competences actually used in the course of their employment (Warhurst and Findlay, 2012). This phenomenon has many names, including "under-utilisation and under-employment", and "over-qualification" and "over-education" by those who use qualifications as a proxy measure for skills.

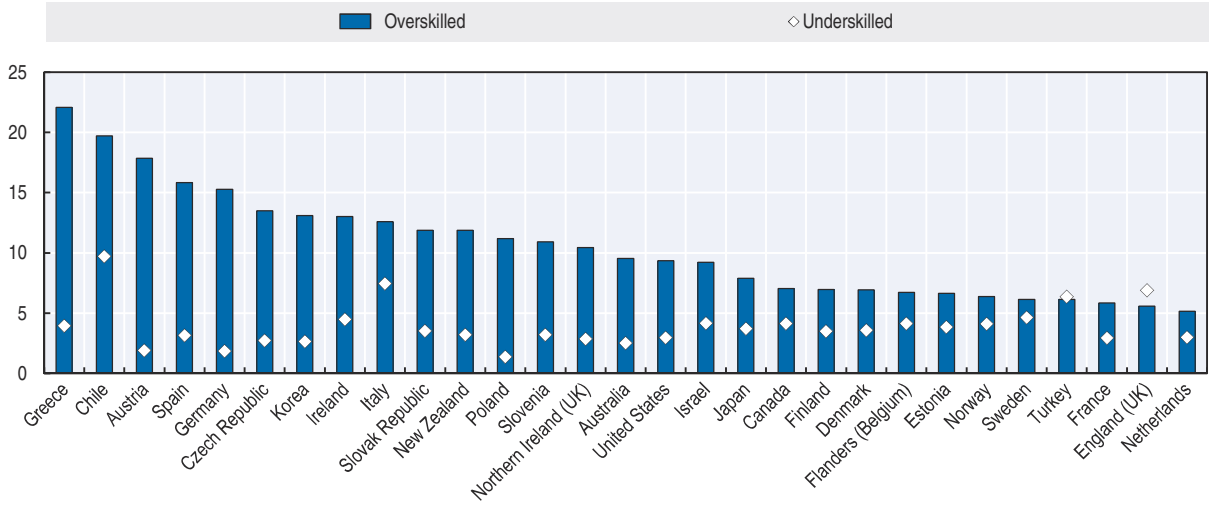
As noted in the section above, most workers surveyed in the PIAAC in most places report that they are over-skilled in their workplace use of numeracy and literacy. This is confirmed by other international studies. Studies of the United States note that skills under-utilisation impacts over half of employees (Vaisey, 2006). Livingstone (2017) notes three

Figure 1.1. **Skill mismatch in literacy across OECD countries**



Source: Survey of Adult Skills (PIAAC) (2012, 2015), adapted from OECD (2016d).

Figure 1.2. **Skill mismatch in numeracy across OECD countries**



Source: Survey of Adult Skills (PIAAC) (2012, 2015), adapted from OECD (2016d).

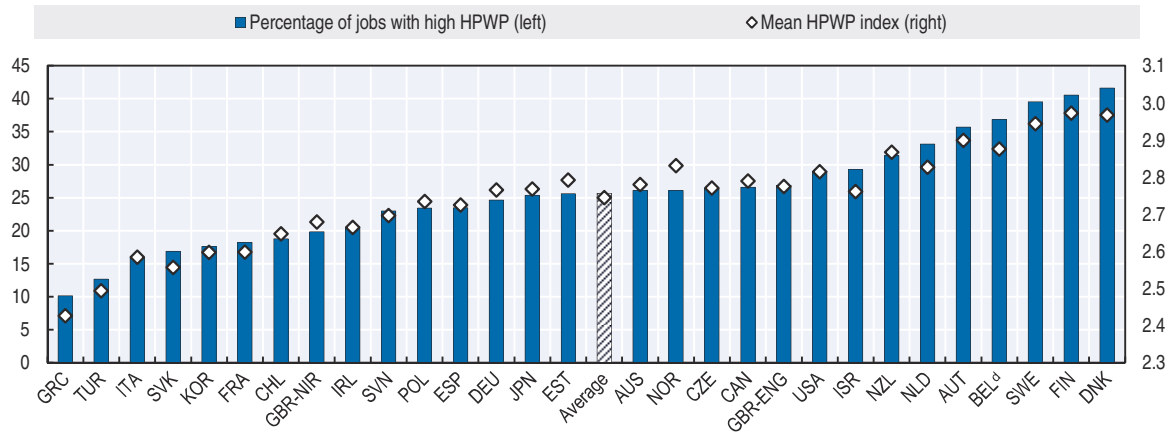
points about under-utilisation of skills in the workplace: namely, that it is widespread, persistent and relatively more common than skills shortages in the labour market.

Examining workplace practices often associated with higher levels of skills use can also provide useful indications of the degree to which skills are being put to good use. Data from the OECD PIAAC Survey shows considerable variation in the share of jobs characterised by high levels of high-performance work practices – from just over 10% in Greece to 42% in Denmark. Research and analysis conducted by the OECD demonstrates that there is a strong correlation between the prevalence of High-Performance Work Practices (HPWP) and skills use (OECD, 2016d).

HPWPs include aspects of work organisation and management practices; however they tend to be in large firms and not micro and/or small and medium-sized enterprises. OECD (2016d) found that high performance workplace practices are most common in large firms,

but that micro firms with 1-10 employees are actually more likely to apply these practices than firms with 11-50 employees. Many researchers have identified that SMEs may find it particularly difficult to put in place practices that make the most of their employers skills because of poor management or a lack of specialised HR function (Osterman, 2008; Warhurst and Findley, 2012). The level of impact of training provision in SMEs is highly dependent on the formal/informal approach to training, the type of training methods included and the staff group targeted, as well as factors such as the growth orientation of the firm, its sector and the institutional training background in the particular country. Consequently, some have argued that caution is needed when promoting HPWPs as a vehicle for better skills use, noting that the concept is too narrow to represent a centrepiece of a viable strategy (Keep, 2016).

Figure 1.3. **Prevalence of High Performance Workplace Practices**



Note: Data for Belgium corresponds to Flanders.
Source: OECD (2016d).

The challenge with much of the data and information that is available to policy makers on whether skills are being put to good use is that it is focused on the individual worker. Much of the data available focuses on whether an individual is well-placed within their job or company. Data on the different forms of skills mismatch tend to focus on measures of over- or under-qualification or over- or under-skilling. In contrast, firm-level measures of skills gaps and skills shortages are arguably more important to assess the level of skills utilisation (ILO, 2016).

Furthermore, available data do not tell policy makers much about overall local and regional performance, nor does it provide sufficient information on the perspective of employers. While more will need to be done to develop information on the employer perspective, the OECD has developed a typology to understand whether skills are being put to good use at the level of local economies. This analysis assesses the supply of and demand for skills at the local level (see OECD, 2014 for more information).

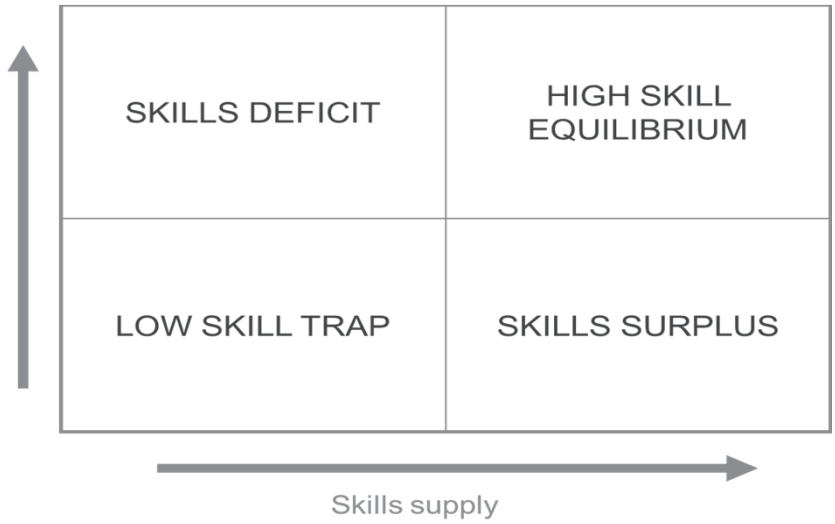
As shown in Figure 1.4, local areas can fall into one of four categories: 1) high skills equilibrium, where both the supply of and demand for skills is relatively high; 2) skills surplus, where the supply of skills is relatively high but the demand is relatively low; 3) skills deficit, where the demand is relatively high but the supply is relatively low; and 4) low skills trap, where both the supply of and demand for skills is relatively low. Figure 1.5 shows how this tool is applied in the case of France. Analysis of a broader set of countries is available in the OECD's publication *Job Creation and Economic Development, 2016* (OECD, 2016c).

Box 1.2. **Explaining the OECD's measurement of supply and demand at the local level**

The analysis is carried out at Territorial Level 3 regions (regions with populations ranging between 150 000-800 000). The supply of skills was measured by the percentage of the population with post-secondary education. The demand for skills was approximated using a composite index: percentage of the population employed in medium-high skilled occupations and GVA per worker (weighted at .25 and .75 respectively). The indices are standardised using the inter-decile method and are compared with the national median. Further explanations on the methodology can be found in Froy, Giguère and Meghnagi, 2012.

Source: Froy, F., S. Giguère and M. Meghnagi (2012), "Skills for Competitiveness: A Synthesis Report", *OECD Local Economic and Employment Development (LEED) Working Papers*, No. 2012/09, OECD Publishing. *http://dx.doi.org/10.1787/5k98xwskmvr6-en*.

Figure 1.4. **Measuring the relationship between supply and demand at the local level**

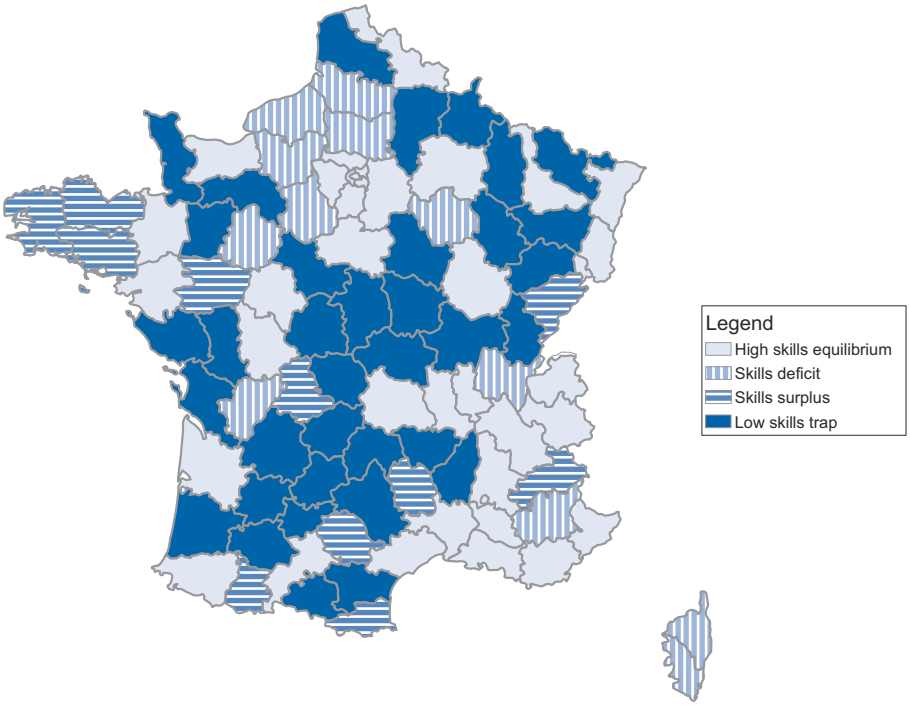


Source: OECD (2014).

When both the supply of and demand for skills is low, a low skills trap can develop within a local economy, which can create a vicious cycle or low investments in skills and poor quality jobs. In such a situation, workers will not have the incentives to upgrade their skills, knowing they will not be able to find jobs in the local economy that use them, and employers may be reluctant to move to more skill-intensive production and services, knowing that they are unlikely to find the workers with the skills needed to fill these positions. The concept of a low skills trap has also been applied to national economies. For example, the United Kingdom has been characterised as being stuck in a low skills equilibrium (CIPD, 2014).

Although limited by the absence of empirical data, the analytical tool developed by the OECD to compare the supply of and demand for skills at the local level is one of the tools available to policy makers to assess skills utilisation. While more complex methodologies for measuring skills utilisation have been outlined by the OECD in Buchanan et al. (2013), longitudinal data is being collected by the OECD to track progress within local economies

Figure 1.5. **Comparing the supply for and demand of skills within local economies in France, 2015**



Source: OECD (2016), *Job Creation and Local Economic Development 2016*, OECD Publishing, Paris, *http://dx.doi.org/10.1787/9789264261976-en*.

over time. Looking more specifically within countries, a rich source of data is also available through the United Kingdom's Employer Skills Survey and the European Jobs and Skills Survey (CEDEFOP, 2015).

Through the British survey in particular, sub-national information is available about the proportion of employers that have staff that are "under-utilised" (e.g. those that have both qualifications and skills that are more advanced than required for their current job role), the proportion of employers accredited with the Investors in People Standard (which recognises high quality people management practices), and the proportion of employers using different levels of product market strategies.

As shown in Table 1.1, the results of this survey show considerable variation at the geographic level of Local Enterprise Partnerships (LEP). The results also demonstrate that the best performing LEPs tend to have establishments with the Investors in People Standard and companies that are pursuing higher level market strategies.

Table 1.1. **Results of UK Employer Skills Survey at the Level of Local Enterprise Partnerships, 2015**

	Total for England	Best performing LEP	Worst performing LEP
Establishments accredited with Investors in People Standard	25%	12%	16%
Establishments pursuing high or very high product market strategies	51%	38%	46%
Establishments reporting 30% or more of staff are underutilised	21%	13%	18%

Source: UK Commission's Employer Skills Survey, 2015 LEP results data tables (standard), *www.gov.uk/government/publications/ukces-employer-skills-survey-2015-england-and-local-toolkit*.

Beyond this example of good practice from the UK, the majority of OECD and non-OECD countries do not collect data of this nature. More effort should be taken to collect information on skills utilisation within enterprises and regions.

Putting skills to better use can improve outcomes for individuals, employers, and economies

Putting skills to better use in the workplace is important for workers, firms and broader society. From the perspective of the employee, better use of skills is associated with job-related well-being (Morrison et al., 2005). Poor use of skills creates job dissatisfaction and can be related to increased turnover (Felstead et al., 2017; Okay-Sommerville and Scholarios, 2013). The OECD has found that skills use is positively associated with being 'extremely satisfied' at work after accounting for skills proficiency, educational attainment, wages and a number of socio-demographic characteristics (OECD, 2016d).

Workplace organisation practices associated with higher levels of skills use are also linked with job quality. For example, in looking at SMEs, Lorenz (2015) found that employees working in "discretionary learning" forms of work were 74% more likely to be satisfied than employees working in "constrained learning" forms or "simple or traditional forms" of work, after controlling for employee's educational level, sex, occupation, country and sector.

Links have also been established between skills use and wages. PIAAC data shows that workers who use their skills more frequently earn higher wages after holding education and skills proficiency constant (OECD, 2016a). In particular, the ILO (2016) has noted that the literature indicates there is a wage penalty associated with over-skilling, with the average wage penalty being 7.5%. The same review found that that being overskilled also increases an individual's probability of future unemployment (Mavromaras et al., 2015) and lower workplace harmony (Belfield, 2010). Other research suggests that one way to address rising inequality is by putting skills to better use (OECD, 2015a), or upgrading routine jobs to enhance the creative content of this work (Martin et al., 2016).

For employers, the improved use of skills in the workplace represents a better alignment of the competences of employers to the needs of the business. A range of research has found that this is intimately related to improved retention of workers, but also higher productivity, greater employee engagement and improved relations between management and workers groups (OECD, 2016a; Skills Australia 2012; UKCES, 2014; Findlay et al., 2011).

Strong linkages between innovation and work organisational practices that make better use of skills have also been identified. Incremental innovation, which involves "endless minor modifications and improvements in existing products" is often a result of learning by doing or using rather than technical or scientific knowledge (Rosenberg, 1994). This "learning by doing" often occurs on the shop floor or in front line services, but is dependent on workers having some level of autonomy and structures in place to communicate their insights to management and colleagues.

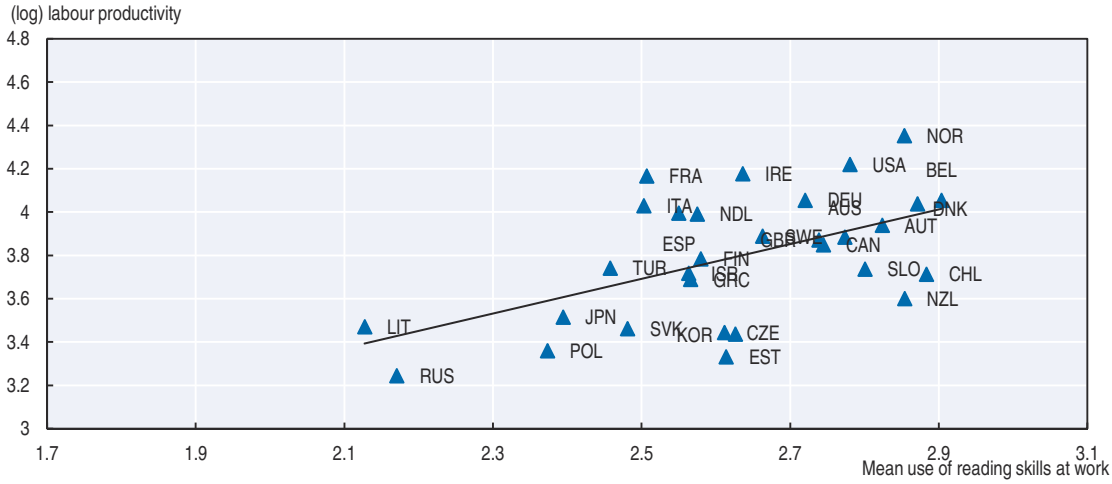
Based on research undertaken in 166 Italian manufacturing firms, Santangelo and Pini (2011) found incremental improvements in a firm's existing product and work process were positively linked to the adoption of new HRM practices (e.g. the delegation of decision rights, channels for employees' suggestions, incentives to employees, and flexible labour organisation) at the shop floor level. In fact, there is some literature that argues that this type of innovation is as important as "radical innovation" that involves the introduction of new products or technologies (Toner, 2009).

Improving skills use also has benefits for the national economy. OECD research has shown that improving skills use could result in considerable gains in aggregate productivity (e.g. ranging from a 3% gain in the United States to around 10% in Italy) (Adalet, McGowan and Andrews, 2015). Black and Lynch (2004) credit changes in workplace organisation – such as re-engineering job design, incentivising teamwork, introducing incentive pay and encouraging employee autonomy and feedback – as a "significant component of the turnaround in productivity growth in the US during the 1990s".

An analysis of the OECD PIAAC data shows that even after accounting for average proficiency scores in literacy and numeracy, the use of reading skills at work accounts for a statistically significant share of the variation in labour productivity across countries (see Figure 1.6). Similar analysis undertaken at the industry level shows a positive link between skills use and productivity (OECD, 2016a). At the firm level, stronger skills utilisation has been linked to improved retention, higher productivity, and greater employee engagement (OECD, 2016a; ILO, 2013; UKCES, 2014).

Figure 1.6. **Labour productivity and the use of reading skills at work**

Adjusted for literacy and numeracy proficiency



Notes: Line is best linear prediction. Labour productivity is equal to the GDP per hour worked, in USD current prices 2012 for round-1 and 2014 for round-2 countries/economies. Adjusted estimates are based on OLS regressions including controls for literacy and numeracy proficiency scores. Standard errors in parentheses.
The sample for the Russian Federation does not include the population of the Moscow municipal area.
Source: Survey of Adult Skills (PIAAC) (2012, 2015), Table A4.3.; adapted from OECD (2016b).

Finally, expected changes in the workplace as a result of the megatrends – technological change, population ageing and globalisation suggest that making good use of skills will be critical. Improving skills utilisation and job quality is especially important in the context of growing job polarisation in a number of OECD countries, with growth concentrated in both relatively high-skilled professional service and relatively low-skilled services, such as care and personal service jobs that require social intelligence skills and involve non-routine interpersonal tasks (OECD, 2015a). Going forward, particular attention will need to be paid to improving low-wage jobs held by low-skilled workers (ILO, 2016a). While creating more high-skilled jobs and preparing more workers to fill them is important, lower-skilled service jobs will continue to be a key feature of the labour market.

Additionally, while increases in human capital have been a key factor of productivity gains over the past 50 years, the rate of increase in the stock of human capital in OECD

countries is projected to slow (OECD, 2015b). Conversely, in non-OECD countries where the number of new labour market entrants continues to grow, the relatively high levels of over-qualification in these labour markets also demands greater attention to the issue of skills utilisation (ILO, 2015). This suggests that alternative approaches to improving labour productivity – such as making better use of skills – will take on increasing prominence. Recent ILO research in the Asia-Pacific region has found that skills utilisation was listed among the top five priorities related to skills for the future.

A number of factors influence the degree to which skills are put to good use

Workplaces are often described as a "black box" – relatively little is known about how skills are used in the workplace, how employers conceptualise skills as part of their overall business strategy, or how jobs are designed (Keep, 2012; Warhurst and Findlay, 2012). More effective application of skills in the workplace occurs through the interplay of a broad spectrum of stakeholders, including employers, employees, training providers, government actors and groups representing employers, workers and civil society.

Employers must consider every aspect of the production process in order to improve the utilisation of skills in the workplace, including issues as diverse as workplace design, management practices, the use of technology and organisational culture (Field and Ford, 1995). External factors, including current economic conditions, local or regional skills landscapes, and the broader value chain or industrial cluster, may also play a factor in decisions related to skills use.

Researchers from a wide range of disciplines, including organisational psychology, personnel economics, economic development, industrial relations, business, and human resource management have all addressed this question using varying methodological and analytic frameworks. While a full examination of the findings across these fields is beyond the scope of this chapter, this section highlights some of the key issues most relevant for public actors at the local and regional level.

Work organisation and job design

The organisation of work and the design of jobs can impact the use of skills in the workplace. The Australian Workforce and Productivity Agency (which is now under the Department of Employment) has outlined a number of workplace organisational practices that are linked to the enhanced use of skills (see Box 1.2). In addition, research on "high performance working" shows skills utilisation is intimately linked to mutual gains and discretionary effort. To support both outcomes, work practices need to enhance the notion of career, participation, ownership and well-being – which are factors that make employees engaged or committed to the organisation and therefore willing to maximise the use of skills.

Box 1.2. **What practices promote more effective skills utilisation?**

The Australian Workforce and Productivity Agency (formerly Skills Australia) has identified the following workplace practices that make the use of skills more effective:

- **Job redesign:** involves changing the role or description of a job so that the skills of the employee are put to better use. This can include teamwork and flexibility in job descriptions and work arrangements with colleagues.

Box 1.2. **What practices promote more effective skills utilisation?** *(cont.)*

- **Employee participation:** includes involving employees in discussions of business strategy, which aims to more effectively use employees' knowledge and experience.
- **Autonomy:** includes giving employees more freedom and autonomy to make decisions about how they perform their job.
- **Job rotation:** involves facilitating the learning of new skills by shifting employees into different jobs and positions within the company.
- **Skills audit** (training needs assessment): aims to identify the skills that employees currently have and identify which skills are most needed.
- **Multi-skilling:** is related to job rotation and involves training employees in multiple skill sets, which enables them to perform other tasks that are not included in their job description.
- **Knowledge transfer:** these types of initiatives can include developing new skills and training that is related to work or working with experienced workers to develop mentorships opportunities for younger staff.

Source: Skills Australia (2012), *Better Use of Skills, Better Outcomes: A Research Report on Skills Utilisation in Australia*, Commonwealth of Australia, Canberra, *www.awpa.gov.au/publications/documents/Skills-utilisation-research-report-15-May-2012.pdf*.

Product market strategies and skills use

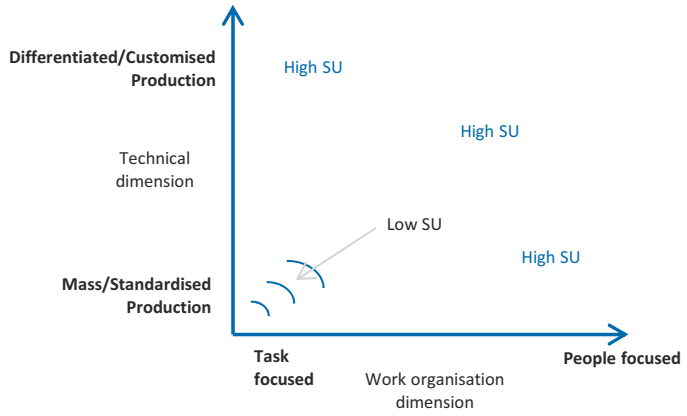
The nature of the business and the competitive advantages pursued can also impact the level and types of skills that employers seek and use. As companies move into higher value-added product and service markets, the levels of skills that they require, and the extent to which they utilise skills, tends to increase. Analysing data from the National Employers Skills Surveys in England, Mason (2011) showed that firms varied greatly in the extent to which they were seeking to engage in "high-end" or high value-added production, and that product market strategies and the level of workforce skills in an establishment were strongly positively correlated.

The history of this literature is strongly grounded in industrial and manufacturing contexts. A number of researchers have subsequently noted that the relationship between product market strategies and skills may be more complicated in the services sector, which accounts for 74% of employment in developed countries and 45% of employment globally (ILO, Global employment outlook 2014). For example, when examining the jobs of room attendants in different tiers of the hotel industry, Lloyd et al. (2013) found that while there were differences in the job tasks of room attendants in mid- and upper-market hotels, there were also key similarities in relation to pay, autonomy, working conditions and levels of work intensity.

Interactions between work organisation and business strategies

Sung and Ashton (2014) have developed an analytical framework known as "the strategic skill model" to examine the combined impact of businesses strategy on skills utilisation. Figure 1.7 shows that work organisation and the technical dimension influence skills utilisation at any workplace. As highlighted in the figure, the "strategic skills model" indicates that a combination of standardised production and a task-focused work environment (e.g. the shaded area in the model) is not conducive to higher levels of skills utilisation.

Figure 1.7. **Strategic Skills Model**



Source: Sung and Ashton (2014).

Along the work organisation dimension (e.g. the x axis), work and processes can be designed to maximise the discretionary effort of the worker, leading to higher skills utilisation. Much of the high performance working and HRM-performance literature covers this area of work (see Hutchinson et al., 2002; Tamkin, 2005; Harney and Jordan, 2008; and Sung and Ashton, 2014). However, it is important to point out that to derive benefits from the "people focused" end of this dimension, the first step is to build trust within the workplace as well as elements of "mutual gains" (Ashton and Sung, 2002). All those who are involved in the productive system require buy-in and have to see value in their discretionary efforts to raise skills utilisation. Otherwise, the end result is likely to be work intensification which is both harmful to the overall performance of the workplace and will not result in higher levels of utilisation (Sparham and Sung, 2006).

The other end of the work organisation dimension is more task-focused, where workers tend to "fit into" the jobs that they are performing. In this instance, individual considerations (e.g. expertise, soft skills, experiences) tend to play a secondary role in the design of the work environment. Efficiency and performance are expected to be derived from the intrinsic design of the work system and less from skills utilisation.

On the other axis (e.g. y axis), the technical dimension describes the extent to which the productive system relies on mass/standardised work. Standardised work tends to limit the opportunities for skills utilisation because the work scope tends to be narrowly defined (e.g. producing the same products in huge volumes or treating all customers as if they were the same in services). The nature of differentiated work on the other hand demands a wide range of skills, knowledge and innovation. The work itself can sometimes be less structured (moving towards the top-right direction Figure 1.7).

Workplace relations

It is generally recognised that conflict in the workplace can undermine the best of management intentions (Field and Ford, 1995; ILO, 2013) and that employers face greater difficulties in introducing high-performance work practices in organisations where there is a high level of mistrust between management and employees (Ashton and Sung, 2002). Organisations need to foster participative employee relations in order to build trust so that employees will learn; reward systems need to support learning through pay for skills and employers need to implement team-based work organisations to enhance learning. There

is evidence that training, better working hours and wages are associated with improvements to enterprise performance, although there are fine nuances in relation to the conditions under which these outcomes materialise (ILO, 2013).

In the case of the Union Learn initiative in the UK, an independent evaluation found that the impact of union workplace learning representatives supported a sustained "conversation" between the union, employers and workers about learning and building a culture of learning and supporting structures in the workplace (DfBIS, 2012). Such efforts to improve employee voice and ensure harmonious workplace relations are an essential building block to address the issues of skills utilisation in the workplace.

Broader economic and labour market context

Other researchers have explored how the broader policy and economic context impacts the use of skills in individual workplaces. This research suggests that there may be considerable external factors that influence why particular countries or places have relatively more firms that adopt particular strategies or skills profiles (Ashton et al., 2017). A range of diverse factors and institutions, including education and training systems, welfare and employment regulations, will impact the structure of incentives that motivate firms to prioritise and invest in skills (Hall and Soskice, 2001; Estevez-Abe et al., 2010).

As Bosch (2009) describes, "in some European industries the 'beneficial constraints' on business strategies by more labour and product market regulation were pushing companies towards high road strategies based on innovations in work organisation and increased capital intensity. This has, however, not happened in other industries". A number of researchers have also made the argument that a higher minimum wage "leads a firm to reconsider and redesign its employment and production system in order to increase efficiency and obtain the productivity that would sustain the higher wage" (Osterman, 2008). Other labour market institutions, such as employment protection legislation and collective bargaining, may also impact the use of skills (OECD, 2016b).

Attention has also been paid to what is the called the overall "skills ecosystem" at the national or local level. Building on the concepts developed by Finegold (1999) in relation to high-tech clusters, Buchanan et al. (2001) defined skills ecosystems as "clusters of high, intermediate or low level competencies in a particular region or industry shaped by interlocking networks of firms, markets or institutions". Such an approach emphasises the link between the development and the use of skills, suggesting the need to simultaneously address both issues. These factors include (Buchanan et al., 2001):

- Business settings (e.g. the type of product market, competitive strategies, business organisation/networks, financial system);
- Institutional and policy settings;
- Structure of jobs (e.g. job design and work organisation);
- Level and type of skill formation (e.g. apprenticeships, informal on-the-job training).

Should skills utilisation be in the domain of public actors?

Across OECD and non-OECD countries alike, skills policies have predominantly focused on improving the supply of skills, on the basis that market failures can lead to underinvestment in training and skills development. Thus, public actors have focussed on addressing supply-side constraints, including through increasing public funding for vocational training or competence-based qualifications.

Comparatively little attention has been paid to building demand for skills. Skills utilisation policies seek to influence what occurs within workplaces, including with respect to the structure and design of work, the approach to management, workplace relations and the use of technology in the workplace. Interventions at this level face a major hurdle: with the exceptions of health and safety, employment protection and equality legislation, there is little precedent for public intervention in the workplace. Furthermore, public agencies often face a credibility gap when trying to advise firms on human resources management policies.

Additionally, as noted above, a wide variety of benefits accrue to firms that invest in skill use but many firms choose to view human resources as a cost to be minimised. While there are benefits associated with pursuing "high road" strategies, not all employers choose to pursue such strategies. Several factors can help to explain why employers may not focus on the better use of skills:

- **Firms can continue to make profits on the low road.** To the degree that there is demand for low-cost, low-quality products, there are still opportunities for firms to make profits using low-road approaches (Warhurst and Findlay, 2012). For example, when examining the plastics processing, commercial printing, logistics, and general insurance sectors, Mason (2005) found that low value-added activities are profitable and are likely to remain so, and that firms in these markets face no immediate market pressures to upgrade their production process.
- **Low road strategies can be self-reinforcing at the level of firms and economies.** In a study of firm decisions to operate in high or medium value-added markets, Mason (2005) found that the choice of product markets strategies was constrained by previous choices related to physical capital, human resource, and existing organisational culture of the firms. Additionally, beyond individual firms, local areas can end up in a low skills trap or within a skills ecosystem that contributes to poor use of skills.
- **Managers may not be aware of the potential benefits of better utilising skills, or know how to put these ideas into practice.** At a basic level, managers and other business leaders may not be aware of the potential benefits of better using the skills of their workforce, or if they are aware of the research, may be sceptical of its relevance or applicability to their own firms. Even managers who have "bought in" to benefits may lack the skills or knowledge of how to concretely put them into practice in the workplace. Such challenges may be especially prevalent in SMEs, which often lack dedicated human resource staff and where management quality is typically lower. Another aspect of HRM practice that impacts on efforts to improve the use of skills is the quality of workplace relations and the extent to which constructive social dialogue takes place in an enterprise (ILO, 2016c).
- **Short-term concerns may outweigh longer-term benefits.** Even if there are gains to be made in the long-term, the short-term costs associated with moving towards higher value-added production or re-organising work to better use the skills of employees may be off-putting. Such challenges can be compounded by investors that have short-term horizons for measuring returns on investment. This has been highlighted as a factor by the OECD (2010) when considering institutional tools to address low-skill equilibriums.
- **Economic downturns can exacerbate these challenges.** Holm and Lorenz (2015) found that between 2000 and 2010, there was a decline in discretionary learning forms of work organisation in Europe. They suggest that "during economic expansions, firms use HRM

practices such as increasing employee autonomy and influence; in contraction, firms tend to employ strategies that focus on the short-term (e.g. cutting costs and employee discretion to achieve higher accountability of costs)."

- The interplay between these factors necessitates a strategic approach to encouraging and supporting more effective skills utilisation.

Improving skills utilisation is predicated on policy coherence across employment, skills, economic development and innovation policies

Despite longstanding research on the importance of better using skills, previous OECD work conducted under the *OECD Reviews on Local Job Creation* found that specific policy actions to boost the use of skills are largely piecemeal and that there is generally much greater policy attention given to increasing the pool of skills (OECD, 2014; ILO, 2016). It is important to highlight that traditional skills, employment, economic and innovation policies can have knock-on impacts that can be both positive or negative for skills utilisation at the local level.

Traditional skills policies are dominated by supply side approaches and risk being steered by employers with low ambitions

As already discussed, skills policies, for the most part, have disproportionately focused on increasing the supply of skills side to boost competitiveness and growth – with relatively little attention paid to shaping how skills are used in the workplace. This is not surprising, as it is much easier to conceptualise public interventions to boost the supply of skills rather than examining the role the public sector can play in shaping how skills are used in the workplace. It also reflects a long-standing orthodoxy that skills is only a supply-side issue and that reform of skills systems will remove constraints and reduce the gap between the supply of and demand for skills.

Additionally, while promoting employer leadership in shaping skills agendas is increasingly seen as a means of ensuring the labour market relevance of education and training, there are also risks involved. Such an approach can be especially problematic when employer needs are taken as a "given" in places where there is a concentration of employers using low-road strategies and focused on low value-added activities. This highlights the importance of broad based representation from employers and workers organisations within governance and regulatory bodies to ensure that programmes develop a broad set of skills required across occupation and sector, rather than narrow or firm-specific skillsets.

Additionally, some research suggest that while employers may blame skills shortages as a key reason for why they are unable to find the workers, other factors such as job quality, wages, or hiring processes may be the reason (Cappelli, 2012; Herz and van Rens, 2015; OECD, 2014; ILO, 2008). For example, CEDEFOP (2015) estimates that between half and two-thirds of EU firms reporting difficulties finding skilled workers face this challenge not because of skills shortages, but because they are putting forward unattractive job offers or display a lack of commitment to talent management.

Public employment services rushing to fill job vacancies can actually be counterproductive in the long-term

Public employment services (PES) may be tempted to "firefight" to immediately fill employer vacancies or place people into jobs, regardless of the quality or sustainability of the job opportunities (OECD, 2014). This approach may mean that PES run the risk of placing

people in low quality, low wage jobs, removing incentives for employers to consider whether this is really the best way to organise their work. Such practices can be exasperated by PES performance management frameworks that only consider short-term placement rates or outcomes. Whilst PES typically offer a wider range of services beyond placement, such as counselling services and labour market information, research on 29 public employment services undertaken in 2012 showed that only 3 considered employment quality/duration as an indicator of performance (EC, 2012).

Other research on PES has found that due to double-sided information assymetry, labour market discrimination and skills mismatch, many public employment services operate in the low end of the labour market, with "better" employers and stronger job candidates using other channels for job matching (Larsen and Vesan, 2012). One example is New York City's new strategy for workforce development (see Box 1.3).

Box 1.3. **Career Pathways: One City Working Together, New York City**

While New York City accounts for a large proportion of the Untied State's GDP, it also faces significant challenges related to growing income inequality. Like many places, job growth in recent years has been concentrated in high-wage/high skill and low-wage/low-skill industries, and the rising number of working poor face limited career progression opportunities. At the same time, employers report facing a shortage of high-skilled workers. Despite the fact that New York City's workforce development system has a budget of approximately USD 500 million a year, serving roughly 500 000 clients, it was not well suited to address these challenges. In 2014, the mayor convened the Jobs for New Yorkers Task Force to set new priorities for employment and training programmes, such as:

- **Building Skills Employers Seek:** focus on connecting New Yorkers to quality jobs with family-supporting wages and career advancement potential, including creating strong business partnerships that provide robust feedback loops with companies in priority sectors of New York's economy.
- **Improving Job Quality:** rewarding worker-friendly business practices such as consistent scheduling, access to commuter benefits and financial empowerment services.
- **Increasing System and Policy Co-ordination:** align workforce and economic development initiatives, utilising local legislation and administrative policies as key levers to promote career pathway development and implementation.

More specifically, this task force identified ten recommendations:

1. Launch or expand Industry Partnerships with real-time feedback loops in six sectors: healthcare, technology, industrial/manufacturing, construction, retail, and food service
2. Establish Career Pathways as the framework for the City's workforce system
3. Invest USD 60 million annually by 2020 in bridge programmes that prepare low-skill jobseekers for entry-level work and middle-skill job training
4. Triple the City's training investment to USD 100 million annually by 2020 in career-track, middle-skill occupations, including greater support for incumbent workers who are not getting ahead
5. Improve and expand career and technical education and college preparedness programmes, adjust local universities' alternative credit policy, and invest in career counselling to increase educational persistence and better support students' long-term employment prospects

Box 1.3. **Career Pathways: One City Working Together, New York City** *(cont.)*

6. Increase work-based learning opportunities for youth and high-need jobseekers
7. Create a standard that recognises high-road employers who have good business practices, with the goal of assessing at least 500 local businesses by the end of 2015
8. Improve the conditions of low-wage work by expanding access to financial empowerment resources in partnership with at least 100 employers and pursuing legislative changes such as increasing the minimum wage
9. Maximise local job opportunities through the City's contracts and economic development investments by establishing a "First Look" hiring process and enforcing targeted hiring provisions in social service contracts
10. Reimburse workforce agencies on the basis of job quality instead of the quantity of job placements by aligning service providers under a system-wide data infrastructure that measures job outcomes such as full-time work, wage growth, and job continuity

A 2015 progress report documents that progress has been made on each of these recommendations. For example, the city has launched "Best for NYC" a campaign and set of tools designed to inspire and help businesses assess their impact on workers, communities and the environment and job quality standards have been put in place for employers receiving recruiting services from Workforce1 Career Centers (New York's public employment service offices).

Source: The City of New York (2014), "Career Pathways: One City Working Together", *www1.nyc.gov/assets/careerpathways/downloads/pdf/career-pathways-full-report.pdf*; The City of New York (2015), "Career Pathways: Progress Update", *www1.nyc.gov/assets/careerpathways/downloads/pdf/Career-Pathways-Progress-Update.pdf*.

Economic development policies have historically focused on job creation policies

Economic development policies have historically focused on the quantity of jobs, not necessarily the quality of jobs. In a 2011 survey of Canadian economic development professionals, the most popular metric used to measure success was "new businesses opened" (73%), followed by population (67%) and full time jobs created (60%). Only 19% reported that average salary/wage offerings of new businesses was used as a metric (Matthew Fischer and Associates Inc., 2011). Another survey undertaken by the International Economic Development Council found that 91% of respondents in the field of economic development tracked the number of jobs created, but only 71% tracked the wages/salaries of these jobs (IEDC, 2014). Another study of state-level economic development subsidies in the US found that only 98 out of 238 programme – significantly less than half – impose any kind of wage requirement on employers to qualify for tax credits, subsidies, or favourable loans. (Mattera et al., 2011).

However, this is not to say that the field of economic development is blind to issues of job quality. In its flagship annual report, the World Economic and Social Outlook, the ILO tracks decent work deficits and assesses trends in job quality. In 2017, it concluded that as global unemployment has risen, progress on improving job quality has stalled.

Despite this, the International Economic Development Council has documented a shift from supporting industrial development as the primary means of creating jobs to supporting high-growth, high-wage, high productivity jobs. At the same time, IEDC notes that economic development professionals must do more to support quality job creation for workers across the skills spectrum, not just for the highly-skilled (International Economic Development Council, 2010).

In the United Kingdom, the Innovative Workplaces programme (see Chapter 2 for more information) is an example of one regional development agency focusing on workplace innovation. Additionally, sector-based strategies, that bring together economic and workforce development programmes to improve industry competitiveness and productivity while also creating career pathways for low-skilled individuals are one such approach, are also becoming increasingly common.

Box 1.4. **Innovative Workplaces**

The Innovative Workplaces programme was a regional pilot initiative in 2009-10, funded by the East Midlands Development Agency. While initially the East Midlands Development Agency did not include workplace innovation as a means of achieving its strategic goals relating to competitiveness and skills, matters began to change when the focus of national policy began to embrace skills utilisation as well as skills supply. Eventually, in 2008, EMDA's annual Corporate Plan contained the following commitment:

Developing new ways of organising work and utilising more effective deployment of people in the workplace will be needed for businesses to remain globally competitive and ensure business survival. EMDA will focus activity on supporting organisations to stimulate learning amongst their employees and developing collaboration within and between organisations. This activity will seek to change organisational culture and develop strong, inspirational leaders, as well as building effective employee relations.

It was intended that the project would benefit a small cohort of business leaders, managers and supervisors across ten organisations, each of which would benefit from long-term organisational change. The project was justified as a means of breaking out of the low skills equilibrium by developing and unleashing the enterprise skills and competencies of those in work, enabling employees to use their initiative to innovate and create new business strategies and solutions whilst achieving maximum productivity. Both UK WON, a not-for-profit body involved in disseminating and developing innovative workplace practice, and Acas, a UK government body with a tripartite structure, charged with promoting and facilitating strong employment relations, were involved in the design and delivery.

See Chapter 2 for additional information on the programme.

Innovation policies should be expanded to consider incremental innovation

Innovation policies are often key to boosting productivity and enhancing competitiveness over the long-term. However, the vast majority of innovation policies focus on research and development (R&D) or innovation that emerges from universities and laboratories. Relatively little attention is paid to how to foster innovation that is based on the tacit knowledge of workers, including those on the frontline of production and services. This style of innovation is more prevalent within organisations and therefore more relevant to developing an understanding of skills use in the workplace (Toner, 2011).

The OECD Innovation strategy states that "learning and interaction within organisations and at workplaces are at least as important for innovation performance as learning through interactions with external agents. Therefore, in order to understand national systems of innovation, it is necessary to bring the organisation of work and employee learning into the analysis" (OECD, 2010). However, national governments still tend emphasise science and technology-based approaches to innovation versus those driven by internal production processes (Mako et al., 2016).

Looking at implementation practices across the OECD, notable exceptions can be found in Finland, where the agencies responsible for innovation manage programmes related to workplace development and workplace innovation (see Box 1.5). Similarly, examples exist in non-OECD countries that demonstrate the effectiveness of supporting innovation through better work practices and conditions to improve productivity and competitiveness.

Additionally, despite the growing importance of the service sector across OECD countries, many innovation policies were conceived from a manufacturing and R&D perspective (although some countries are increasingly considering the service sector in their innovation policies) (OECD, 2012). Such policies may be ill-suited to drive innovation in the services sector where innovation is less likely to be the result of formalised R&D, and more likely to be driven by human and organisational factors (Rubalcaba et al., 2010).

Box 1.5. **TEKES in Finland**

Tekes (the Finnish Funding Agency for Technology and Innovation), runs a number of programmes to foster innovation, including "Liideri – Business, Productivity and Joy at Work Programme". Unlike more traditional innovation programmes, this programme focuses workplace development, in particular developing management practices and forms of working that promote the active utilisation of the skills and competences of employees. Liideri is the latest in a series of publicly funded workplace innovation programmes in Finland, which were first launched in 1993. While these programmes were initially co-ordinated through the Ministry of Labour, in 2008 there were transferred to Tekes .This transfer was part of the adoption of a new national innovation strategy that emphasises demand and user-driven innovation and non-technological innovations.

The Liideri project has three focus areas: 1) renewal of management; 2) employee participation in renewal of products, services and their production; and 3) new forms of work organisation and working. A number of instruments are used to effect change in these areas, including work organisation development projects, integrated R&D projects, funding for research, and widespread dissemination of the outcomes.

Source: Tekes (2014), Liideri – Business, Productivity and Joy at Work; a new Finnish National Programme, *www.workplaceinnovation.org/nl/kennis/kennisbank/liideri---business--productivity-and-joy-at-work--a-new-finnish-national-programme/1235*.

Box 1.6. **Better Work Programme**

As a partnership between the UN's International Labour Organization and the International Finance Corporation, he Better Work Programme brings diverse groups together – governments, global brands, factory owners, and unions and workers – to improve working conditions in the garment industry and make the sector more competitive. Operating in seven countries, 1,300 factories and involving more than 1,750,000 workers, The Better Work service model is rooted in four key themes: Ownership, Partnership, Accountability and Dialogue.

Ownership means that each factory improvement process takes into account the views of the women and men working in the factory regarding what is important in the workplace to them and how they can bring about sustainable change. By promoting **dialogue** in factories, it empowers management and worker representatives to identify their needs and improve

Box 1.6. **Better Work Programme** *(cont.)*

their working relationships, as a basis for effective prevention and remediation of problems. While engaging with factories it also builds **partnerships** with other industry stakeholders, to capitalize on their efforts and strengthen their roles. Finally, **accountability** is essential to ensure that needed improvements are implemented and to bolster the reputation of the industry among consumers and other stakeholders.

An independent impact assessment found that factories experienced a rise in profitability (measured as the ratio of total revenue versus total costs) due to their participation in the programme. After four years of the Better Work program in Viet Nam, the measure of profitability increased by 25%. Researchers also found the program resulted in: lower injury rates among workers; fewer instances of unbalanced lines, where work piles up at some stations while other workers are idle; supervisors with more confidence in their ability to do their job and supervisors more likely to listen to workers' concerns regularly (ILO and IFC 2010).

Source: ILO and IFC (2010) *Progress and Potential: Findings from an Independent Impact Assessment of the Better Work Program*, International Labour Organisation and International Finance Corporation, Geneva and Washington.

Policies and programmes that have demonstrated success

The better use of skills is an emerging area of opportunity for policy but it requires new thinking across employment, skills, and economic development policy portfolios. It requires countries to focus on new approaches to stimulate demand-side interventions, which can raise employer ambitions and offer strong skills development and career progression opportunities for individuals. Through a literature review and case study work, the following policies and programmes have been identified as offering the potential to enhance the use of skills and better contribute to productivity and increased equality within local economies.

Building awareness of the issue and recognising employers that take the high road

One of the barriers to improving the use of skills is a low level of awareness amongst managers, social partners and business support organisations that skills under-utilisation is an issue (Wright and Sissons, 2012) and the potential benefits of innovative forms of workplace organisation (Totterdill et al., 2002). As such, the public sector can play a role raising awareness and continuing to build the evidence base for why action is needed in this area.

A number of such projects exist. For example, in **Australia,** the **Centre for Workplace Leadership** was established in 2013 as a joint initiative between the Australian Federal Government Department of Employment and the University of Melbourne's Faculty of Business and Economics. Its research focuses on building the capability of frontline leadership; creating and sustaining a high performance workplace culture; transforming workplaces through technology and workplace innovation; and workplace leadership for the future. In 2016, it released the Study of Australian Leadership, a national survey of leadership in Australian organisations. Another example can be found in Europe, where the **European Commission** created the European Workplace Innovation Network (EUWIN) in 2013 to stimulate awareness of workplace innovation and to share knowledge and experience between enterprises, researchers, social partners, and policymakers through conferences, workshops, film, social media and an online Knowledge Bank.

Other types of soft mechanisms can be used to persuade employers to take up such approaches. One such mechanism is recognising and awarding high road employers. In the **Philippines,** the National Wages and Productivity Commission oversees the **Productivity Olympics**, a national competition to award micro, small and medium enterprises with the best productivity practices nationwide. Interested businesses can submit applications to Regional Screening Committees co-ordinated by Regional Tripartite Wages and Productivity Boards, who in turn select a regional nominee to be submitted to the National Screening Committee. Businesses are scored based on business excellence (total productivity, expansion and growth, and awards/recognition/certification) and resource management (people, and system, technology and green). Winners receive a cash award, the right to use the Productivity Olympics logo for publicity purposes, and priority endorsements for other training programmes and public services. In the **United States,** the Hitachi Foundation's Good Companies @ Work programme recognises **"Pioneer Employers"** that provide quality jobs and pathways to the middle-class for their lower-wage workers, while remaining competitive in their industries. In **Australia**, the **Australian Training Awards** recognise small enterprises that have achieved excellence in the provision of nationally recognised training to employees that have improved productivity and profitability.

In **Scotland,** employers can sign up for the **Scottish Business Pledge** if they pay a living wage and meet the requirements of at least two other pledge elements (and make a commitment to meeting the other requirements over the long term): not using exploitative zero hours contracts; supporting progressive workforce engagement; investing in youth; making progress on diversity and gender balance; committing to an innovation programme; pursuing international business opportunities; and playing an active role in the community. As of April 2016, almost 250 businesses had signed up for the pledge, accounting for over 57 000 Scottish jobs (Scottish Business Pledge, 2016).

However, it should also be noted that there are limits to this type of persuasion-based approach, especially as many managers may not have the capacities or skills to put in place new workplace practices even if they understand their importance.

Providing support for employers to reshape workplaces

More direct interventions involve funding or other types of interventions to support employers reshape workplace practices or move to higher value-added production. Such support can take the form of staff or management training, using consultants or other external experts to support management in diagnosing and upgrading workplace organisation and technology, supporting action-oriented research in businesses. Such programmes exist in a number of European countries (see Alasoini, 2016; Totterdill, 2009 for reviews), but can also be found outside of Europe.

For example, in **South Africa**, the **Workplace Challenge Programme** seeks to improve the productivity and competitiveness of South African firms, through constructive workplace relations; improving workplace practices based on "best operating practices and world class manufacturing" principles; and sharing and disseminating processes and lesson. It was created at the initiative of the National Economic Development and Labour council, a tripartite body. Labour representatives, middle management, supervisors and shop-floor employees from participating firms attend capacity building workshops and a consultant, whose fees are subsided by the programme, assists in helping firms develop and implement a workplace change plan.

Chapters 3 and 4 of this report highlight two other promising examples of programmes that are working with employers to reshape workplace organisation and provide employees with more autonomy in performing work-related tasks on the job (see Box 1.6 for a short description – consult Chapters 3 and 4 for more information).

Box 1.6. **Designing programmes to improve job quality and competitiveness in the United States**

Targeting the restaurant industry in Boston

The restaurant industry is one of the largest and fastest growing sectors of the U.S. economy, but job quality remains a large concern. Even though over 58% of workers in the industry are 25 and over, the restaurant industry has one of the highest proportions of workers earning at or below the minimum wage: 39% of the industry's workforce. Workers in food preparation and serving-related occupations earned a median wage of USD 9.02 per hour (including tips) in 2010, which falls below the poverty wage for a family of four for a full-time worker (The Aspen Institute Workforce Strategies Initiative, 2012). Not only do restaurant jobs tend to be low-paying, but they also provide limited opportunities for skill development, promotion, and advancement.

Following a year in which the business had lost money on an unsuccessful food truck venture, management of the Paris Creperie cafe, located in a suburb in Boston, recognised that in order to remain competitive, they needed to grow revenues, decrease staff turnover, (which was at 82%), and reduce high operational costs. To address these challenges, management of the cafe decided to implement Open Books Solutions, a profit sharing programme, using funding from the Massachusetts' Workforce Training Fund Program.

The premise of Open Book Management is that financial information (including revenue, profit, cost of goods sold and expenses) provided to employees should not only help them develop skills to do their jobs effectively, but also help them understand how the company is doing as a whole. It is a management philosophy founded on the idea that all employees down to the frontline will perform better if they know how the company is doing financially, are empowered to make changes, and have a stake in its success through profit sharing.

Through this initiative, Paris Creperie had a total of USD 67 000 in cost savings to distribute to employees after one year. Performance bonuses were distributed based on hours worked. They also achieved the goal of reducing employee turnover from 82% to 60%.

Singapore Enterprise Training Scheme

In Singapore, the Enterprise Training Support (ETS) scheme was introduced in 2013 to 1) raise employees' productivity and skills levels; 2) attract and retain valued employees by developing good human resource (HR) and management systems and practices tied to training; and 3) attract and retain valued employees by benchmarking compensation and benefits. ETS seeks to make skills development relevant to workplace performance and link skills acquisition and utilisation to retention.

While it is too early to ascertain the overall impact of the programme, the case study presented in Chapter 3 demonstrates how to businesses have been able to use this scheme to improve both skills supply and skills use in their organisations.

One of the key learnings from the implementation of these programmes is the importance of working with trainers, consultants or other experts who have demonstrated expertise in specific sectors or in issues related to work organisation. Technical expertise on

how to improve job quality in ways that benefits both workers and employers is often sector specific, with relatively few organisations and consultants having the requisite experience (Conway and Dawson, 2016).

For example, in the case of Paris Creperie, Delta Foodservices Group oversaw the training and implementation of Open Book Solution. Following decades of experience advising and training food service providers, this group decided to offer Open Book Solutions in order to address the dual challenge of low profit margins and increasingly low wages in the industry. In evaluating the success of action research projects in which universities and colleges work with employers around skills utilisation projects in Scotland, Payne (2012) also noted the special skill set needed for universities to work with businesses and that university and college staff may lack the requisite skills, expertise and interest for this type of work.

Another key learning from this work and the literature is that narrowly defined interventions are unlikely to have the desired impact. Rather, targeting change across "bundles" of HR and organisational practices, other management aspects, as well as broader product market strategies may be needed, given the linkages between them. In a major international literature review conducted in 2013, the ILO found that the weight of evidence strongly suggests that combinations of HR practices are associated with positive outcomes related to productivity, innovation, staff retention and customer satisfaction (ILO, 2013).

In examining the practices of firms that are able to offer "good jobs" in low cost settings such as retail, Ton (2014) points to the necessary synergies between investing in people and other operational decisions. In this study, firms shared a common set of characteristics: offering fewer products and no promotions; combining standardisation and employee empowerment; cross-training so that employers can be shifted between tasks depending on customer traffic; and operating with slack to improve customer service and allow employees to be involved in continuous improvement.

As a growing number of countries are also using employer levies to fund skills development through for example, national human resources or skills development funds, their potential to provide resources to improve skills utilisation in the workplace also needs to be recognised. As noted by the ILO, the shift from primarily funding training to funding an array of workforce enhancement services is based on the understanding that it is important to build and support capacity inside and outside of individual firms (ILO 2016e). See Box 1.7 for an example from Singapore.

Box 1.7. **Singapore Skills Development Fund (SDF) and Enterprise Training Scheme (ETS)**

Whilst its primary focus is the training of existing workers, new entrants and re-entrants to the workforce, it also goes beyond training to influence company choice of technology and promotes special training programs focusing on the upgrading of workers skills. The SDF also supports a training leave scheme for older workers and on-the-job training consultancy services for accelerating skills development in the knowledge economy. It forms part of a broader government industry strategy to restructure the economy towards more capital intensive production systems and higher skills use in the workplace. The Skills Development Levy is imposed on employers, with a higher levy rate applying to lower wage workers earning S$2,000 or less a month. The SDF is administered by the Skills Future Singapore Agency which also funds the Singapore Enterprise Training Scheme.

Box 1.7. **Singapore Skills Development Fund (SDF) and Enterprise Training Scheme (ETS)** *(cont.)*

The Enterprise Training Support (ETS) scheme was introduced in 2013 to 1) raise employees' productivity and skills levels; 2) attract and retain valued employees by developing good human resource (HR) and management systems and practices tied to training; and 3) attract and retain valued employees by benchmarking compensation and benefits. ETS seeks to make skills development relevant to workplace performance and link skills acquisition and utilisation to retention.

While it is too early to ascertain the overall impact of the programme, the case study presented in Chapter 3 demonstrate how to businesses have been able to use this scheme to improve both skills supply and skills use in their organisations.

Working at the level of sectors and employer networks

Where interventions directly targeted to individual workplace may not be feasible, there is also an opportunity to introduce programmes and measures targeted to multiple employers simultaneously, **creating or leveraging employer networks or working at the level of sectors.** Evidence suggests that such approaches are not only efficient in terms of the cost of delivery, but also are potentially more effective at catalysing change. According to UKWON (2015), workplace innovation "programmes have re-focused from case work policy models towards networking strategies" as "evidence suggests that when clusters of enterprises work together, this proves cost effective for public agencies and are likely to deliver sustainable results". Likewise, Erickson and Jacoby (2003) found that managers who participated in industry and cross-industry associations, civic organisations and internal networks of multi-unit firms were more likely to adopt high-performance work practices and employee training programs.

Box 1.8. **POSCO Human Resource Development (HRD) Consortium**

The Consortium for HRD Ability Magnified Programme (CHAMP) has been a leading vocational education and training programme in Korea since 2001. CHAMP facilitates joint training between large companies and SMEs that are mostly situated in the supply chain as suppliers and contractors of the large companies. The POSCO Human Resource Development Consortium (POSCO HRD) in Gwangyang is one such example.

Since 2005, POSCO has participated in CHAMP and provided training for employees of SMEs and outsourcing partners. The company has also provided customised education requested by SMEs as well as safety/job/innovation education to reinforce the human resource management capabilities of SMEs.

POSCO's HRD Consortium takes three approaches to solving company human resources management issues. The first involves change management, where POSCO's HRD Consortium provides leadership education to mangers and developing a common company vision in partnership with employees. The second involves productivity improvements within the firm through POSCO's six sigma program named Quick Six Sigma. Lastly, training is organised through certified industrial engineer education courses.

More information on the design of the initiative can be found in Chapter 5.

With such an approach, there is an opportunity to use other employers as role models or to have larger employers play a lead role in catalysing change within their supply chains. Such an approach can be seen in Chapter 5 of this report, which highlights the **POSCO Human Resource Development (HRD) Consortium** in Gwangyang, **Korea**.

A similar approach can be seen in the **UK Futures Programme,** which entailed a series of "productivity challenges". One particular strand of this work sought to improve management practices by sharing skills, ideas and values through existing business relationships such as supply chains. Using UKCES research through the UK Employer Skills Survey, sectors were identified where management and leadership problems were more prevalent (e.g. manufacturing, construction, insurance and legal). Not all of these sectors recognised the concept of "supply chains". Wider UKCES research suggested that whilst supply chains were not prevalent in insurance and legal, other forms of business relationships were likely through networks of dependency (e.g. insurance advisers, sub-contracted specialist legal services) (UKCES, 2015). The scope was then extended to include the notion of "networked organisations".

Working at the sector level can take a number of forms – from creating enabling conditions for sectors to shift to higher value added products and services (e.g. through applied research and technology transfer projects) to improving skills use and job quality in sectors with high rates of low paid, low-skill jobs (e.g., through development of career ladders, and work re-organisation). The use of a sectoral strategy can create ecosystems that encourage skills utilisation as part of a "competitive model of choice" for employers (Sung and Ashton, 2014).

Sector-based strategies can be particularly effective as they are better able to take into account the overall "skills ecosystem" that serves as the broader context for how skills are used in the workplace. For example, Wrights and Sissons (2012) identified that in the UK, the key challenges for the retail sector are to improve the quality and completion rates of apprenticeships and creating more intermediate supervisor roles. In the hospitality sector, there is ample room for improvement in skills utilisation and in employers taking a more holistic vision of what skills are and how they are rewarded (e.g. to better take soft skills into account), but low firm profitability is a key barrier.

In the **United States**, Osterman (2008) identifies the healthcare sector as a "natural" target for upgrading poorly paid jobs for a number of reasons. There are multiple levels of jobs and potential for progression, healthcare employers are rooted in specific places and cannot leave to locations with lower wages, firms are dependent on various public policies (licensing, regulation, as well as public reimbursements for services), they face challenges related to high turnover, and many hospitals are unionised, which means there may already be strong interest approaches such as career ladders.

Box 1.9. **SCORE programme, Viet Nam**

The Sustaining Competitive and Responsible Enterprises (SCORE) programme is a practical training and workplace improvement program to increase the productivity of small to medium-sized enterprises (SMEs) while promoting respect for workers' rights, supported by the International Labour Organisation. The programme demonstrates best international practice in manufacturing and service sectors and helps SMEs to participate in global supply chains. In supported by the Swiss and Norwegian governments, SCORE is

Box 1.9. **SCORE programme, Viet Nam** *(cont.)*

a global program with country activities in China, Colombia, Ghana, India, Indonesia, Peru, South Africa and Viet Nam. Since its inception in 2010, the SCORE program has involved over 1 000 enterprises and built the skills of over 8000 workers and managers. Participating firms report results in the form of better workplace co-operation, a better working environment, reduced absenteeism, reduced waste (48%), reduced costs (91%), defect reduction (64%) and increased productivity (50%) (ILO, 2016d).

In **Viet Nam** SCORE started in October 2011 and targeted the wooden furniture manufacturing industry in Ho Chi Minh City, Binh Duong and Dong Nai. The program is also currently expanding to Binh Dinh province in central Viet Nam and the garment sector in southern provinces.

SCORE is a modular training programme that focuses on developing co-operative relations at the workplace. The five SCORE modules cover workplace co-operation, quality management, clean production, human resource management, and occupational health and safety. Module 1: Workplace co-operation is the fundamental module, setting the approach and methodology for the other 4. Each of the modules includes a baseline assessment, joint two-day classroom training for managers and workers and on-site consultancy visits from experts to the participating enterprises. In Viet Nam, between 2011 and 2015, 87 furniture manufacturing enterprises employing 26,438 staff participated in the program, with 734 undergoing training and 410 on-site consultancy visits providing advice on a range of management and process issues.

More information on the program in Viet Nam can be found in Chapter 6.

Leveraging the role of anchor institutions

There may also be opportunities to leverage the influence of "anchor institutions" to create change in local economies (Smallbone, 2015). Recent work by the UKCES has pointed to the importance of anchor institutions in helping to address productivity issues related to the poor use of skills (UKCES, 2014). An anchor institution is one that has a strong local presence and makes a strategic contribution to the local economy. They include universities; vocational education and training institutions, chambers of commerce, banks and major employers. The OECD's research into this area has demonstrated the important role that can be played by vocational education institutions (OECD, 2014).

In Ontario, Canada, local community colleges and universities appear to be particularly useful partners in helping to raise product market strategies locally (OECD, 2014). Niagara College, for example, has not only geared their curricula towards meeting local industrial demands in horticulture and wine making (an example being the Winery and Viticulture Technician programme), but has also set up an applied research unit which helps local firms to upgrade their products and business strategies. It collaborates with firms in areas such as product and process applied research, engineering design, technology development, product testing, proof of concept, piloting and problem solving. In the United States, a number of universities and hospitals in the city of Cleveland have come together to use their purchasing power to support large-scale worker-owned and community-benefitting businesses through the Evergreen Co-operatives.

However, many potential "anchor institutions" require assistance to enable them to better support change in the workplace. Anchor institutions require a specific skills set to

guide, facilitate and deliver training and other services that can enhance the demand for and utilisation of skills in workplaces. In the Riviera del Brent for example, European Social Funds have been important in supporting the research and innovation carried out by the local polytechnic, *Politecnico Calzaturiero*, and facilitating their efforts to collaborate with local employers (OECD, 2014). In Australia, the Workforce Development initiative of TAFE NSW, the country's largest training organisation, provided training and resource materials to promote the role and capacity of their colleges to provide consultancy services to employers on workforce development issues, including how structured training could support the better utilisation of skills in the workplace (TAFE NSW, 2008).

Building on institutional changes in legislation and regulation

At a system level, labour market and education institutions can impact on the way that skills are used in the workplace. Some OECD research has pointed to strict employment protection legislation (EPL) on permanent workers as increasing mismatches and potentially leading to poor utilisation (OECD, 2016; Adalet McGowen, and Andrews, 2015). It should be noted that unions have shown themselves to be valuable partners in working alongside firms in tripartite agreements to raise labour productivity and skills utilisation while also improving wage levels and working conditions (OECD, 2014; Findlay et al., 2011). Their involvement is crucial to ensuring that any productivity gains from increased employee discretion and problem-solving are passed back to workers in terms of raised salaries and improved working conditions

Chapter 7 highlights how an unrelated change in product market regulations and occupational licensing can serve as a trigger to reshape how skills are used within a sector. In this case, the **Disability Services sector in Australia** launched a new client-centred qualification (Certificate III in Individual Support and Diploma of Individual Support) which created opportunities for providers to consider the skills implications of consumer directed care. It also demonstrates how governments can use their influence as a major purchaser of goods and services to impact job quality.

Creating a regional brand

Local authorities often have an overview role which makes them natural brokers and catalysts for bring together those involved in both skills supply and skills demand in a local economy (OECD, 2014). In addition to galvanising a local community approach, it is also important that they make use of their capacity to better train and utilise skills within their own workforce, while influencing change as a local purchaser of services. At the local level, a place-based approach can also be taken to create a community-wide vision for how the local economy should be organised. This could include bring together firms to collaborate on a common marketing strategy, while also pooling investment in training provision and helping firms to collectively upgrading their product market strategies. This can result in the creation of a regional brand or reputation that marks a particularly place as valuing job quality, or producing high quality goods and services. Box 1.11 provides an example from Gipuzkoa, Spain, which is implementing a programme to become a socially responsible territory.

Box 1.10. **Impacting skills use through regulations in the disability sector in Australia**

In 2012, the Australian Government together with the governments of its states and territories agreed to transform the way that disability services are funded and provided. The National Disability Insurance Scheme (NDIS) aimed to shift service provision to a client-centred approach while also eventually expanding access to support for many more Australians with a disability. The Scheme, once fully operational, is expected nearly double the size of the disability sector workforce as well as create demand for new job roles, skills, and employment models. The NDIS is currently undergoing a staged rollout with trial sites across Australia, including in the small island state of Tasmania. As part of the trial, the Australian Government together with other stakeholders is sponsoring a number of workforce development projects.

In Tasmania, disability service provider engagement in workforce development activities is organised around the *Tasmanian Disability Industry Workforce Development and Skills Plan: 2013-18*. The plan was released by NDS Tasmania in June 2013 after consultation with NDS Tasmania members and other industry stakeholders. The plan details four priorities for the sector and the outcomes sought.

- **Industry capacity and capability for workforce development and training.** A strategic and integrated approach to workforce development and planning as a foundation for navigating the transition to greater emphasis on self-directed funding and a "managed market" environment.
- **Management and leadership skills.** Current and emerging leaders and managers are skilled in adaptive management and leadership, and able to effectively and innovatively navigate the transition to a managed market environment.
- **Attracting and retaining our workforce.** An industry of choice characterised by a growing and diverse workforce that is inspired and rewarded by working with people with disability to live as they wish.
- **Skilling the workforce for the future.** A workforce that is committed to continual skills development; that has the competency and capability that support new ways of working with consumers and their families and carers; and a responsive VET system that offers best quality training and support for the current and emerging workforce.

More information on the initiative can be found in chapter 7.

Box 1.11. **Gipuzoka socially responsible territory**

Since 2004 the Gipuzkoa province in Spain has been implementing a policy to promote new forms of organisation based on people, where participation (in the fields of management, decision making, capital and results) has a fundamental role. The Department for Economic Promotion, Rural Environment and Regional Balance of the Government of Gipuzkoa, by means of the "Programme for the Promotion of a Socially Responsible Region" aims to foster organisational, social and regional innovation, focusing on the commitment of economic, social and regional agents to people, organisations and the environment. This programme includes two streams of work: 1) R&D and experimentation projects and 2) broader dissemination and knowledge sharing. The aim is to enhance participatory approaches in companies in order to create stronger ties to the business project and get the company involved in their surroundings (bringing the power of decision-making closer to their everyday reality), also making the business management easier.

Conclusions and key lessons

This chapter highlights key findings from a literature review undertaken to understand the state of play which regards to better using skills. Traditional approaches to skills have focused on the supply side but there is an increasing recognition of the importance of also stimulating the demand for skills to boost productivity, competitiveness and job creation. There are benefits to be gained by both individuals and employers from focusing on how to improve skills use. Firms will have a dynamic workforce, which is more adaptable, profitable, and more engaged, thereby reducing turnover. Individuals gain from stronger wages and general overall job satisfaction.

There are a number of influences that impact how skills are used in the workplace, including work organisation, product market and business strategies, workplace relations as well as broader institutional factors. Data from the OECD PIAAC shows that skills use varies within and across countries. Furthermore, while there is considerable variation across countries, the prevalence of High-Performance Workplace Practices can positively influence the extent to which skills are used. In addition to understanding if people are well-matched in their jobs, it is also important to understand the dynamic mix of skills supply and demand. This can help local policy makers understand whether the education and training system is being responsive to strategic growth sectors of the economy as well as whether the quality of jobs is sufficient for productivity gains.

Skills utilisation policies require policy coherence across employment, skills, economic, and innovation policies as well as new way of formulating and implementing strategies outside of programme silos. Each policy portfolio can play a critical role in stimulating the demand for skills among employers and raising their product offer. In designing and delivering public programmes to affect change within "the black box" of workplaces, policymakers should consider a number of overarching lessons that have emerged from this study.

Skills utilisation should be identified as a priority across policy domains, in addition to being the focus of targeted interventions

Public actors can do more to support employers in putting skills to better use, both by considering skills utilisation as a cross-cutting element of interventions originating in other policy domains and by putting into place specific programmes to tackle these issues. As discussed earlier, interventions in the fields of labour market policy, economic development, skills development and innovation could all do more identify "win-win" approaches to achieving the objectives set out for those particular domains while simultaneously getting more employers on the high road to better using skills (or at least not facilitating employers taking the low road). Similarly, financing models from a particular sector could be adapted to provide options to support enhanced skills utilisation in the workplace, as has been the case in Singapore.

High levels of employer engagement and leadership are key

While employer engagement has increasingly become a mantra across a variety of employment and training systems, securing high levels of buy-in and engagement from employers is even more critical in the field of skills utilisation. For example the case study of restructuring of disability services in Australia highlights the important role played by NDS, the peak body representing non-government disability services, NDS's engagement meant that the strategy and activities were industry-led, and were able to be integrated

into workforce development activities and other initiatives. Employers are also more likely to trust other employers as role models than public actors, and engaging large, anchor, or prime firms can help to pull smaller firms in their networks or supply chains down the path to the high road.

The case studies also demonstrate that while public funding can be used as a trigger to overcome short-term inertia or to change the framework conditions in which businesses operate, but meaningful, long-term changes will rest on the business case being made and a high level of commitment on the part of management. For example, the case study in Singapore shows that when skills support – acquisition, retention and utilisation – becomes part of an overall sound business model, employer buy-in becomes more likely. And after the initial adoption, a skills-driven business model becomes the "normal" way of running the business.

Specialised, technical expertise is needed to get employer buy-in and affect change

Working with employers to effect change at the level of workplaces requires deep, technical expertise, which is oftentimes sector specific. Public actors and their traditional partners may not hold this level of technical expertise, suggesting a need to engage external consultants or others with deep sector experience. Attention may also need to be paid to how to build such capacities in other places, such as universities where staff may have relevant expertise, but may not be accustomed to working directly with employers.

Initiatives should be strategically targeted in order to maximise effectiveness and efficiency

Initiatives should be targeted to where there is the most potential for traction and uptake, or the most need for change. This may include targeting SMEs, focusing on low-wage sectors and occupations, or strategically linking skills utilisation to other policy changes impacting sectors (as was the case with disability services in Australia). However, it should be noted that there can be trade-offs in working with SMEs: managers have little slack time and may be distrustful of government; programmes such as career ladders may have limited applicability in smaller organisations; and it can be resource intensive to work with a large number of small firms as opposed to a smaller number of larger firms (Osterman, 2008). Working at the level of employer networks can help to overcome some of these challenges, especially those related to economies of scale.

Multi-faceted interventions are needed – both at the level of workplaces and local economies

As discussed earlier, a variety of factors influence skills utilisation – both internal and external to individual workplaces. As such, single shot or narrow interventions may be insufficient to affect long-term change. For example, the experience if programmes in Finland has shown that "the target of development at the workplace level should be a work system that consists of several interrelated work, organisational and human resource management practices on the whole, rather than individual practices as such" (Alasoini, 2015). In other words, bundles of management practices as well as the links between product market strategies and skills need to be taken into account.

A similar logic applies to interventions at the level of sectors or local economies. Encouraging greater skills utilisation will require creating an environment in which high skills utilisation is the basis for achieving a competitive position and makes business

sense. Co-ordinated approaches across training, employment and economic development can help to create an environment in which better utilising skills "pays", and is a natural decision for firms. Additionally, the rising importance of skills utilisation does not necessarily mean that the influence of human capital theory is on the retreat. Instead, it is often necessary to address skills utilisation and skills supply (acquisition) simultaneously to create meaningful change.

Note

1. It should be noted that these results are based on employee self-reports, and results of employer surveys may show different results.

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Chapter 2

Collaborative workplace innovation in the East Midlands, United Kingdom

This chapter describes the Innovation Workplaces programme which was implemented in the East Midlands, United Kingdom, designed to enhance employee skills utilisation in workplaces. The programme was set-up as a partnership between the United Kingdom's Work and Organisation Network, Acas and the regional development agency. The programme focuses on workplace innovation, in short the adoption of participative and empowering organisational and managerial practices which engage the talent and potential of employees at all levels more effectively than traditional approaches.

KEY FINDINGS

- *Innovative Workplaces in the United Kingdom was undertaken in a region and country with little history of support for workplace innovation. A state agency and an NGO collaborated to implement this approach which involved shared learning and peer-to-peer support within a cluster of organisations.*
- *Independent evaluation demonstrates both measurable and intangible business and employee benefits. In particular, the resulting economic benefits generate a 4:1 return on public investment.*

Background

This case study describes a pilot programme designed to enhance employee skills utilisation in workplaces. The programme focuses on workplace innovation, in short the adoption of participative and empowering organisational and managerial practices which engage the talent and potential of employees at all levels more effectively than traditional approaches. *Innovative Workplaces* produced a substantial return on investment including well-documented benefits for the participating organisations, their employees and the wider economy. Innovative Workplaces also demonstrates the potential for effective policy innovation based on collaboration between different bodies, in this case an NGO, a national public body and a regional development agency:

- The **United Kingdom's Work and Organisation Network** (UKWON) is a not-for-profit body established in 1997 to disseminate and develop innovative workplace practices, and to stimulate new thinking about the future of work and organisations.
- **Acas** is a UK government body with a tripartite structure, charged with promoting and facilitating strong employment relations. While much of its work is concerned with dispute resolution, it had become increasingly proactive in its approach to disseminating good practice through the provision of training courses and through instruments such as the Acas Model Workplace.
- **East Midlands Development Agency (EMDA)** was the regional development agency for the East Midlands of England, and was established in 1998. It was abolished in 2012.

Policy rationale for skills utilisation and productivity in the UK

The problem of workforce skills in the UK is multi-faceted, well documented and has a long history. According to the UK Commission for Skills and Employment (UKCES, 2009):

> *"Our stock of skills and their optimal deployment fare relatively poorly when compared internationally according to skills utilisation measures such as labour productivity and levels of qualifications among different workforce groups. Access to opportunities for skills acquisition is uneven as are their impacts."*

The "British disease" of poor productivity and an economy based on a "low skill equilibrium" has achieved cyclical but transitory public policy prominence stretching back over several decades, though seemingly without reaching lasting solutions. Thus during the

early years of the current century the focus of skills policy in the UK began to reach beyond its primary concern with improving skills supply to the question of employer demand for skills. UKCES argued in 2009 that "there has been a shift in focus to considering how we can ensure that skills are effectively used as well as developed in the workplace".

Supply-side skills interventions can certainly boost competitiveness and also have an important influence on individual labour market outcomes; however in isolation they have not been sufficient to close the productivity gap between the United Kingdom and its competitor nations (Wright and Sissons, 2012). Research findings (UKCES, 2009; LLAKES, 2012) pointed to:

- A widening gap in the labour market between the number of workers with qualifications at various levels and the number of jobs that require those qualifications;
- 35-45% of workers with qualifications that are not fully utilised in their current jobs (Wright and Sissons, 2012) but which would be of economic value if they could be put to better use in more demanding roles;
- The tendency for UK employers to require lower educational qualifications for otherwise similar jobs than their counterparts in many other developed countries;
- The slow pace at which UK employers have adopted high involvement working practices despite long-established evidence that such practices are associated with enhanced levels of productivity and performance.

The latter point is of particular relevance to this study as well as providing a partial explanation for the "British disease". Even though evidence about the effectiveness of employee empowerment has been around for a long time (Totterdill, 2015), successive surveys show that the vast majority of UK companies do not make systematic use of empowering workplace practices. One UK survey estimated that less than 10% of employees work in self-managing teams, a basic building block of good work organisation. Less than 30% have a say in how their work is organised. The UK compares unfavourably with several other Northern European countries against many such indicators of employee involvement and participation (LLAKES, 2012).

The East Midlands Development Agency (EMDA) was responsible for a diverse region of 4.5 million people. The East Midlands economy was, and remains, one characterised by a low skills equilibrium, "trapped in a vicious spiral of low value-added and low skills. Enterprises are staffed by low skilled staff producing low quality goods and services to which the training market responds rationally by providing training aimed at the demand for low skills" (Gambin et al., 2009).

GVA per head in the East Midlands had fallen from 94% of the UK total in 1991 to 89% in 2007 (a fall of 5 percentage points against the national average). In terms of regional differences, the East Midlands ranked fourth amongst English regions between 1991 and 1997, fell to sixth between 1998 and 2000, but rose again to fifth since 2001. Hidden within this broad picture lay significant sub-regional and sectoral differences (Office for National Statistics, 2008). The East Midlands also had the highest share of its workforce with no qualifications in England and the second lowest share of its workforce with high skills (Labour Force Survey, April-June 2007).

The policy context for workplace innovation in the UK

The term "workplace innovation" is used increasingly widely to describe the introduction of high involvement working practices that empowers employees to release

their talent to the fullest possible degree. The fundamental premise underlying workplace innovation is that traditional ways of organising and managing work limit the ability of employees at all levels to use and develop their full range of skills, knowledge, experience and creativity, both in performing their functional tasks and in contributing to improvement and innovation, thereby weakening productivity, competitiveness and quality of working life. Workplace innovation seeks to broaden job roles and employee discretion at both the individual and team levels, transcend vertical and horizontal demarcations, enable employee-led improvement and innovation, and engage the tacit knowledge of frontline workers as a resource for all levels of decision making. It therefore embraces the concern with skills utilisation and development in the workplace (see overview chapter of this report for more information).

Workplace innovation now occupies an important place in EU innovation and competitiveness policy, as demonstrated by the establishment of the European Commission's Workplace Innovation Network (EUWIN) jointly led by TNO and UK WON.

Despite the potential benefits of workplace innovation, it remains limited at the enterprise level. Several interwoven factors (Totterdill, Dhondt and Milsome, 2002; Business Decisions Limited, 2002) including the following can help to explain this:

- An excessive tendency to see innovation purely in terms of technology;
- Low levels of awareness of innovative practice and its benefits amongst managers, social partners and business support organisations;
- Poor access to robust methods and resources capable of supporting organisational learning and innovation;
- Barriers to the market for knowledge-based business services and the absence of publicly provided forms of support;
- The failure of vocational education and training to provide knowledge and skills relevant to new forms of work organisation.

Resistance to high involvement work practices can also be explained in terms of the embedded structures that shape management behaviour. Power can be seen as a zero-sum game: to empower workers, managers may wrongly perceive that they have to lose it (Hardy and Leiba-O'Sullivan, 1998) potentially challenging their self-identity and status within the organisation (Alvesson and Willmott, 2002; Collinson, 2003; Thomas and Linstead, 2002).

Beyond the enterprise, there are few institutional spaces in the UK which enable sustained dialogue and interaction between employers' organisations, trade unions, policymakers and researchers compared with those countries that have adopted a more systemic approach to the stimulation and resourcing of workplace innovation.

Ewart Keep (2015) argues that: "the UK turned its back on traditional policy concerns about workplace relations a long time ago… the underlying assumption was that competitive pressures and managerial wisdom would lead to organisations using workers productively". Successive UK governments have relied on a market-driven approach to workplace innovation and instigated no policies or programmes to close the gap in productivity caused by the very long tail of companies who fail to respond to evidence. This stands in stark contrast with France, Germany and some Nordic countries where national and regional workplace development programmes have existed for some decades.

Regional Development and the East Midlands

In England, nine Regional Development Agencies (RDAs) were established in 1998 in fulfilment of the previous Labour Government's manifesto commitment. Their legal responsibilities were:

- to further economic development and regeneration;
- to promote business efficiency and competitiveness;
- to promote employment;
- to enhance the development and application of skills relevant to employment;
- to contribute to sustainable development.

RDAs also assumed responsibility for administering EU regional development and social funds. Although each RDA was managed by a Board comprising representatives of business, local government, trade unions and voluntary organisations, it was directly answerable to the Department of Business, Innovation and Skills in central government. Each RDA produced a three-year Regional Economic Strategy (RES) outlining its own priorities and intended to guide the work of partner organisations in the region as well. The RES was submitted for approval to the Department of Business, Innovation and Skills and was clearly expected to reflect national policy priorities.

While initially the East Midlands Development Agency did not include workplace innovation as a means of achieving its strategic goals relating to competitiveness and skills, matters began to change when the focus of national policy began to embrace skills utilisation. Eventually, in 2008, EMDA's annual Corporate Plan contained the following commitment:

> *Developing new ways of organising work and utilising more effective deployment of people in the workplace will be needed for businesses to remain globally competitive and ensure business survival. EMDA will focus activity on supporting organisations to stimulate learning amongst their employees and developing collaboration within and between organisations. This activity will seek to change organisational culture and develop strong, inspirational leaders, as well as building effective employee relations.*

EMDA commissioned a series of papers (Gambin et al., 2009; Sisson, 2009) and consulted with UK WON to build on its experiences as well as those of other countries that had implemented workplace innovation programmes. It eventually asked UK WON and Acas to collaborate on a proposal for a regional pilot initiative.

The programme, named Innovative Workplaces, began in June 2009 following a period of preparation which included the recruitment of ten participating organisations. The final interventions took place in September 2010. However in June 2010 the government announced the abolition of the RDAs; this subsequently took place on 31 March 2012 with the consequence that the programme intended as a pilot became an isolated if exemplary case of support for workplace innovation in England.

The innovative workplaces programme

Objectives

The initial Acas proposal to EMDA described the programme as a national pilot project designed to achieve the following objectives:

- Facilitate long-term organisational change by focusing on the development of enhanced management and leadership skills to establish appropriate work organisation entailing a more committed workforce and therefore increased productivity.
- Capture, record and disseminate the lessons learnt and the outcomes achieved by participating companies.
- Link the learning of management and leadership skills to practical application in the workplace for mutual benefit, including through the career development of the key people involved.
- Provide a guide to effective organisational change for wider dissemination, based on robust evidence gathered from the people and organisations involved in the project.
- To provide an example to other Regional Development Agencies of how Acas, working in partnership with UK WON, can improve productivity and working lives in regional economies.

It was intended that the project should benefit a small cohort of business leaders, managers and supervisors across ten organisations, each of which would benefit from long-term organisational change. The project was justified as a means of breaking out of the low skills equilibrium by developing and unleashing the enterprise skills and competencies of those in work, enabling employees to use their initiative to innovate and create new business strategies and solutions whilst achieving maximum productivity.

UK WON's tender to Acas elaborated these objectives by emphasising the role of action-learning and peer support in encouraging and resourcing organisational change. Based on its previous experience, UK WON argued that the effectiveness of support for companies is considerably enhanced by group-based learning and knowledge exchange combined with peer-review of change proposals and implementation processes.

As an intended pilot, the programme aimed to capture, record, evaluate and disseminate the lessons learned and the outcomes achieved by participating companies. These achievements were to be "promoted to policy-makers, stakeholders, and organisations who wish to manage change effectively" while the "economic advantage of enhancing leadership and management skills and work organisation will be showcased." The programme's role as a pilot was seen in national as well as regional terms, providing lessons for RDAs in other regions and "the relevant Secretary of State" at the national government level.

Activities

As described in the final evaluation report (Harris et al., 2011), the Innovative Workplaces programme included the following suite of activities:

Recruiting ten companies

In 2009, the opportunity to participate in the programme without charge was widely advertised through EMDA, Acas and UK WON. A series of open access familiarisation sessions was held for organisations interested in learning more about the initiative. The written application process was kept light in order not to discourage applicants. However the subsequent interview process was intentionally robust to encourage self-assessment and reflection about the suitability of the programme by applicant organisations, while also enabling the assessors to form a judgement.

Following the application process, a number of organisations from across the East Midlands region were invited to face-to-face discussions with Acas and UK WON team members. These discussions took place with a mix of managers and HR professionals from each organisation interested in participating. Organisations were asked to set out their overall objective in seeking to join the programme and why they felt it would benefit them. They were also asked to demonstrate their commitment to engaging and staying with the programme from start to finish - an especially important criterion in determining which organisations would be invited to join.

The outcome of these discussions was that eleven organisations were recruited to participate. These represented considerable diversity in terms of their size, sector and geographical location across the region. Two employees were nominated as "Gatekeepers" by each organisation to attend the programme and to act as the catalyst in developing and implementing workplace innovations with support from Acas and UK WON. The suggested criteria for selecting Gatekeepers was that one should represent senior management, lending the weight of their authority to the change initiative, while the other should be the leading "change entrepreneur", stimulating and steering the process on the ground. Above all Gatekeepers should be proactive individuals who would "get things done". One company decided to withdraw from the programme at the beginning of the initial short management and leadership course, leaving ten remaining participants.

Initial short course and action planning

An initial short course of three and half days delivered over three months was designed to enable participants to learn about good practice, develop their leadership skills, evaluate their own organisations with reference to workplace innovation practices, and formulate an action plan for change.

The short course had previously been developed by UK WON and piloted extensively with a wide cross section of organisations in the East Midlands, showing it to be effective in stimulating critical reflection and planning for change.

Gatekeepers were encouraged to maintain logs throughout the project, principally to aid reflection and as a record of achievement. Guidance on topics for inclusion in learning logs was provided.

UK WON involved New College Nottingham, a local further education provider, in delivering the course so that it could be accredited by the Institute of Leadership and Management (ILM). Participants were eligible to receive the ILM Level 3 Award in Leadership and Management on submission of their learning logs at the end of the course. Surprisingly even those managers with previous higher level qualifications opted to pay the additional registration fee required to receive the Award.

For those Gatekeepers already well qualified and experienced, the course was designed to help ground pre-existing knowledge in the task at hand; for those without such backgrounds the course provided sufficient actionable knowledge workplace innovation to inform effective change. Likewise the course was designed to orientate Gatekeepers to the core programme values and objectives. Of equal importance, the interactive nature of the course built relationships between Gatekeepers from the different organisations, creating the openness and trust required for the subsequent action learning sets.

These courses covered the following topics over the course of four sessions:

- **Employment:** creating a flexible and healthy working environment

- **Skills:** generating ideas through creativity and innovation
- **A people centred approach:** involving employees through teamwork and partnership
- **Action plan:** presentations and peer review

Preparation of action plans was seen as a bridge between the course and the rest of the project. The course provided guidance on the content of plans and further individual support was offered by Acas facilitators. Gatekeepers were actively encouraged to involve as wide a cross section of employees as possible during the action planning stage, and the extent of their success in doing so formed part of the discussion during the subsequent peer review process.

Presentation and peer review of the action plans during the final half day of the course in September 2009 marked the instigation of the action learning process. This session was followed in the afternoon by a public event which attracted some 30 companies from across the region, and included presentations by national keynote speakers as well as programme participants.

Network meetings and action learning sets

Gatekeepers took part in monthly half-day network meetings which provided greater depth of understanding in relation to specific aspects of workplace innovation, exploring practical dimensions of the initial course in more detail. However the content of these meetings was, as far as possible, responsive to needs expressed in the action learning sets and to issues raised by the Acas Facilitators supporting the companies. Network meetings also enabled the exchange of knowledge and experience between participants.

In the afternoons following the network meetings, action learning sets facilitated by UK WON enabled participants to reflect on progress and refine their action plans based on peer review and the exchange of ideas between Gatekeepers.

This monthly meeting structure provided a framework within which the Gatekeepers could reflect on the strengths and weaknesses of existing practices in their organisations, learn from and crucially challenge each other, test ideas and proposals in a safe and supportive environment, and share both problems and achievements as their work progressed.

A further event was organised in the form of a study visit to a local company known for its self-organised teamworking and continuous improvement methods, providing participants with a real-life example against which to benchmark their own action plans.

Change Facilitation

The design of the Innovative Workplaces programme recognised the importance of individual support at the workplace level as well as the shared learning provision in securing effective and sustainable change. In their role as Innovative Workplaces Facilitators, Acas Senior Advisors provided practical in-company advice and guidance in accordance with a briefing document prepared by UK WON. Table 2.1 summarises the Facilitators' role.

Although well experienced in mainstream employment relations, each Facilitator came to the programme with a different level of understanding of workplace innovation. The briefing document and an induction meeting at which it was presented played an important role in ensuring that the Facilitators shared a common perspective relating to workplace innovation and how they could support the development and implementation of action plans in each organisation.

Table 2.1. **Role of Facilitators**

Supporting the preparation of action plans during the course
• Clarifying key messages from the course • Helping participants to identify underlying causes of problems • Raising awareness and aspirations relating to the scope of change • Anticipating and helping participants to address obstacles to change • Helping Gatekeepers to prepare and present robust action plans.
Supporting the continuing change process
• Mentoring Gatekeepers throughout the change process and helping them to overcome obstacles. • Helping to maintain employee involvement throughout the process, including the direct involvement of frontline employees in the design and implementation of change, the establishment of inclusive project teams, and the active buy-in of trade unions and employee forums. • Identifying the need for specialist knowledge, experience or resources and signposting appropriately in liaison with the project managers • Creating regular spaces for critical reflection on progress involving a cross-section of managers and employees.
Reporting and capturing learning points
• Providing the Project Managers with regular updates. • Keeping a personal log/diary of key interventions and events. • Encouraging Gatekeepers to keep records of activities. • Helping Gatekeepers to prepare progress reports for the action learning sets. • Helping to identify issues for thematic presentations/discussion during Network meetings.

Source: UK WON Facilitator Briefing Paper.

In each case the Facilitator's input began with initial meetings in the participating organisation to explore and discuss its action plans. The Facilitators used their skills and experience to support the process of turning ideas and aspirations into practical strategies. In many cases the initial advice was followed by diagnostic workshops and focus groups led by the Facilitator. These generated powerful insights and provided a sound basis for the subsequent development of the individual projects.

The Acas Facilitators also provided advice on setting up employee consultative forums, on staff surveys, and on wider policy development. Where specialist workplace innovation advice was required, UK WON provided additional guidance to participating organisations – for example in helping to establish self-organised teams at a manufacturing company.

Acas also made its open access training courses available to all the organisations and in some cases the Facilitator provided bespoke in-company training to support individual projects. For example one company received training on "Essential Skills for Supervisors" and "Training for Workplace Representatives", while two others both received bespoke training for their new employee representatives.

Evaluation and dissemination

Evaluation was a key element throughout Innovative Workplaces, not least because it was an EMDA requirement that an independent evaluator should be appointed in order to measure programme outcomes. The evaluation led by Nottingham Trent University was interwoven through every aspect of the delivery, diagnostic and learning processes with a view to identifying:

- The impact of the programme (including its economic impact) from multiple perspectives within each participating organisation, including specific benefits to participants and their organisations as well as unforeseen outcomes;
- The effectiveness of the development interventions such as the course, workplace facilitation and action learning from the perspective of the participants;
- Transferable lessons for other regions and "lessons learnt" that might inform future interventions.

Dissemination, marketing and publicity activities ran throughout the life of the project. At the outset the emphasis was on attracting organisations to enable a competitive selection process. During the course of the project the focus was on the creation of actionable knowledge to promote the development of new approaches to leadership and work organisation amongst other organisations in the East Midlands. As the project drew to a close the dissemination focus became national, despite the subsequent demise of the RDAs, targeting policymakers, other stakeholders and employers through events, publications, social media and films.

Governance and Finance

Acas entered into a contract with EMDA for the delivery of the programme as specified in the original proposal. The overall value of the EMDA grant to Acas was circa GBP 236 000.

Regular meetings involving EMDA, Acas and UK WON were held throughout the programme to provide updates on progress and to identify specific achievements.

Likewise UK WON and Nottingham Trent University entered into delivery contracts with Acas. Regular co-ordination meetings took place to ensure cohesion between the different components of the programme including the course, network meetings, action learning, on-site facilitation, dissemination and evaluation.

Senior staff from the Acas national Research and Evaluation Section supported the project manager, notably in appointing and overseeing the independent evaluators at Nottingham Trent University, and subsequently in disseminating programme outcomes.

Impact of the innovative workplaces programme

Workplace Innovation in the participating enterprises

All the participating organisations reported that the Innovative Workplaces programme had led not only to the achievement of some of the workplace changes sought in their initial action plans but also to improvements in the wider employee relations climate. For the majority their aspirations for participation in the programme were achieved to a great extent and a range of different, but frequently related, organisational issues were addressed; these included improved levels of employee engagement, morale, communications between management and employees in different functional areas, workforce flexibility, and the implementation of change.

Respondents from the smaller organisations were especially positive and more likely to have a shared view within the organisation about the outcomes of the programme and its business benefits. In the SME business context the impact of what had been achieved was, arguably, easier to identify and more visible to the workforce. In contrast, the two public sector organisations appeared to experience the most difficulty in clarifying the aims and scope of their action plans at the outset, partly due to the presence of other related, and potentially overlapping organisational initiatives such as a leadership development programme underway at the same time.

Of the eleven companies enrolled one dropped out at the beginning of the programme, one went into liquidation mid-way through the programme, and one withdrew towards the end for internal reasons. The UK was in recession for almost the entire programme, an economic context reflected both in continuing participation and in the progress of individual organisational projects.

Based on the findings of the evaluation report (Harris et al., 2011), the following summarises key outcomes for the organisations that completed the programme based on participant perceptions.

Box 2.1. **The evaluation methodology**

The approach taken by the independent evaluator, Nottingham Trent University, placed a particular focus on: 1) the extent to which intended organisational outcomes were realised; 2) the economic impact and return on investment through a range of performance indicators; 3) the extent to which the wider aims of the intervention had been achieved; and 4) the efficiency and effectiveness of the learning and development process and activities.

Interviews took place at the beginning of the programme and six months after it had finished with a range of stakeholders at each organisation in addition to the nominated Gatekeepers. These usually included a senior manager and/or line manager, an HR manager and an employee representative. A multi-method research design was adopted to generate both qualitative and quantitative data in order to evaluate the programme's impact against its overall aims. Specific outcomes were evaluated from different stakeholder perspectives including:

- the organisational changes resulting from participation in the programme, including any unforeseen outcomes;
- the development of the individual Gatekeepers;
- the extent to which skills and knowledge had been transferred from the Gatekeepers to others within the organisation;
- the extent of sharing learning and knowledge between the Gatekeepers on the programme;
- the effectiveness of the different development interventions provided by the programme from the perspective of the participating Gatekeepers;
- the lessons learnt from the Innovative Workplaces programme in terms of what worked well and less well;
- the cost/benefits to the participating organisations;
- a set of questions designed specifically to calculate the economic impact of the programme.

Communication and Engagement

Improved communication was identified by respondents from all the participating organisations as the "single most important change" resulting from Innovative Workplaces. This was the view of the managers, employee representatives and the Gatekeepers who took part in the project's final evaluation. In six of the organisations improved communication was identified as leading directly to increased levels of employee engagement. In each organisation, improvements in communication and employee engagement stemmed from the adoption of mechanisms for capturing ideas from the workforce and listening to employees' views. Mechanisms for improving employee voice ranged from the establishment of a workplace forum in one company to the creation of task groups reporting to a steering committee comprised of both management and employee representatives in another.

The programme resulted in the majority of the organisations putting into place mechanisms to stimulate and capture new ideas from employees. The smaller businesses

found it rather easier to provide spaces for generating, exploring and implementing workforce ideas. At five organisations in which Acas set up focus groups, respondents reported increased levels of employee engagement and a greater willingness to contribute ideas.

The organisational benefits associated with improved communication varied with the issues facing each organisation. For example, participation in the programme had enabled one organisation to return to levels of productive, informal communication that had characterised the business prior to its expansion and move to larger premises. At another, participation led to the achievement of one of its main aims in joining the project: a 10 percentage point improvement in the employee engagement score in its annual company employee survey.

Managers in half the participating organisations reported that issues formerly referred directly to them were now being resolved at a lower level in the management chain or by employees themselves. This was identified by respondents as a saving in management time with consequent improvements in efficiency and productivity. Such benefits were identified particularly strongly by participants in the smaller businesses and were seen to be the result of increased employee involvement. For example one SME manager, a Gatekeeper on the programme, reported a 75 per cent reduction in the time he personally spent addressing workplace disciplinary and grievance issues.

HR policies and procedures

Almost all participants reported the implementation of at least one new or improved human resource policy or procedure, and all had plans for future improvements following their participation in the programme. The most widely reported were improvements to processes for informing and consulting with employees and absence management.

Workplace climate

Identifying those factors which contribute to improved morale is complex. Notwithstanding, the majority of respondents identified that workplace morale had improved following participation in the programme but it was not always possible to identify whether or not this improvement could be attributed directly to it. External events related to the economic climate led to actions such as a pay freeze and redundancies which made a negative impact on morale.

Management and leadership skills

The majority of respondents felt that improvements in management and leadership skills had happened either partly or to a large extent as a result of participation in the programme. Benefits included higher levels of trust between employees and management. This was reported by the majority of respondents across all the organisations although it did not necessarily represent a shared view of everyone from the same organisation. The reasons for this varied; for example, at one organisation a dispute over pay had led to internal differences between management and employees.

Most significantly Innovative Workplaces was viewed as the catalyst for organisational change by the vast majority of respondents, a view shared by both the delivery partners and the Acas facilitators. Key organisational achievements reported by the eight completing organisations as a result of participation in the programme are summarised in Table 2.2:

Table 2.2. **Profile, aims and outcomes of participant organisations**

Organisation	Action plan	Reported achievements
Brush Electrical Machines Ltd Manufacturer of heavy electrical equipment.	Improve two way communication. Enhance management awareness of employees' perspectives. Improve employee awareness of management's perspective.	Establishment of a steering committee and focus groups, e.g. introduction of lean manufacturing. The introduction of a company newsletter to assist communications. Better equipped to meet the challenges of an increasingly difficult economic climate.
Caterpillar Logistics Warehousing and logistics for heavy plant.	Introduce measures to enhance employee engagement. Increase the employee engagement score in the company employee survey by 10 percentage points. Improve communication between different groups of staff.	Establishment of an Employee Forum. Improved communication between staff groups. Changes to the application of the absence policy. Employee engagement score improved by 10 percentage points.
Liquid Control SME manufacturer of process machinery.	Develop workforce flexibility. Identify skills gaps and employ apprentices to fill the gaps left by employees due to retire. Obtain ISO 9001 by the end of 2010. Undertake a Stress Survey of employees.	Workforce skills analysis. Introduction of developmental appraisals for all employees. Workforce training which has increased flexibility. Recruitment of apprentice(s). Implementation of an employee engagement survey. The introduction of quarterly company meetings. The introduction of weekly departmental meetings.
Northampton College Large public further education college.	Initial action plan – to enhance leadership and management capability. Later action plan – to address issues of employee consultation, communication and involvement.	Outcomes were still evolving at the time of evaluation but were likely to include: Enhanced employee involvement. Development of leadership skills for managers at all levels. The introduction of joint problem solving task groups.
Pendragon Commercial and contract vehicle leasing.	Improve team member engagement. Encourage better team participation and departmental interaction. Improve customer service.	The establishment of an employee forum. Introduction of team building events. Improved employee engagement. Improved employee communication throughout the division. Review and revision of 'housekeeping' policies and practices. Introduction of monthly team leader meetings. Re-introduction of a customer service survey.
Strategic Health Authority Public authority for regional healthcare provision.	Engage staff to maximise the use of the Electronic Staff Records System (ESR). Transfer ownership of personal data to individuals. Enable managers to better maintain employee data. Reduce levels of data handling to enhance administrative efficiency.	Improved facility for 'employee voice'. Increased staff usage of the ESR. Increasing staff ownership of personal development. More accurate HR information. Improved reliability, productivity and efficiency in the handling of personal data.
The Health Store SME wholefood distributor and warehousing.	Increase employee engagement. Improve two way communication. Establish an employee forum. Elect employee representatives. Encourage employee suggestions for innovation.	Elected and trained employee representatives. Establishment of a joint management and employee forum (production and warehouse areas). Employee representative attendance at monthly management meetings. Improved workplace communication and morale and employee engagement. Significant decrease in the number of disciplinary cases. Improved working practices as a result of employee suggestions.
Thorpe Kilworth SME manufacturer of specialised furniture.	Improve the company's competitive edge. Improve manufacturing efficiency. Enhance employee engagement and communication. Challenge long-held beliefs and working practices.	The establishment of a cross-functional working party. The establishment of a staff consultative forum. The introduction of employee representative training. Enhanced problem solving capability. Re-organisation of the stores Department. Introduction of elements of lean manufacturing and teamwork. Development of an employee engagement survey.
Brush Electrical Machines Ltd Manufacturer of heavy electrical equipment.	Improve two way communication. Enhance management awareness of employees' perspectives. Improve employee awareness of management's perspective.	Establishment of a steering committee and focus groups, e.g. introduction of lean manufacturing. The introduction of a company newsletter to assist communications. Better equipped to meet the challenges of an increasingly difficult economic climate.
Caterpillar Logistics Warehousing and logistics for heavy plant.	Introduce measures to enhance employee engagement. Increase the employee engagement score in the company employee survey by 10 percentage points. Improve communication between different groups of staff.	Establishment of an Employee Forum. Improved communication between staff groups. Changes to the application of the absence policy. Employee engagement score improved by 10 percentage points.

Source: Adapted from Harris et al. (2011).

Personal Development

All Gatekeepers identified personal benefits from participation in the programme as a whole; examples included "more confidence in speaking and chairing meetings", "increased participation in group and team work", "working more closely with senior leaders" and "the ability to utilise tools and techniques". One Gatekeeper was so encouraged and motivated by his introduction "to the world of learning" on the programme that he enrolled on a higher level ILM Level 7 qualification in management and leadership. As he explained: "If it had not been for this project and the insights I gained, I just would not have pursued further development of myself as a manager and I would not be on this ILM Level 7."

The main personal benefits identified by seven of the thirteen Gatekeepers during telephone interviews undertaken as part of the independent evaluation were the ability to "network", and to "share issues, problems and achievements" with other participants on the programme. Learning that other organisations of a different type and size faced similar issues was "reassuring" but also developmental because the means of addressing these challenges were shared. Several Gatekeepers felt this had "helped their self-confidence", illustrated by the participant who observed that "learning what others were doing helped me to challenge what we were doing". The Acas Facilitators also reported the programme had appeared to boost the self-confidence of the Gatekeepers.

Economic Impact

Nottingham Trent University appointed an independent consultancy (Ecorys) towards the end of the programme to undertake an analysis of its economic impact using data collected during the evaluation. This economic impact assessment reported an overall minimum return on investment of GBP 4 for every GBP 1 of public sector expenditure. Positive impacts were reported in terms of Gross Value Added per employee (including productivity gains) and jobs safeguarded or created.

According to the independent evaluation report, the estimate of the economic impact is conservative because it was not possible to measure all benefits in full. For example, participating organisations reported that their recession-related difficulties would have been considerably greater without the programme but were unable to quantify such impacts (Harris et al., 2011).

Likewise the overall expenditure by EMDA was relatively high because of the pilot nature of Innovative Workplaces. Follow-up programmes would be able to make significant reductions in the start-up and evaluation budgets, leading to an even better return on investment.

Strengths of the *Innovative Workplaces* programme

The programme was innovative in several respects. It set out to:

- **Stimulate workplace innovation.** As described in the previous section this was achieved in each of the participating organisations with the most positive gains reported by SMEs.
- **Develop management and leadership skills** through a practical, action-oriented approach rather than by focusing on theory. All Gatekeepers reported positive benefits.
- **Provide a unique combination of formal taught sessions, action learning and customised organisational support.** Ninety five per cent of participants were satisfied with the general content and delivery of the taught course and particularly so because "tools and techniques" were provided that could be easily transferred back to the business. The

majority of gatekeepers viewed the action learning sets as either "extremely useful" or "useful to a large extent". Most respondents perceived the Acas facilitation to be either "extremely useful" or "useful to a large extent" while a minority indicated the facilitation had been "partly useful".

- **Enable an integrated evaluation of the programme** as a pilot initiative. The independent evaluation report contains a record of all changes that took place within the participating organisations over the life time of the programme and followed up six months after its core elements had ceased, in each case captured from the perspectives of multiple stakeholders.

The evaluators stress that the impact of the project arose primarily from "the sum of its parts", in other words the cumulative impact of the course, the network meetings, action learning and on-site facilitation. However it was the collaborative nature of Innovative Workplaces that underpins each of these elements, specifically the sense shared by participants that they were embarking on a common journey despite differences in size, sector and initial motivations. Peer support and networking were especially highly valued, providing an important complement to the expertise provided by Acas and UK WON. In this sense UK WON's role focused as much on the facilitation of shared reflection and dialogue between participants as on the sharing of its own knowledge and experience.

The role of the Acas facilitators was also highly valued by most participants since they were able to bring very practical tools and resources to the workplace as well as a wealth of experience. At the same time their role differed from that in traditional consultancy because the individual support was taking place within a wider context of shared learning, knowledge sharing and problem solving within the participant group as a whole. Both the collective and individual elements of the programme played a mutually supportive role in securing the final outcomes for each organisation, and it is this which underpins its innovative quality.

Likewise the outcomes represent a win-win-win combination of personal learning and development for the Gatekeepers, measurable economic benefits for both the company and the wider economy, and enhanced quality of working life for employees.

EMDA funding was also one of the programme's clear strengths. Enterprises were not required to contribute financially and this allowed programme partners to be relatively selective (though see the qualification in the following section) in choosing participant organisations with sufficient commitment and focus. Although not required to make a direct financial contribution, the commitment of staff time needed to be substantial if the programme was to make an effective and sustainable impact in each organisation.

Finally Innovative Workplaces drew on the complementary strengths of two highly expert and experienced organisations. Acas as a respected public agency brought enormous credibility, organisational strength and project management effectiveness to the programme, as well as the operational expertise and experience of its team. UK WON, although a relatively small NGO, brought strong experience of previous initiatives to the design of the Innovative Workplaces programme, international knowledge of workplace innovation and a practical approach to its implementation.

The scope for improvement

The independent evaluation report based on extensive feedback from the participating organisations identified no significant weaknesses in either the design or implementation

of the programme, a view shared by both the Acas and UK WON teams. Most Gatekeepers were entirely satisfied with the programme's structure and content; a few made specific recommendations and these are aligned with the reflections of the delivery partners as summarised below.

Reflections by the UK WON team included the following ideas for improvement in subsequent programmes:

- Allow more time to recruit; this had been constrained in the programme due to the budgetary timescale. In addition, UK WON suggested that a self-assessment questionnaire could be used during the recruitment process to help applicants clarify their objectives, providing the opportunity for internal reflection and dialogue on the outcomes sought from participation.
- Provide more detailed information about the programme once the Gatekeepers had been selected. There was a lack of knowledge about workplace innovation and what it involved amongst some due to insufficient internal briefing from those who had taken part in the selection process.
- Build commitment from senior managers at the outset. It was reported that, whilst this might have been articulated at the selection stage, there were instances where it was not evident when the workplace project got underway. This situation was exacerbated by changes in senior management during the programme in some cases. Senior management support was also identified as a critical success factor by the Acas Facilitators and is further discussed below.
- Introduce mechanisms to discuss progress with senior management throughout and beyond the project in order to sustain momentum and overcome obstacles, for example by means of periodic meetings.
- Extend the short course throughout the life of the programme, emphasising practical tools and means of overcoming obstacles during its latter stages.
- Ensure greater consistency of workplace innovation knowledge and expertise amongst Acas Facilitators.

Innovative Workplaces broadened the scope of Acas's traditional activities and, according to the independent evaluation, undertaking the Facilitator's role was described as both "personally developmental" and "very worthwhile". Facilitators reported that they had welcomed the opportunity to work collaboratively, and in depth, with organisations. Having a reasonably long period of time to support workplace projects was seen as a real opportunity to make a difference. A key learning outcome reported by nearly all the Facilitators lay in the importance of "getting to grips" with the culture of the organisations and the pace at which progress could be made.

The following issues were identified by the Acas Facilitators as areas for attention in designing a future initiative:

- Ensure that Facilitators are more aware of the other elements of the programme. This might include their participation in a comparable short course, as well as better communication between action learning set deliberations and the onsite support.
- Put in place agreed "terms of reference" for each workplace project before it began, to be signed off by senior management with the involvement of the allocated Facilitator. This action would address the issue of senior level support discussed above. It is supported by the evaluation evidence which identified that many projects made slow progress in the

initial months and that "getting things started" absorbed much Facilitator time at the beginning of the programme.

- Involve the Facilitators as early as possible in any future programme so that they could develop their relationship with the organisations they were to work with as well as an understanding of its issues and culture.
- Consider how facilitation experience and skills can best be developed, particularly in terms of the ability to be flexible, innovative and resilient when things did not go to plan or organisations are less responsive than anticipated. It was acknowledged that the level of expertise for the role varied across the team. Sharing learning and specific experiences were considered a vital part of developing appropriate facilitation skills.
- Provide inputs from another experienced Facilitator, including their presence at meetings in the workplace, where there were particular difficulties or a lack of progress. In practice some organisations had two Facilitators working with them as the programme progressed; this overcame some difficult issues faced by a lone Facilitator.

Key learnings regarding transferability of the innovative workplaces approach

The experiences of Innovative Workplaces can provide important learnings for other countries. However, it is important to adopt a critical approach to the notion of "transferability". As with all policies and programmes, Innovative Workplaces was created within a specific context, responding to needs and opportunities identified in one region. This case study has identified the broad characteristics and outcomes of the programme in the hope that Innovative Workplaces can become a generative resource for policy innovation elsewhere, but such innovation will need to be grounded in its own specific economic, social, political and spatial setting.

"Receptiveness" to workplace innovation programmes varies across countries

Innovative Workplaces was created in a national and regional context with little history of policies or programmes designed to support workplace innovation. The opportunity to create the programme arose from three factors:

- Growing policy awareness at national and regional levels of the importance of skills utilisation as a factor in determining productivity and economic growth. At the same time policymakers lacked a clear strategy for addressing the issue thereby creating an opportunity for policy innovation.
- The existence of EMDA as an economic development agency with sufficient discretion to commit resources to an innovative pilot programme.
- UK WON's history of policy advocacy with EMDA, its previous experience in designing and delivering workplace innovation initiatives, and the reputation and expertise of Acas.

These factors each have a bearing on the potential for transferability to other OECD countries. Only a minority of countries and regions currently enjoy proactive policy frameworks designed to promote workplace innovation (for example, the Basque Country (Spain), Finland, Flanders (Belgium), France, Germany, Norway, Singapore, South Korea and Sweden, whilst in Denmark such initiatives lie within the scope of its social partnership framework). Elsewhere, as in the UK, workplace innovation tends not to be recognised in either skills or competitiveness policy frameworks and this may present a barrier to transferability.

Getting such programmes off the ground requires transcending traditional policy boundaries

Where public bodies are open to policy innovation they may be receptive to evidence of the business and wider economic benefits generated by Innovative Workplaces, not least because of the positive return on investment generated for EMDA. In order to make effective use of this evidence such bodies require the ability to transcend traditionally separate policy domains such as skills and competitiveness, as well as access to discretionary funding and a recognition that many of the workplace benefits generated by the programme will be qualitative as well as those that are quantifiable.

Specific types of expertise are needed, but capacities may not currently exist

Workplace innovation programmes including Innovative Workplaces draw on expertise and experience accumulated over lengthy periods of time. Such expertise is distinct from that normally offered by universities because it is action-oriented rather than mainly theoretical, but at the same time it is distinct from most consultancies because it is evidence-based and directed towards deep structural change rather than topical intervention. The answer may lie in international exchanges of expertise in which potential facilitators visit countries with longer experience of workplace innovation initiatives for training and development, followed by continuing mentoring after their return home. Collaborative projects which combine national and international expertise may also be possible.

Longer time horizons are needed for programmes to gain real traction

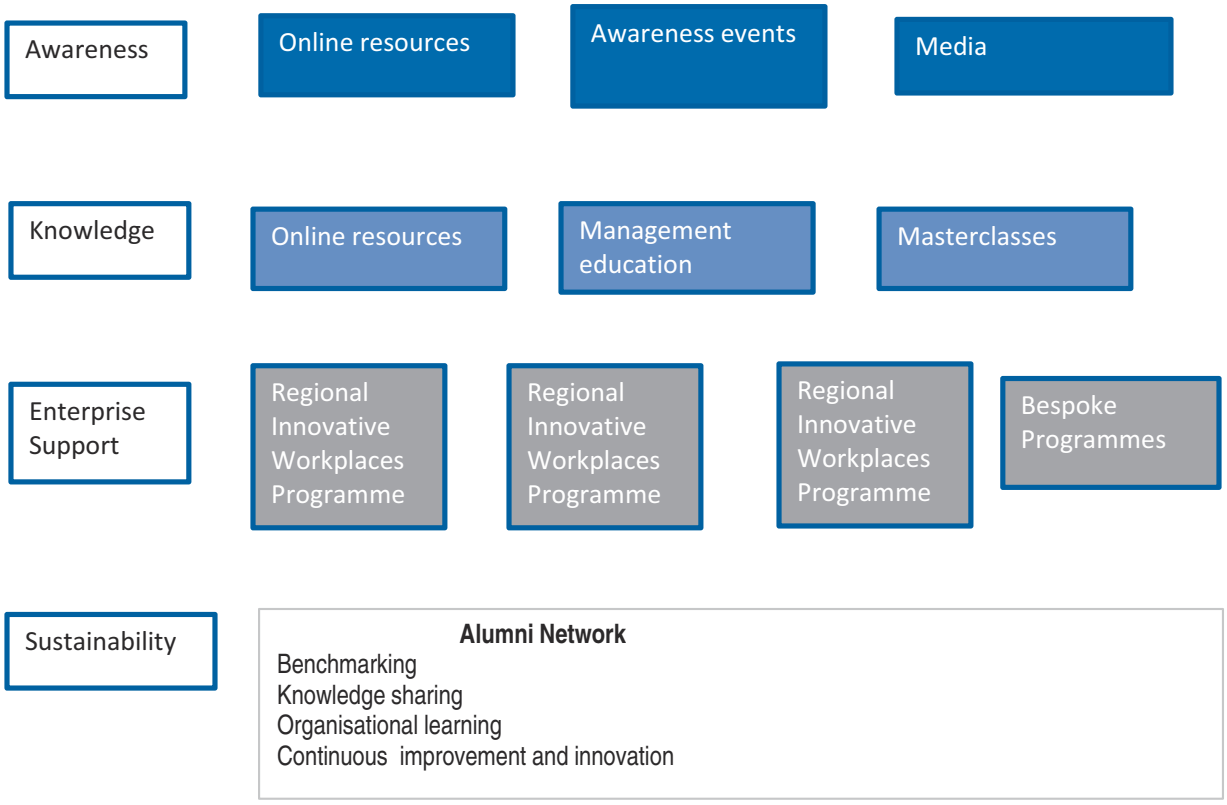
Policymakers need to adopt a long term perspective. The impact of programmes in countries such as Finland, France and Germany is closely related to their longevity, in some case covering more than four decades and representing a political consensus that creates resilience even when governments change. Policy funding cycles of two, three or even five years create uncertainty and lead to an overemphasis on short term delivery rather than building sustainable capacity. The legacy of Innovative Workplaces was lost in the East Midlands because no mechanisms were put in place by government to ensure that the knowledge and experience generated by the programme were taken up by the wider public policy community.

During the latter stages of the Innovative Workplaces programme UK WON explored its implications at UK level. As a pilot of potential national significance it was important to identify a means of linking the programme into a wider structure for awareness raising, research and sustainability. This is represented by the self-explanatory diagram (see Figure 2.1), published as a UK WON policy briefing in 2012.

Wider social learning can be achieved through broad buy-in and engagement

Secondly, Ramstad's 2009 article, which was a source of inspiration for Innovative Workplaces, draws attention to the importance of the wider social learning that can be generated by such programmes (Ramstad, 2009b). Experience from Finland and elsewhere shows that long term dissemination impacts are enhanced when a wider body of stakeholders are actively involved in programme implementation; these stakeholders include employers' organisations, chambers of commerce, trade unions, professional bodies, universities and other public agencies. This helps to ensure that workplace innovation forms a common agenda with a shared vocabulary amongst stakeholder, creating consistency in communication with enterprises and their employees.

Figure 2.1. **Engagement and High Performance Working: A National Innovative Workplaces System**



Source: Supplied from the UK Work Organisation Network.

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Chapter 3

Public investment in skills development and utilisation in Singapore

Singapore has a comprehensive workforce development system supporting all key industries for initial as well as continuous training. Overall, the system is one that is characterised by a high level of public investment in skills development, with skills utilisation efforts being attempted only as sub-elements within the system. This chapter looks more closely at how skills utilisation policy has been integrated into Singapore's policies in the past and the plans for the future.

KEY FINDINGS

- *Singapore has enjoyed impressive economic growth within its short history of industrial take-off. Going forward, attention will need to paid to ensuring that GDP growth is driven more by productivity improvements (and less by labour growth), with a highly skilled workforce serving as the basis for future competitiveness.*
- *Singapore has a comprehensive workforce training system supporting all key industries for initial as well as continuous training. While skills utilisation policies are still relatively rudimentary compared to the approach to skills development, more efforts are being seen in this area.*
- *Going forward, the SkillsFuture initiative will drive much of Singapore's workforce development policies, with a focus on instilling a culture of lifelong learning. Within this initiative, Sectoral Manpower Plans focus on skills issues relevant for specific sectors. The bulk of these plans are focused on skills development, although some include a consideration of skills utilisation.*
- *The Enterprise Training Support Schemes, introduced in 2013, provide grants to employers to make skills development more relevant to workplace performance and link skills acquisition and utilisation to employer retention. Two case studies of employers that have used this grant demonstrate that this type of integrated approach can have meaningful returns.*

Background

Singapore has a comprehensive workforce training system supporting all key industries for initial as well as continuous training. However, it has reached a stage of development where policy makers are beginning to ask exactly how skills can make an impact in the workplace, and in what ways skills support individual career building. The concept of skills utilisation is gaining policy attention, and some initiatives have been introduced in Singapore in recent years in this respect.

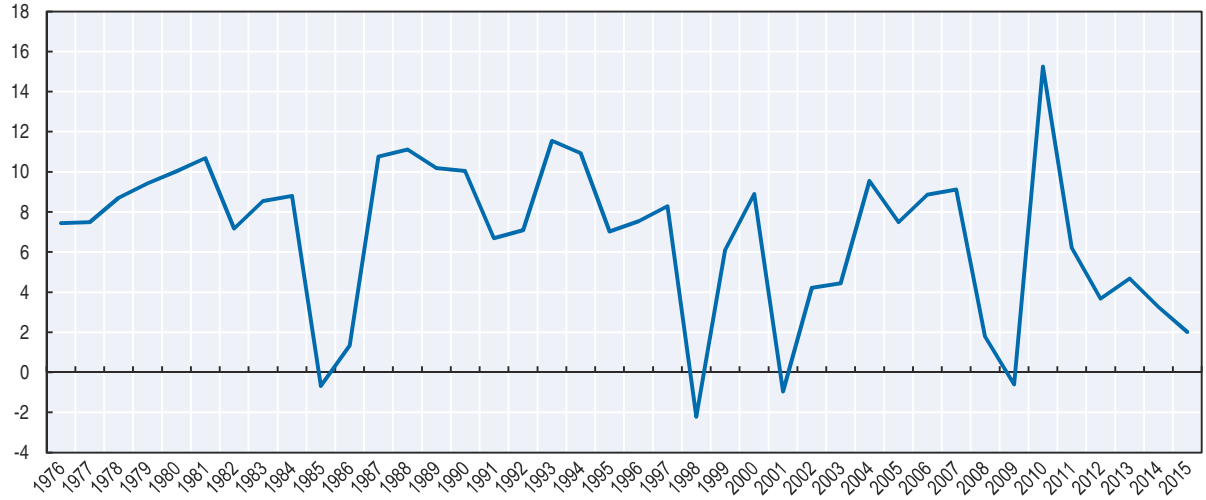
Overview of labour market and skills issues in Singapore

Within its short history of industrial take-off, the Singapore economy has demonstrated that it is resilient, growth oriented and capable of dealing with a series of industrial restructurings. Figure 3.1 shows that the average annual GDP growth rate in Singapore was 6.8% between 1976 and 2015. There were four economic down-turns: a self-induced "wage correction" drive to discourage low value-add production in 1985; two international financial crises in 1997 (Asian Financial Crisis) and 2009, and the Asian SAR epidemic in 2003.

Recovery from the last financial crisis was quick compared with western countries that were affected, and the economy reached a record growth rate of 18.9% in the second quarter of 2010. Recent GDP growth tends to be below 5%, a profile that is more similar to that of western industrialised countries. In 2015, the economy is estimated to have grown by 2.1% slowing from 2.9% in 2014 – generally accepted as a sign of a maturing economy.

Also similar to most western economies, Singapore's slowing growth has been coupled with slow productivity improvement. Productivity has been long been a policy concern in

Figure 3.1. **Annual GDP growth rate (%), Singapore, 1976-2015**



Source: World Bank (2016).

Singapore. Some research has argued that much of Singapore's growth came from adding more workers to the national output (e.g. by raising the participation amongst women and by recruiting more foreign workers) (Young, 1992; Krugman, 1994; Ketels et al., 2009).

These economic factors form the backdrop for Singapore's labour and skills policy – one that focuses on constant up-skilling, re-skilling for re-structuring and paying attention to skills utilisation.

The labour market context

As Table 3.1 shows, the Singapore workforce has grown substantially over the last 10 years. While the resident workforce grew 26% during the period, foreign workers made up the rest of the overall 50% increase. Foreign workers now make up around 40% of the total workforce. And there are at least two reasons behind the significant growth of the foreign workforce in the last 20 years. Firstly, labour demand grew much faster than the growth of labour supply during the relevant period, resulting in a significant labour shortage. Secondly, there are some sectors (e.g. construction, some sections of manufacturing and domestic services), which are considered less attractive by the local workforce. Foreign workers are seen as an answer in the short run.

While the workforce is ever better educated in 2014 compared to 2004 – with 51.5% having tertiary education – it is also aging like most industrialised countries. Figure 3.2 shows that the median age of the workforce has gone from 40 years old in 2006 to 43 in 2015.

In Table 3.1, it is noticeable that while real median income has stagnated in many developed economies in the last two decades, Singapore's real median income continues to improve. The 2015 Budget Speech by the Deputy Prime Minister identifies the importance maintaining real income growth in order to avoid the so-called "middle income trap". At the same time, he also identifies skills as being one of the critical policy areas for future government action:

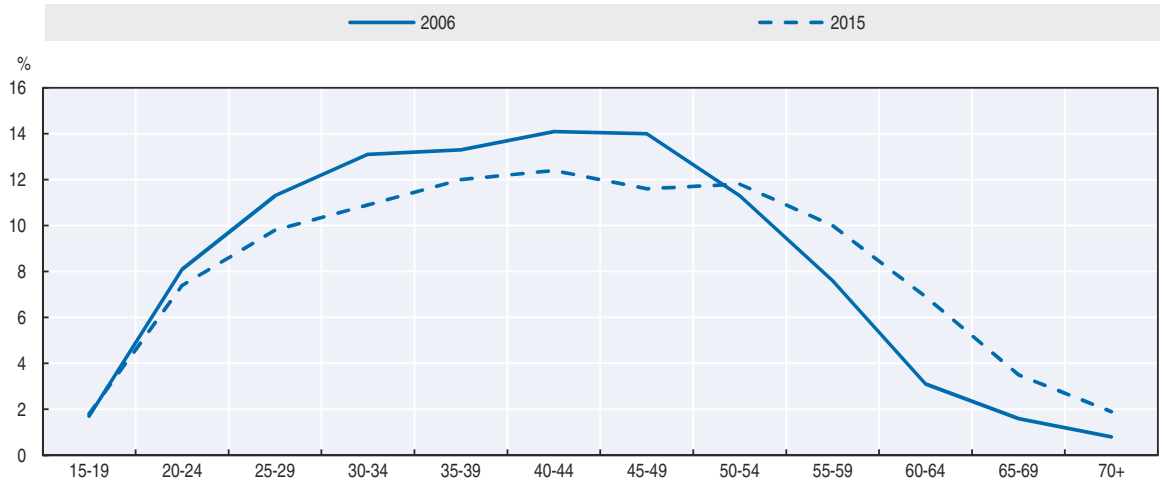
> *"In the US, Japan, UK and much of Europe, there has been no increase in real incomes over the last decade for the median household… Our incomes in Singapore have fortunately continued to grow in the last decade, for both middle- and lower-income households. The median household*

Table 3.1. **Key labour market statistics, Singapore, 2004 and 2014**

	2004	2014
Total labour force ('000)	2 341.9	3 530.8
Resident labour force ('000)	1 733.4	2 185.2
Highest education attained (%)		
Degree	21.6	32.0
Diploma and Professional	14.9	19.5
Age distribution (%)		
Under 30	21.8	18.8
30 – Under 50	56.8	46.9
50 and above	21.4	34.3
Employment and unemployment rate (residents)		
Employment rate, 15 and over	59.6	64.5
Employment rate, 25 64	72.3	79.7
Unemployment rate (seasonally adjusted) (%)	4.7	2.8
Occupational composition (residents)		
Professionals, managers and executives	27.0	30.1
Associate professionals and technicians	19.0	23.0
Clerical, sales and service workers	26.0	24.8
Production, transport operators, cleaners and labourers	28.0	22.1
Median monthly income (2014 prices)		
Including employer CPF	2 326	3 770
Excluding employer CPF	2 100	3 276

Source: Labour Force in Singapore, 2014; Singapore in Figures, 2015.

Figure 3.2. **Age profile of Singapore**



Source: Singapore Workforce (2015).

income per member has in fact increased by 36% in real terms. But we face the same global realities and challenges as these countries. . . We must reach our next frontier as an economy, with firms driven by innovation, and higher incomes coming from deep skills and expertise in every job."

The above statement reflects two (inter-related) policy concerns in Singapore: a) the need for productivity improvement – future growth ought to be more innovation driven and less by labour growth; and b) continuous skills improvement as the basis for Singapore's future competitiveness. These two challenges underpin the approach to skills

development in Singapore. The former is addressed via a series of productivity and process improvement programmes that aim at productivity and innovation. The latter could be achieved via the skills-focused SkillsFuture.

Specific labour market challenges

The need to adopt a lean workforce approach to growth

Rapid and continuous growth in the last 12 years has brought a large number of foreign workers to Singapore. As mentioned, the proportion of foreign workers within the total workforce now stands at 40%. As well as the issue of sustainability, there have been frequent debates about the desirability of having a huge proportion of foreign workers in the workforce, as many of them will one day return to their home countries. The current policy is to reduce the reliance on foreign workers and adopt the so-called "manpower-lean" strategy.

There are two dimensions to the manpower-lean strategy. The first is that in the future, foreign workers will account for only around one-third of the total workforce. Hence, future growth is not expected to be met by increasing the number of workers. The second dimension is that in order to become less reliant on foreign workers, there is a simultaneous effort to strengthen the "Singaporean Core". This refers to the need to have a much better skilled local workforce that can operate in a "manpower-lean" environment.

In November 2015, the Lean Enterprise Development (LED) scheme was announced which encouraged pioneers and early adopters of lean-manpower practice. In January 2016, nine trade associations and chambers and industry partners (known as the "Lean Enterprise Development Multipliers") were appointed by the government to promote LED amongst SMEs.

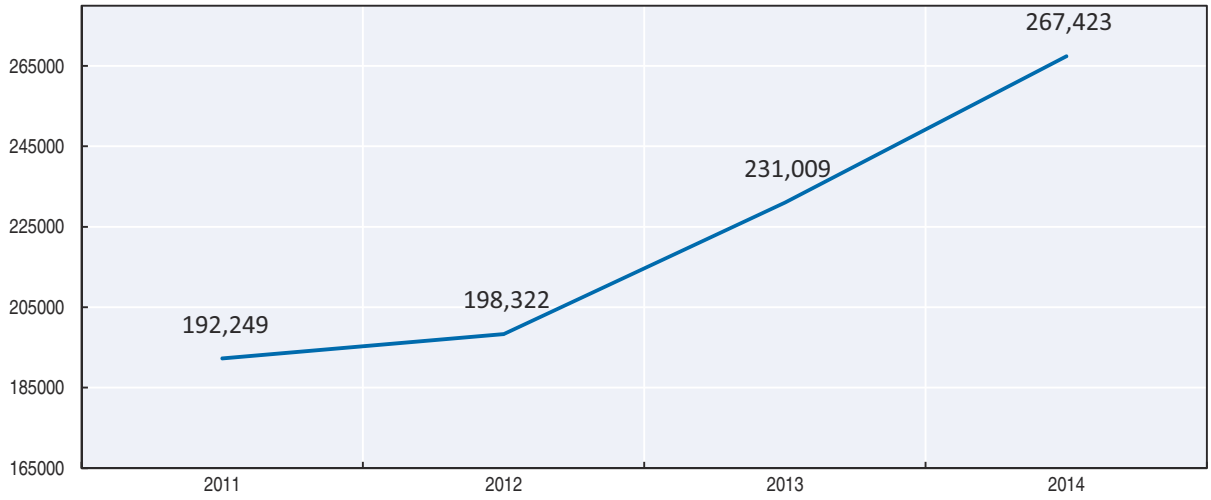
Implementation of the manpower-lean strategy appears to be focusing on SMEs. LED is mostly about providing advice to SMEs to take advantage of common solutions and redesigning work to attract the local workforce (e.g. improving manufacturing jobs that are generally unpopular with the resident workforce). In addition, it is clear that to deliver LED, the productive system will have to change so that a different labour-technology mix and/or a higher level of skills utilisation can ensure that output does not suffer as a result of implementing lean-manpower policy.

The need to focus on skills utilisation

Since the Singapore Workforce Development Agency (WDA) was established in 2003 to co-ordinate all public programmes for training (see next section for details on WDA), the number of training places has been steadily increasing. By 2013, one in ten resident workers participated in publicly provided (vocational) training (see Figure 3.3), though this was calculated at the lowest denominator, achieving one "statement of attainment" – representing one-tenth of a full qualification.

There are a few reasons for this relatively high participation rate. Firstly, public funding is very generous – in most cases the state provides a 90% subsidy for vocational training course fees, if not more. In general, state funding is applicable at all levels of training, including supervisory and managerial as well as tertiary education in technical subjects. Secondly, the extensive coverage of the 34 WSQ (national qualification) frameworks means that all of the major sectors are "connected" to the national training system. Thirdly, up until 2015, the WDA was organised with "frontline divisions", with specific staff dedicated to

Figure 3.3. **Number of WSQs trainees, 2011-14**



Source: Singapore Yearbook of Manpower Statistics 2015; p. H44.

engaging employers to send their workers for training. There is an "absentee payroll" payment to compensate employers' loss of staff time. The combined effect of these factors means that publicly provided is attractive and nationally recognised.

Since 2014, there has been increasing recognition of the need to examine the impact that this high level of training has. At this time, the WDA reorganised itself into Industry Divisions (IDs) so that in addition to engaging employers in training, the WDA also had the remit to examine how workforce development programmes impact organisational performance. As a result, the WDA IDs are also key members in the Sectoral Manpower Plans (SMPs) that were launched in 2014 (see Section 3 for details on SMPs). SMPs are intended to foster skills deepening, career building and greater skills utilisation via a sectoral approach to skills development. Since 2014, workforce development policy in Singapore has therefore started to pay attention to the demand for skills agenda, and with it the "black box" of the productive system (see introduction chapter).

The need to instil a culture of lifelong learning

Based on the above, it should come as no surprise that the Singapore government is very much "pro-training" and "pro-learning". Huge resources have been invested into the system to provide a comprehensive national workforce development structure. This reflects the "developmental state" strategy that was so vital for Singapore to achieve its industrial "take-off" in the previous decades. Workforce development has been key to Singapore's progression moving up the global value chain (Green, 1997; Brown et al., 2001; Sung, 2006; Gopinathan, 2007). Indeed, learning has been defined as lifelong, mastery oriented and highly responsive to economic changes.

The current workforce development agenda is mostly determined by that of the SkillsFuture agenda which came into operation in late 2014. In SkillsFuture, lifelong learning is the basis for all workforce development activities as well as learning in general – whether in work, school, retirement, or otherwise – as long as it is leading to skills mastery and economic resilience. However, unlike previous policies, the lifelong learning strategy takes a different approach. No longer is it sufficient to provide just the infrastructure, funding and incentives. Lifelong learning in the form of SkillsFuture will require a changing mind-set,

namely the citizens' attitudes towards learning and how individuals perceive the efficacy of learning in the wider society. This is new territory and a new challenge for the highly successful workforce development system in Singapore.

Singapore institutional framework supporting skills utilisation

Workforce development has been the sole responsibility of the Singapore Workforce Development Agency (WDA) (within the Ministry of Manpower) since 2003. There has been a clear separation of government responsibility between education and training before employment (or pre-employment education and training, PET) and continuing education and training (CET) after full-time education. As such the Ministry of Education is responsible for PET and the WDA for CET.

However, with the implementation of an overarching skills agenda, known as SkillsFuture, in 2014, the current institutional framework is going through some fundamental changes. This will eventually lead to the dissolution of the distinction between PET and CET. By the end of 2016, skills policy will then have a holistic framework and co-ordination, covering non-tertiary and tertiary workforce education

This section first explains the existing institutional framework as it stands in January 2016, which will drive workforce and lifelong learning for the population in the next few years. Finally, it discusses the changes to come by the end of 2016. The changes will largely be re-allocation of responsibilities with the main thrust of policy still being driven by SkillsFuture, and much of the new structure evolving from the existing one.

Singapore Workforce Development Agency

All workforce development and employment matters are the responsibilities of the Minister of Manpower (MOM) until the change later in 2016. At that point, the responsibilities of workforce development will be shared between the MOM and the Ministry of Education.

The current structure can be traced back to 2003 when MOM set up a dedicated unit, the Singapore Workforce Development Agency (WDA) to oversee all training policy initiatives and implementing activities. Broadly speaking, WDA had two tasks: 1) To establish a sectoral and competence-based national qualifications system (the Workforce Skills Qualifications, or WSQ); 2) bring together all the previous training programmes so that they can be supported by the WSQ system.

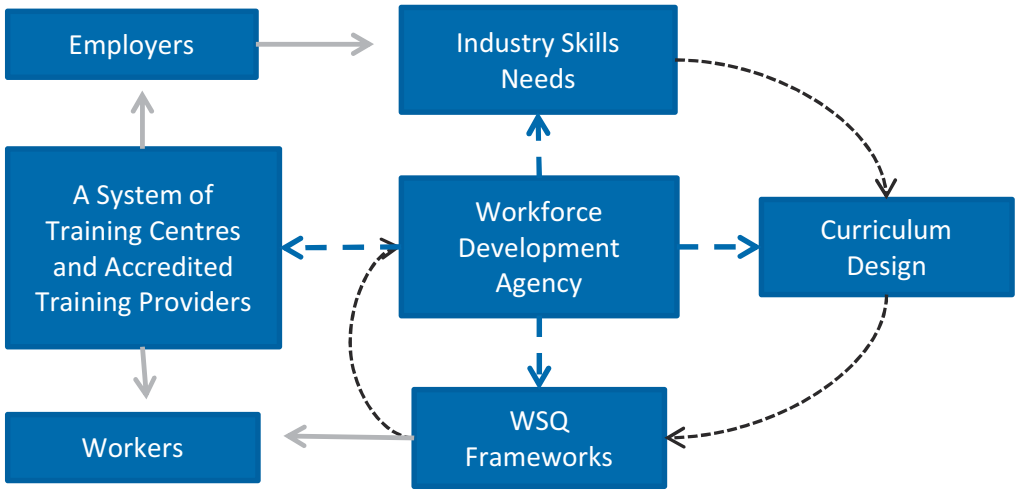
In contrast with the old system, the WSQ system under the WDA is seen as a more comprehensive, coherent and scalable tool to enhance employability. It is much more systematic in providing support for continuous up-skilling and re-skilling to the workforce as a whole.

The WDA has following functions:

- to establish sector-based curriculum frameworks (33 in 2016);
- to administer funding for all publicly subsidised training;
- to quality-control training delivery via a system of mostly private sector training providers;
- to facilitate access to obtaining training and employment opportunities;
- to establish coherent and continuity for training via career initiatives;
- to liaise with industry lead-bodies for the formulation of sectoral manpower policies; and
- to enable proactivity for the training sector via engagement with employers.

Figure 3.4 shows the seven functions in a relational map. As highlighted in this map, industry involvement in designing and delivering training is central to the workforce development effort and making training relevant to industry. However, the WDA system is mostly focused on impacting the supply of skills, rather than the demand.

Figure 3.4. **The Leading Role of the Singapore Workforce Development Agency**



The impact of WDA is substantial in terms of its reach on the skills supply side; funding is very generous, removing much of the financial barrier in most cases who would want to take up training, and it is a main vehicle behind Singapore' lifelong learning effort. Under SkillsFuture, WDA has extended its role in the area of influencing skills demand within the workplace via Sectoral Manpower Plans (SMPs), though this is still a small part of its work in terms of its overall functions and domains.

SkillsFuture

In 2014, the Singapore government introduced the SkillsFuture programme with a simple slogan – "Develop Our People". On the SkillsFuture website, SkillsFuture is described as the following:

> *SkillsFuture is a national movement to enable all Singaporeans to develop to their fullest potential throughout life. Whichever stage of life you are in, whether you are in your schooling years, early career, mid-career or silver years, SkillsFuture will enable you to take advantage of a wide range of opportunities – to help you realise your aspirations and attain mastery of skills.*

The Deputy Prime Minister, Mr Tharman, further emphasised that:

> *" … SkillsFuture is not just about boosting skills supply, but boosting skills demand and employer recognition of workers' skills and mastery." (Business Times, Nov 16, 2014).*

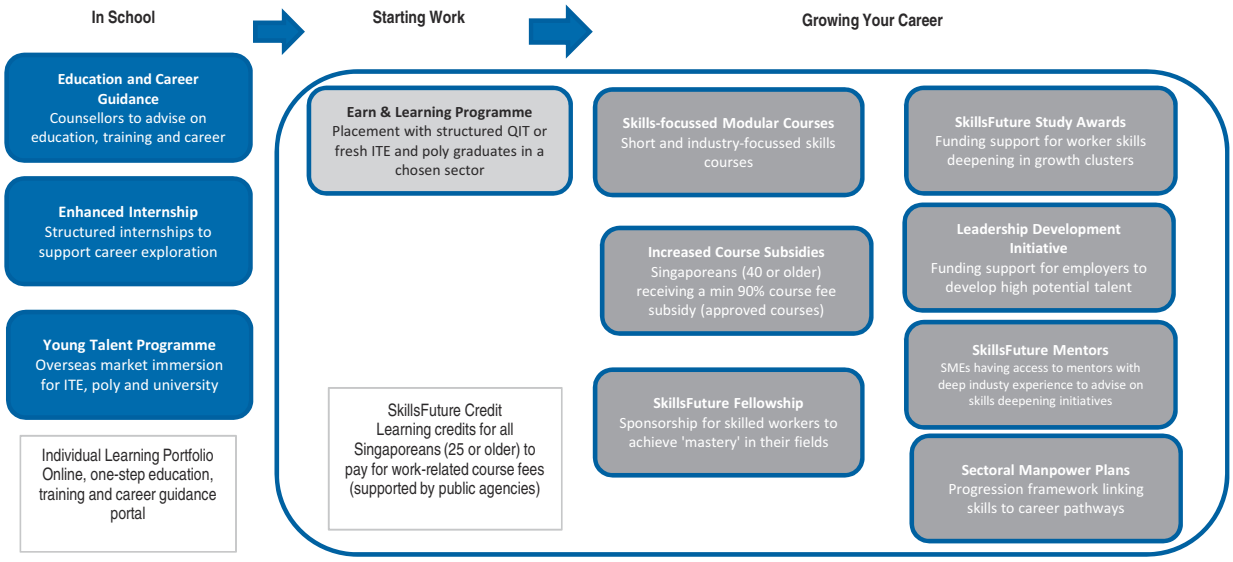
Under SkillsFuture, there are four key components in the national drive to imbue relevant skills for the future in the population. These are:

- to help individuals to make well-informed choices in education, training and careers;
- to develop an integrated, high-quality system of education and training that responds to constantly evolving industry needs;

- to promote employer recognition and career development based on skills and mastery; and
- to foster a culture that supports and celebrates life-long learning.

These objectives have been translated into a series of education and training programmes, as shown in Figure 3.5.

Figure 3.5. **The policy provision of SkillsFuture**



Source: Adapted from *www.mom.gov.sg/employment-practices/skills-training-and-development/skillsfuture*.

There are essentially three key dimensions to SkillsFuture. The first is the notion of lifelong learning – hence a variety of schemes support individual learning, irrespective of the life stage of the individual. The second is the involvement of employers – e.g. the use of internships etc. – to support learning. The intention is to ensure that graduates can be more employable and have real world experience when finishing their education. The third is the emphasis on career. SkillsFuture supports career building in terms of learning for "mastery" as well as career changing.

It can be seen that many of the elements in SkillsFuture are still about the supply of skills. In that sense, the approach of SkillsFuture is not that different from the past or workforce development in other countries, though the strong emphases on lifelong learning, skills deepening and career stand out. Also different from the past and workforce development and elsewhere is the attempt to influence the demand for skills through the Sectoral Manpower Plans (SMPs). This is the only device in SkillsFuture that may have some influence on the "black box".

The use of Sectoral Manpower Plans

WDA will co-ordinate the delivery of Sectoral Manpower Plans under SkillsFuture. SMPs are produced by tripartite bodies that have a variety of stakeholders ranging from employers, professional bodies, trade associations, unions, regulatory bodies (if applicable) and state agencies.

SMPs are five-year-cycle manpower and skills plans for each key sector targeting industry growth and productivity improvement. However, plans may vary a great deal from each other because of the development issues relevant to each sector may differ. Hence, in some sectors, "manpower-lean" working may be critical, while others may focus on skills retention, creating attractive career pathways, improving job quality, greater use of technology or flexible working and so on.

To get a sense of how SMPs may impact on skills utilisation, we illustrate two contrasting examples of SMPs. While SMPs differ from sector to sector, most of them focus on the supply of skills. This particular pattern reflects the fact that the reality of workforce development policy is more at home with the supply side approach because it is relatively easy to produce training places, and it is rather difficult to influence companies' internal work processes of companies that may lead to improvement in skills utilisation.

Retail SMP

There are six sub-sectors in the retail SMP: fashion and sporting goods, furniture and furnishings, jewellery and timepieces, supermarkets and convenience stores, consumer electronics and department stores. The sector covers 15 859 enterprises, 125 000 employees and 1.4% of GDP. Around 64% of the sector's value-added comes from the larger retailers. Not only does the SMP need to identify the "footprint" of the sector, the SMP also identifies the emerging trends in the sector. These include changing shopping behaviour, rising consumer expectations, digitalisation of retail work and potential overseas opportunities.

In the Retail SMP, there is also an element of addressing the skills needs related to the emerging trends discussed above. The SMP working group proposes that the general understanding of retail skills being (previously) differentiating between technical and soft skills is no longer adequate. It sought to provide an identification that is closely linked to the workplace. In Figure 3.6, the Retail SMP differentiates soft and technical skills into higher (e.g. the nature of international customers managing multi-sales channels) and technology and processes-related skills (e.g. designing technology-based and customer-centric workflow, re-organising for multi-channel operation).

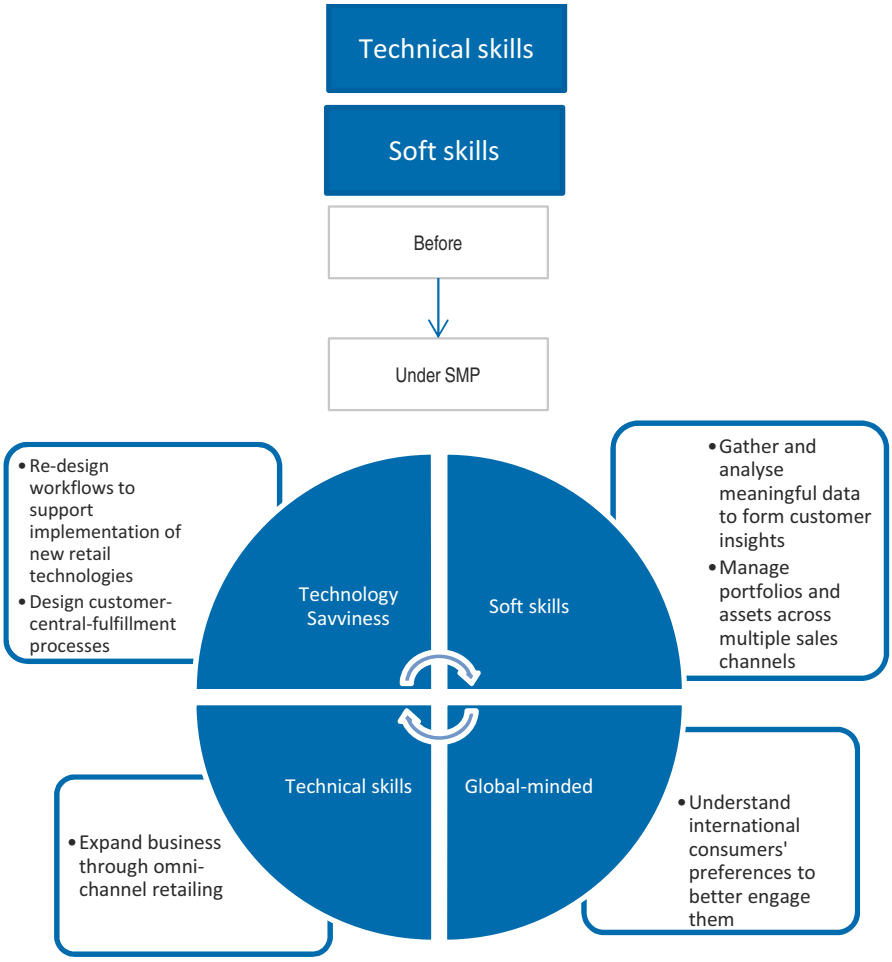
All these skills plans will have implications for skills redesign and skills utilisation in the retail workplace. One such area is the creation of new roles as a result of increasing technology-enabled working. For example, more technology-based transactions will enable sales assistants to shift their work towards higher value-added activities. More e-commerce specialists will be required as a result of a multi-channel approach being widely adopted in the sector.

In the coming years, the sectoral approach to skills development in retail will focus on two broad strategies (also see Figure 3.7):

- Strengthening enterprise capabilities – remodelling businesses and re-designing jobs; improving core human resource competencies that support skills development.
- Deepening skills – redesigning career structure that is more conducive to attracting workers with more education and skills; encouraging continuous learning for future skills needs.

These will provide an action plan for the next five years. However, as already mentioned, other SMPs could be quite supply/learning focus, and skills utilisation would seem absent from the plan. The next SMP for the biologic sector is one of those examples.

Figure 3.6. **Future Job Skills in the Retail Sector**



Source: SPRING Singapore and Singapore Workforce Development Agency (2015) The Future of Retail: SkillsFuture Sectoral Manpower Plan.

Biologics SMP

The biologics sector is one of the younger industries in Singapore. However, it has made huge progress in the last 20 years, and there are now more than 50 commercial-scale manufacturing plants in Singapore, employing over 16 700 people. Biomedical manufacturing accounts for 20.5% of the total manufacturing output in Singapore. As a single sector, it contributes 3.8% of the GDP in Singapore in 2013.

Whilst this is a growing sector with good pay and high demand for knowledge and highly skilled workers, the biologics sector constantly faces a skills supply challenge. The polytechnics – the main source of skills supply – are producing reasonable numbers of graduates each year. However, attrition rates are high as workers move around a lot for better pay.

Figure 3.8 shows that the biologics SMP focuses mainly around the creation of a larger skill supply pool, strengthening career guidance for new entrants and deepening skills in order to attract and retain skilled workers. There is no provision in the SMP about influencing skills utilisation at work.

Although it is known that staff turnover is an issue, the same issue also affects most sectors in Singapore because of the tight labour market. Perhaps one of the reasons for the

Figure 3.7. **Strategic foci of the Retail SMP**

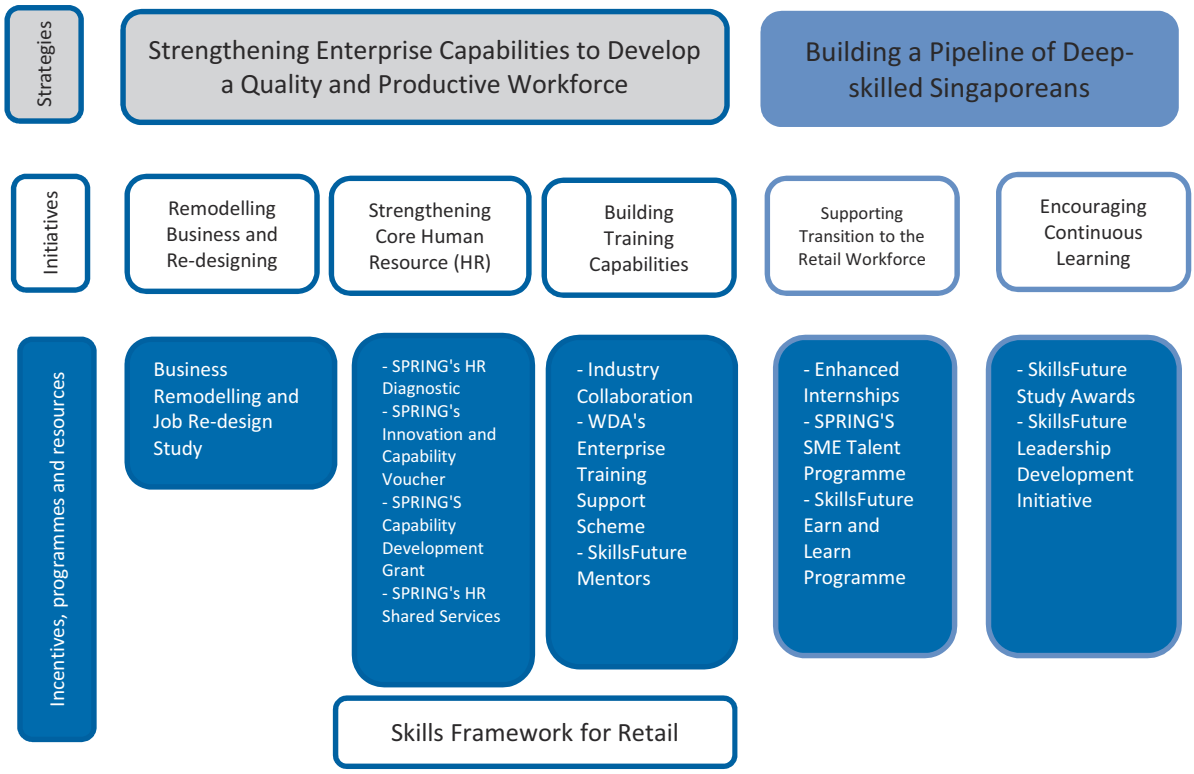


Figure 3.8. **Biologics SMP Priority and Strategies**

biologics SMP to focus on skills supply is that the biologics employers – all multinationals – have strong internal structures in areas such as work processes, technology. They drive the skills content of jobs. As a result, public policy focuses on entry skills supply, e.g. technical graduates.

Overall, SMPs are very new initiatives. Whilst there is yet to be any assessment on their effects, it is clear that some SMPs are making attempts to influence skills utilisation. Another key learning point is that even if skills utilisation is important, there are lots of reasons why public policy cannot neglect the supply side of building individual skills. For example, by promoting the concept of career, it is inevitable that the public skills supply structure still plays an important role, e.g. in supporting people changing careers, building employability skills and so on.

SPRING Singapore

As discussed earlier, productivity has been long been a policy concern in Singapore. SPRING Singapore (The Standards, Productivity and Innovation Board) is the main agency dealing with productivity. It is a statutory board under the Ministry of Trade and Industry (MTI). Although its formal function concerns "national standards and conformance", much of what SPRING does is about enterprise development and improving productivity. Thus, SPRING's functions cover business process design, business performance (especially amongst SMEs), facilitating new start-ups, introducing business excellence models and encouraging technology adoption. SPRING provides grants, advice, subsidised consultancy and diagnostic toolkits.

To influence skills utilisation in the "black box", training is not the only public policy needed. Work processes, work practices (e.g. high participation and so on) and technology adoption play an important in creating synergy with workforce skills. The recognition of these overlapping factors, workforce development policy in Singapore is also linked to that of improving productivity. And as a result, SPRING works closely with the WDA in areas of productivity.

The Enterprise Training Support scheme and impact on skills utilisation

Against the backdrop of productivity issues and skills utilisation, the WDA introduced the Enterprise Training Support (ETS) scheme in Singapore in 2013 with the following aims:

- Raise employees' productivity and skills levels;
- Attract and retain valued employees by developing good human resource (HR) and management systems and practices tied to training;
- Attract and retain valued employees by benchmarking compensation and benefits.

Unlike other publicly provided training courses, especially the wide range of vocational qualifications under WSQs, ETS seeks to make skills development relevant to workplace performance and link skills acquisition and utilisation to retention.

There are five components in ETS. Employers can apply for any of them, if appropriate:

1. **Training Grant** – As a condition to the grant, a training plan is mandatory. The grant has two aims: the first is to make skills training formalised within the business operation. By having a plan and envisaging what role skills may take, skills training is more strategically positioned. The second is to make skills training more easily accessible within the relevant business environment (e.g. making learning possible without the need to go to classrooms). Accordingly, the grant also supports the cost of structured non-WSQ training (e.g. e-learning or mobile-learning modes of delivery) and structured on-the-job training that is supported by WSQs (with training hours forming at least 30%

of an enterprise training plan). The latter is an attempt to make learning recognised and explicit when rewarding employees' effort in delivering their work and duties.

2. **Training Capability Grant** – When training is poorly conceived or delivered, it is often due to the lack of capability within the organisation. In such cases, even writing a training plan is something unfamiliar to people who may be experts in their business operation. This grant enables the organisation to build an in-house capability in terms of training delivery or infrastructure (e.g. one member of staff to obtain the train-the-trainer WSQ qualification or to become an expert in job design).
3. **Curriculum Contextualisation and Alignment Grant** – For skills to make a difference at the workplace, much of the publicly provided training may have to be adapted to the specific needs of the workplace. For example, WSQs have been criticised by employers as being too "generic". For example, customer service training for retail which is commonly available under WSQs can be a little "remote" in the case of a care-related job. This grant is to support the contextualisation of the training provided, including the materials necessary for the delivery of that training. This grant also covers the development of on-the-job (OJT) blueprints.
4. **HR Development Grant** – The grant is intended to strengthen the human resource system in an organisation so that skills can be integrated into the wider structure of the business. For example, while skills training supports skills acquisition, in order to retain skills, it is also necessary to look into how skills are related to career paths within an organisation. If skills acquisition and career are connected, skill utilisation may increase as a result of workers being more embedded or committed in the organisation. Within the framework for high performance workplace practices, this is linked to the idea of "discretionary effort". Hence, a well set up HR function can go beyond mere administrative matters to being strategic in leveraging skills utilisation. The HR Development Grant supports such activities.
5. **Compensation and Benefits System Review Grant** – To support career paths as well as to attract and retain skills, pay is an important part, especially in a tight labour market such as the one in Singapore. Many businesses overlook the strategic importance of pay in relation to their skills strategy. This grant is to defray costs of engaging consultancy agencies to conduct enterprise-wide industry salary benchmark reviews and establish an appropriate wage structure to support the career structure.

The initial scheme was set up in 2013 and subsequently extended to March 2016. ETS is a voluntary scheme. The overall impact is unknown at this point. However, some specific case studies can show where the scheme may produce some positive results. The following section examines two case studies in order to illustrate the benefits of ETS within organisations. Before looking at these case studies, it is useful to reiterate that skills utilisation should not be perceived as an isolated problem which can be dealt with independently. In most cases, skills acquisition, utilisation and retention may be inter-related. All of the case studies shown here suggest that skills utilisation is either part of another skills problem or that skills acquisition is a critical bottleneck to achieving greater skills utilisation. ETS recognises this complexity and treats both skills acquisition and utilisation as part of the overall problem of organisational performance.

Case study one: systematising and expanding on good practices in a garden centre and landscaping business

Background

The first case study examines a growing company with a humble beginning – a small flower shop that has grown in the last five decades. It has become one of the business leaders in the horticultural sector. The original flower shop business has much expanded and it is now a full-fledged and diversified urban horticultural business.

The business has large nurseries that support the landscaping division. The diversity of the business necessitates a wide range of skills requirements. There are a few hundred professional workers ranging from florists, horticulturists, designers, engineers, quality control and support staff for marketing and administration. The growth of the business was largely due to the vision of the business owner who saw a wider picture for the florist business, building on the quickly growing urban landscaping needs.

Skills are vital and strategic in the business model for both current business and future expansion. In their vision statement "… (The company wants to be) the employer of choice by employees, customers, vendors and contractors." To do this, it has a productive system that reflects the Strategic Skills Model; namely it seeks to achieve growth through a people-focused approach that "combines people and the brand", resulting in a highly motivated workforce that serves the customers and the entire value chain well. Through a highly devolved decision-making system with devolved budgets to incentivise ownership and participation, the company is in effect embracing a form of high performance working model that emphasises "mutual gains" and "discretionary effort". Skills and their utilisation are vital to support discretionary effort.

However, while the business owner recognises the importance of skills from the very beginning, the business and its skills base actually grew in an ad hoc manner - much of it was learning on the job with little systematic elements to speak of. This has worked in some areas, but also resulted in gaps in others. From the management point of view, there was actually a clear understanding of what skills were needed; what was missing was a management system that would support that understanding systematically. That was the motivation for the company to turn to ETS for help.

The skills utilisation challenge for this case study

This business has a successful model, but it needed a better management system to support future growth. The company has had to turn away new business because it did not have enough skilled people to take on new work. At the same time, this was a company that did not suffer from the lack of focus on skills utilisation. Instead, the company had a very good "high performance working" model that relied on mutual gains and discretionary effort.

As well as the devolved decision-making system, the reward system was geared towards employees who would take on extra responsibilities leading to performance. There were already practices that enable the sharing of skills amongst the different divisions. However, many of these good practices vital to skills utilisation were built around ad hoc on-the-job training and job rotation.

The company also identified the next stage of growth involving skills deepening and much higher quality service and products to customers, i.e. expert knowledge and products (including consultancy) that could provide a significant competitive edge. Skill

utilisation could no longer be supported by "training by chance". Thus, the business turned to ETS to provide appropriate consultancy and in-house support to align this new business focus and skills provision and utilisation.

The ETS journey and skills utilisation outcome

The skills requirements in the company were quite complex - from technical skills in horticulture, marketing, supervision, design, accounting, supply chain management, logistics, quality control to site management. The ad hoc approach to training led to rather uneven depth of knowledge amongst workers who work in the same division. And as a result, skills utilisation and business impact were also uneven and largely influenced by chance.

One of the most significant impact of ETS was to initially embed a long-term advisor to examine the barriers between the new business objectives and the existing skills base of the organisation, which included examining the relationships amongst skills required (including vocation qualifications required under WSQs), human resource issues, rewards and performance, and the concept of careers amongst the different occupations within the organisations. This analysis suggested that skills utilisation under the new business focus could only be improved if the company embraced a structured approach to providing training while maintaining the already good systems of high performance working. This formed the basis for a new training plan.

The second task was to use ETS support to train an in-house expert so that he/she could convert existing training materials (in their different formats and depths) to pedagogically informed and standardised training "blueprints", many of which could then be supported by existing WSQ qualifications.

The last task was to align other internal systems, e.g. pay, promotion and careers to the skills system. Again, a consultant was needed to provide a fresh look at the alignment between skills acquisition and utilisation.

ETS was instrumental in building a new structure for skills utilisation. Not only did it provide the funding, but it also provided the much needed external experts who were familiar with the national qualification system, training design, curriculum expertise and business needs. This sort of consultancy was rare among the traditional consultancy firms.

At the time of study, the business was towards the latter part of the implementation of ETS intervention. The feedback was that the new skills management system provided a clearer and systematic structure to manage training and skills utilisation, and to link skills utilisation to the new business objectives, namely deepening of knowledge of skills for better service and products.

Case study two: making it work in a fast-food outlet where customer engagement is key

Background

The second case study concerns an innovative company that is operating in a highly competitive fast-food industry. This small fast-food chain has been very successful in building up a niche business model that focuses on healthy eating using salads as a main attraction. It also emphasises the need to "educate" customers where their food is coming from, who makes it and the environmental issues that are relevant to healthy eating. Nutrition and health information can be seen on the walls in their high street outlets.

While there is little competition in the healthy eating niche in the fast-food industry as a whole, the business model relies on cleverly marketing healthy eating to succeed. This is no easy task as many potential customers perceive salads as bland or uninteresting. A high level of skills related to business development is crucial for the business to work, but these apply to relatively few jobs in the business. Most jobs are very similar to other fast-food outlets, being low skilled and front-line sales oriented. However, to make a sustainable business in this niche, the business model has to engage customers. This is particularly important for this business compared to other fast-food models, where the customers have already bought into the products. While the business model is currently making good progress, the company is also hoping to expand overseas via a franchising model.

However, being in the fast-food industry, it cannot escape many of the skills and employment conditions that are common to fast-food producers. For example, it recruits from very similar pools of workers such as students, foreign workers, part-time and older workers. Pay is not high and work hours can be long and include weekends. This group of workers may not be all that interested in developing a career, and learning additional skills. Learning may be perceived as a burden.

However, there is an aspect of this company that is unique: the management firmly believes that an effective workforce is one that is "happy". Like the mutual gains principle under high performance working, management has deliberately created a highly social environment in which the workers have a strong sense of belonging, e.g. putting their like-peers in the same work teams, supporting bonding and their participation in some areas of decisions making such as working on customers' feedback.

The skills utilisation challenge for this case study

The skills challenge in this case study is quote large. On the one hand, 90% of the workforce are engaged in front-line operation where they serve the customers. These are relatively low-skilled jobs, but at the same time the business model requires that employees reach out and engage customers in the healthy eating concept. This business strategy requires everyone, including frontline staff to utilise more skills than just serving over the counter. These additional skills are similar to soft-skills, including emotional labour. Workers must be able to get along well with each other and effectively reach out to customers.

When put in the context of low-skilled fast-food production, there can be a dilemma – on the on hand, the business is pushing for high standard and high quality food within a fast-food environment that is based upon efficient work design – something that is not that different across various fast-food production lines. Jobs are generally broken into small and readily identifiable skills/tasks where the workers can perform without much thought. The workers have to deliver a salad that is either designed by the food designer or one that is chosen by the customer. The company achieves this by imposing strict and standardised procedures in relation to food production. So this part of the work has little relevance to our discussion on skills utilisation – the level and type of skills utilisation are static.

However, on the other hand, the business model focuses on promoting health food eating around the salad-based menu. Every worker is an ambassador to sell the product and the experience in buying such food. It is in this area that the workers have greater autonomy to engage the customers and are encouraged to do so. Skills utilisation becomes an important area for skills training as well as being a business growing tool.

In addition, the company recognises that the early model of training, which is entirely on the job, designed around using one dedicated trainer who circulate amongst different outlets to train the new workers, is highly problematic in scaling up to more stores. When skills acquisition suffers, skills utilisation is more difficult to be realised.

The ETS journey and skills utilisation outcome

This employer sought out ETS for two reasons, both generally related to skills development. However, there are links with skills utilisation, as the more effectively skills training can be delivered, the more room there is for the company to encourage skills utilisation.

The first reason for ETS involvement is the need to contextualise the standard training provided by the WSQ qualifications system, e.g. food hygiene, customer service, supervisory management and train the trainer. An expert advice or consultancy is needed to design the contextualised training which also meets the requirements of the competency standards. The idea is that unless the new skills are delivered via a more realistic context, the workers are unlikely to be effective in using their selling skills to entice new customers.

The second area of help is to create a mobile learning platform using the newly created/contextualised training materials to support on-the-job training. This will remove the constraints of the one dedicated training manager. As the training is now also "on-demand" and customised to the needs of the worker as well as the customer, skills and learning become more relevant to skills utilisation. For example, during engagement with the customers, the workers are able to tap into relevant nutrition information that is relevant to the customised menu for a particular customer, healthy eating and related life-style matters.

As in the earlier case, ETS therefore transform skills training from one of supporting the basic operation to one that bolsters the impact of the employer's work. Obviously, the community issue (e.g. supporting workers to choose their teammates) mentioned earlier is not insignificant as it is the basis on which workers will be happy to exercise more discretionary effort and the skills that they learn through discretionary effort.

Conclusion

While skills utilisation will not replace more traditional public interventions to boost the supply skills, it is part of the next frontier for workforce development policy, and is a critical factor in ensuring that skills matter in the workplace. Although workforce development policy in Singapore is still dominated by supply side interventions, there are efforts to explore how public actors can influence skills utilisation, and how skills development and use can be better linked. Key learnings from this experience include the following:

- Skills utilisation is a complex concept that goes beyond examining the content of skills. It concerns the work environment in which the job is performed as well as the motivation of the individual who may wish to exercise the skills. As such, like the topic of high performance workplace practices that emphasises discretionary effort and mutual gains, skills utilisation is linked to management and work practices within organisations. Compared to boosting skills supply, these are areas that public policy may find it more difficult to intervene.
- Skills utilisation should not be considered separately from skills acquisition and retention. For workforce development policy to be effective, it has to be able to make impact on all three.

- To secure employer buy-in, the Singapore experience also shows that public provision needs to be constructed around a workable business case. When skills support – acquisition, retention and utilisation – becomes part of an overall sound business model, employer buy-in becomes more likely. And after the initial adoption, a skills-driven business model becomes the "normal" way of running the business.
- An argument can be made that "smart" employers will have already considered these gains and organised their business practices accordingly. While this may true, under intense competition and other pressures, skills issues can easily become secondary to other immediate operating and bottom-line issues. The Singapore case studies show how policies and subsidies can mitigate the tendency of some employers to overlook skill matters. The key lesson here is that the impact of public subsidies/grants may not stem from the actual funding amount, but rather as serving as a device to build the willingness of employers to try something different.

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Chapter 4

The open book solutions profit-sharing programme at Paris Creperie, Boston

This chapter begins with a discussion of how profit sharing can benefit both employers and employees. It then goes on to examine how a restaurant in the Boston area used state workforce training fund to implement a profit sharing programme known as Open Book Solutions. Following a description of the initiative, the impacts, strengths, and challenges are discussed. The chapter concludes with a review of design principles and policy prescriptions essential for successful replication and wider adoption.

KEY FINDINGS

- *While much of the attention has been on state and federal policy changes to improve job quality, there has been increasing emphasis on alternative methods of improving jobs through employer-driven "high road" business practices, including "shared ownership".*
- *Research suggests that workers at companies that offer profit sharing or employee ownership perform better, are less likely to seek new jobs, and are more likely to monitor their co-workers' behaviour. Workers in shared ownership situations reported a greater willingness to work hard, offer more ideas for business improvement, and enjoy better wages and working conditions.*
- *This case study analyses the implementation of a profit sharing programme in the restaurant industry, with the training for the programme financed by state government workforce training funds. The programme resulted in increased net operating profit for the restaurant, improved employee retention rates, and higher wages for employees.*
- *Underlying organisational factors, such as the restaurant's organisational culture and leadership, were key to results achieved.*
- *Public actors should consider increasing support profit sharing in the service sector as a means to improve economic opportunity for lower-paid workers.*

Background

Open Book Solutions is a type of profit sharing programme that is designed to benefit employers and employees by training all employees in business and financial management, empowering them to make decisions to enhance the business, and sharing the financial gains with employees. In addition, the training develops communication, business, and financial skills of employees to bolster transferable work skills. The case study describes and analyses the Open Book Solutions programme developed by Delta Foodservice Group LLC and implemented at the Paris Creperie restaurant in a suburb of Boston, Massachusetts. The chapter opens with a brief summary of the research on shared ownership and profit sharing, including an overview of Open Book Solutions. Following a description of the initiative, the impacts, strengths, and challenges are discussed. The chapter concludes with a review of design principles and policy prescriptions essential for successful replication and wider adoption.

Over the last decade, sector initiatives and career pathways strategies have dominated workforce policy in the United States. These strategies are premised on the theory that in order to close the skills gap and provide more opportunities for low-wage workers, employees should be trained for high demand and higher wage middle skill jobs with opportunities for advancement. When successful, these initiatives benefit both workers and employers, who benefit from the resulting increased productivity and lower employee turnover. Federal and state policies, along with philanthropic initiatives, have rallied behind these workforce strategies as a primary mechanism to increase economic advancement.

Due to stagnating wages and rising inequality, the last few years have seen increasing emphasis on job quality; i.e. improving job conditions in order to increase wages and opportunities for workers. In particular, there has been intense advocacy and attention to worker wages, prompted in part by the national "Fight for 15" campaign to raise the minimum wage. In January 2014, the Commonwealth of Massachusetts minimum wage was raised to USD 9 per hour from USD 8 per hour. The result of intense campaigning on the part of advocates, the increases will continue for three years, bringing the state's minimum wage to USD 11 per hour in January 2017. Separately, employee profit sharing plans received wide attention in 2014 with the media attention garnered by the regional grocery store chain Market Basket, which is a supermarket chain that serves southeast Texas and Louisiana.

Shared ownership and profit sharing

While much of the attention has been on state and federal policy changes, there has been increasing emphasis on alternative methods of improving jobs through employer-driven "high road" business practices, including "shared ownership". Forms of shared ownership generally tie worker pay to the performance of their workplace, whether at the level of the team or company (Freeman, Kruse, and Blasi, 2010). Shared ownership includes employee ownership (ESOP), co-operatives, individual stock ownership, stock options, and profit sharing.

When profit sharing is a component of employer compensation plans, employees are paid part of profits depending on the firm's performance. Such arrangements can be formal, fully discretionary, or a combination, and at times be part of a deferred retirement programme. Shared capitalism refers to some form of employee shared decision making – either legally (via stock ownership) and/or as part of workplace practices.

Employee ownership has roots in America's earliest economic history, as the American founders believed that broad based ownership would give many citizens a stake in preserving the political and economic system (Blasi, Freeman, and Kruse, 2013). Today, many of America's largest companies, including Google, IBM, Publix Supermarkets, Southwest Airlines and Proctor and Gamble, employ different forms of employee ownership or profit sharing.

To better understand its prevalence and impact, Blasi et al. (2010) added questions about shared ownership policies to the national General Social Survey in 2000, 2002 and 2010. The survey results demonstrated both the wide scope and the tangible benefits of shared ownership and profit sharing for employers and workers alike. In fact, the survey revealed that 47% of workers have access to some form of shared ownership and the ability to build a capital stake in their employer, and 40% receive some share of the profits (many receive both).

For employees, profit sharing and employee ownership offer the opportunity to earn higher incomes and accumulate capital for long-term priorities such as retirement. Where employees benefit from profit-sharing, the median annual amount received is USD 2 000. For employees with annual incomes of less than USD 50 000, the amount is reduced to USD 1 200. The survey also revealed that service employees – where low wage jobs are concentrated – are the least likely to have access to shared ownership or profit sharing programmes. Only 5% of service workers, compared to 26% of sales workers and 23% of management workers, have access to such programmes. While critics of profit-sharing programmes argue that the model puts workers' wages at risk during business downturns, the survey found instead that gains "tend to come on top of, not in place of, fair fixed wages." (Blasi et al., 2013: 182).

For employers the benefits are similarly clear: workers at companies that offer profit sharing or employee ownership perform better, are less likely to seek new jobs, and are more likely to monitor their co-workers' behaviour. Workers in shared ownership situations reported a greater willingness to work hard, offer more ideas for business improvement, and enjoy better wages and working conditions (Blasi et al., 2013).

Shared ownership complements other employer policies and practices. Firms with shared ownership plans are more likely to have other worker-friendly human resource policies and practices. Combinations of shared ownership pay and other policies, such as employee involvement in decision making and wages at or above the market rate, produce the largest benefits for workers and firms. Based on the analysis by Blasi et al. (2010), "firms can expect reductions in turnover, increased loyalty to the firm, increased willingness to work hard, and related behaviours to improve if shared ownership arrangements were extended to groups underrepresented in current plans."

Open Book Management

The Open Book Solutions programme at Paris Creperie designed by Delta Foodservice Group LLC was premised on the Open Book Management philosophy, which was initially described by John Case (1995) based on the development and implementation by Jack Stack and his team at SRC Holdings, a remanufacturer for original equipment.

The premise of Open Book Management is that financial information (including revenue, profit, cost of goods sold and expenses) providing to employees should not only help them develop skills to do their jobs effectively, but also help them understand how the company is doing as a whole. It is a management philosophy founded on the idea that all employees down to the frontline will perform better if they know how the company is doing financially, are empowered to make changes, and have a stake in its success.

After SRC Holdings was purchased by its managers in 1983, Stack decided to share financial data (i.e., "open the books") and began distributing the income statements, along with the various operational and budget numbers that influenced the income. He taught company managers and supervisors how to read the financials, who in turn provided the training to hourly employees. Thus, everyone became aware of which departments and processes gained or lost money for the company and how their precise roles contributed to (or detracted from) income. Concurrently, Stack introduced bonuses dependent on improving the finances. As a result, the entire staff was motivated to work in concert to hit goals, as they would all benefit from the successes attained.

In order to motivate employees to achieve meaningful changes, Open Book Management focuses on a "Critical Number" that represents a core indicator of profitability. Companies develop a "Scoreboard" that displays all the numbers needed to calculate the critical number. The Scoreboard is a large, tangible visual and is open for all employees to view. Regular meetings take place to discuss how individuals can influence the direction of the "Score" and therefore, ultimately, are able to impact performance against the Critical Number.

In summary, the three primary principles of Open Book Management (Case, 1995; Stack, 1992) are:

- **Know and teach the financial rules:** every employee should be given access to the critical measures of business and financial success and taught to understand them.
- **Follow the action and keep score:** every employee should be expected and enabled to use their financial knowledge to improve performance.

- **Provide a stake in the outcome:** every employee should have a direct stake in the company's success and in the risk of failure; in other words, be able to profit from the company's financial performance

By 1992, annual revenues at Springfield ReManufacturing Corp. had increased from USD 16 million to USD 83 million. By 2013, the stock had risen from 10 cents a share to USD 348, and the original hourly workers owned, on average, stock worth more than USD 400 000 (Stevenson, 2014).

Profit sharing in general, and Open Book Management in particular, is most prevalent in manufacturing firms. Nonetheless, some food service establishments have implemented it, most notably Zingerman's Deli. The deli, founded in 1982 in Ann Arbor, Michigan, has grown into eleven interrelated foodservice businesses known as Zingerman's Community of Businesses (Feloni, 2014). Open Book Management has been operating at Zingerman's for 20 years. Leadership believes that the more information a frontline worker has, the better decisions will be made, allowing management to harness the intellectual and creative abilities of employees. The organisation also rejects a traditional business hierarchy in favour of collective decision-making, which they term the Zingerman's Consensus Model.

Labour market conditions in the US food service industry

The restaurant industry is one of the largest and fastest growing sectors of the U.S. economy. One in every 12 private sector jobs in the United States is estimated to be a job in the restaurant industry. In 2010, 52% of these workers were women, 11% were African-American, 6% were Asian and 22% were Hispanic or Latino (The Aspen Institute Workforce Strategies Initiative, 2012). In terms of education, 20% have less than a high school education, 38% are high school graduates, 27% have some college or an associate's degree and only 15% have a bachelor's degree or higher.

Even though over 58% of workers in the industry are 25 and over, the restaurant industry has one of the highest proportion of workers earning at or below the minimum wage: 39% of the industry's workforce. Workers in food preparation and serving-related occupations earned a median wage of USD 9.02 per hour (including tips) in 2010, which falls below the poverty wage for a family of four for a full-time worker (The Aspen Institute Workforce Strategies Initiative, 2012). Servers are almost three times more likely than other workers to fall under the federal poverty line.

Approximately 40% of employees in food service work part-time, which is more than twice the proportion for all other industries. Restaurant workers often have unpredictable schedules and work a different number of hours from week to week, which makes weekly earnings unpredictable and arranging for childcare nearly impossible.

Not only do restaurant jobs tend to be low-paying, but they also provide limited opportunities for skill development, promotion, and advancement. Advancement and promotion opportunities within restaurants are often limited because many businesses are relatively small. In larger restaurant chains, some workers may qualify and advance to formal management training. However, post-secondary education is increasingly a requirement for management positions in the restaurant industry.

Discrimination by race and gender is rampant within the restaurant industry, illustrated by stark wage disparities. One study (Pitts, 2012) examined the wages of 4 300 workers across eight cities and found that, on average, white workers earned four dollars per hour more than their black co-workers. Another study found that women tend to be concentrated in

lower paying jobs in the restaurant industry compared to men. In addition, the study revealed that many female and minority workers reported discriminatory hiring, promotion and disciplinary practices (Jayaraman, 2013).

Similar to national trends, the restaurant industry in Massachusetts contributes many jobs to the economy, but at low wages (Executive Office of Labor and Workforce Development, 2015a). Following retail trade, leisure and hospitality is the second largest private employment sector, adding 65 500 jobs since 2001. Over 80% of this growth was in the accommodations and food services industries. Since 2010, this industry group has consistently added between 6 000 and 9 000 jobs annually. Accommodations and food services having the lowest average wage across 22 industries in Massachusetts, at only USD 408 compared USD 1 234 across industries.

Description of initiative

Paris Creperie

Paris Creperie, located in the Boston suburb of Brookline, Massachusetts, specialises in authentic Parisian-style crepes in a European style cafe. The café has offerings in coffee, specialty Nutella drinks, and smoothies. In addition, Paris Creperie operates an online store as well as a catering business serving corporate and event clients. The café is located in Coolidge Corner, a neighbourhood with some of the highest median incomes in the Boston area (USD 79 289 in 2014) near several universities. Although Paris Creperie is independently owned, its neighbours include large chains such as Starbucks, Panera Bread, and Dunkin Donuts.

Paris Creperie has 11 full-time and 11 part-time employees and is a non-union business. Employees receive hourly wages and a share of tips left by customers, which are pooled and divided evenly among non-management staff at the end of each shift. While new employees are hired at rate of USD 10 per hour (the 2016 state minimum wage), the average hourly wage of USD 14 is well above typical wages for restaurant counter staff (the median hourly wage for counter service staff in the Boston area was USD 9.29 in 2014, with experienced workers earning a median hourly wage of USD 10.29). Contrary to common industry practices, employees typically receive their schedules three weeks in advance. Employees have access to free food while on shift, and are eligible for sick and vacation time after three years of employment.

Most employees both prepare food and drinks and interact with customers at the counter. Paris Creperie employees have a higher level of education relative to the industry: More than half of Paris Creperie employees are college students, and of the other half, nine are college graduates. Most employees are in their early to mid-20s, and about two-thirds are women (similar to the clientele served). Approximately 20% of employees are people of colour.

Management and employees reported a strong and positive team based culture at Paris Creperie prior to implementation of Open Book Solutions. Management places a strong emphasis on creating a respectful and co-operative work environment, and both managers and staff reported that the work culture at Paris Creperie was somewhat rare in the restaurant industry. They also appreciated the leadership style of the General Manager, who one employee described as “the best manager” she had ever had.

The foray into profit sharing came following a year in which the business had lost money on an unsuccessful food truck venture. Management recognised that in order to

remain competitive, Paris Creperie needed to grow revenues, decrease staff turnover, (which was at 82%), and reduce high operational costs. Food costs, in particular, were averaging over 30% of operating expenses due to waste and spoilage. For example, the café produced 30 295 smoothies in the previous year, and employees discarded 10% of smoothie overages.

The General Manager also valued the strong work culture and wanted to create an environment where the hard work of his staff could be financially rewarded. He believed the Paris Creperie had the key elements to being successful ("good location, good crew, and smart people"). After reviewing various options, including attending the "Great Game of Business" conference with the Delta Foodservice Group LLC consulting team in the fall of 2014, he determined that Open Book Solutions would be the best course of action to solve existing business challenges. As he explained, "It doesn't make sense to be the only person making decisions – the highest minds will come up with better ways of doing things."

Delta Foodservice Group LLC is a consulting firm with deep expertise in business and financial management in the food services industry, which includes restaurants and bars, catering, and food trucks. They are the only local training provider of Open Book Solutions. Following decades of experience advising and training food service providers, they decided to offer Open Book Solutions in order to address the dual challenge of low profit margins and increasingly low wages in the industry. While Delta Foodservice Group LLC is not classified as a social enterprise or B-Corporation, the partners place a high value on fairness and providing opportunities for employees to develop competencies. As Joe Grafton of Delta Foodservice Group LLC, explained, "I want to send ripples out throughout the industry and make industry more profitable, raise the quality of life and pay for workers, and develop "mission – driven entrepreneurship."

By empowering employees through Open Book Solutions, Paris Creperie projected productivity (revenue per full time employee) would increase. They wanted to unleash growth opportunities in business areas such as catering. By identifying ways for Paris Creperie to become more competitive and profitable through analysis of the staff and support from management, employees were expected to pursue opportunities to grow revenues. Because the incremental revenue does not significantly change overhead costs, which accounted for 30% of the expenses in the business, a higher net profit percentage was projected.

Policy framework: Workforce Training Fund Grant

To finance the initiative, Paris Creperie accessed funds from the Massachusetts' Workforce Training Fund Program, which is administered by the Commonwealth Corporation, a quasi-public statewide agency. The fund intends to close the skills gap by providing companies with the resources they need to develop the skills of their incumbent workforce (Executive Office of Labor and Workforce Development, 2014).

The Workforce Training Fund is a state-based programme paid for by Massachusetts employers to fund training to upgrade the skills of incumbent workers. The Program helps address business productivity and competitiveness by providing resources to Massachusetts businesses to fund training for current and newly hired employees. The Workforce Training Fund's major focus is small to medium-sized businesses that need the assistance of the fund in order to make an investment in improving employee skills. The training fund states the following priorities for investment:

- Projects that will result in job retention, job growth, or increased wages;

- Projects where training would make a difference in the company's productivity, competitiveness, and ability to do business in Massachusetts;
- Projects where the applicant has made a commitment to provide significant private investment in training for the duration of the grant, and after the grant has expired.

The fund provides greater weight to applications that address selection criteria associated with job creation/job preservation, increases in skills of low-skill, low-wage workers, and/or the applicants' plans to locate jobs and employ residents of Massachusetts, and applications focused on employee skills attainment and achievement of transferable and measurable skills.

The programme requires that grants awarded must be matched dollar-for-dollar by the applicant and its partners, if any. The match can be cash or in-kind contributions. In-kind matching funds may include wages paid to trainees while in training.

Since January 2007, USD 86.8 million has been awarded through the Workforce Training Fund in General Program Training Grants to 1 126 projects involving more than 1 187 businesses. As a result of this funding, 105 584 workers have been or will be trained across a broad range of industries.

Implementation of Open Book Solutions in Paris Creperie

The Paris Creperie implemented Open Book Solutions for all employees beginning in January 2015. Open Book Solutions, led by Delta Foodservice Group LLC, involved training employees on the principles of financial and business management by teaching them how to interpret the company's financial reports, and develop problem-solving skills to address challenges. After attending the Open Book Management conference in St. Louis, the General Manager returned onsite and has held a series of meetings to provide an overview and answer questions about Open Book Solutions training.

The team also held an all-staff debrief following the event, with an emphasis on discussion and gathering input from employees which was incorporated into the training delivery plan. While it is common in the restaurant industry for some level of mistrust of management/owners, at Paris Creperie, pre-programme interviews conducted by Delta Foodservice Group LLC showed that there was considerable trust and a fair amount of buy in and alignment across the board with the entire team.

In addition to the training provided for all staff, Open Book Solutions Leadership training supported efforts by developing leadership skills to 1) encourage entrepreneurship, 2) coach for success, 3) reward performance, and 4) lead an empowered, collaborative team. The Open Book Solutions Leadership module was designed to help supervisors reinforce new skills and performance, increasing engagement and decreasing turnover. The Open Book Solutions Train-the-Trainer was then developed to ensure programme sustainability following initial implementation. A more detailed description of the training modules can be found in Appendix A.

The training modules were designed to build off of and reinforce one another, and were delivered with follow-up assignments to increase learning and application to the job. In addition to financial skills and industry best practices, entrepreneurship skills were also emphasised, in order to empower workers to take action to reduce costs and to pursue new business opportunities, with the ultimate goal of increasing productivity and competitiveness.

During the implementation, there was a spectrum of engagement, most generally positive. Informants reported that some employees were more engaged then others, with

some employees expressing some scepticism about the initiative. In general, it was a very collaborative work process.

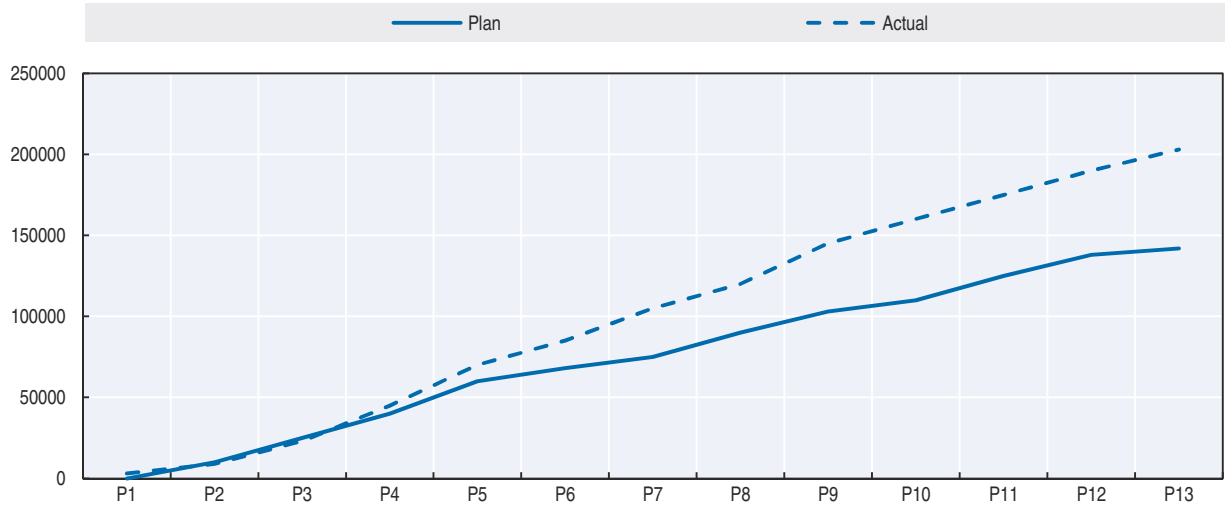
Paris Creperie management reported that the state fund investment legitimised the programme for employees. At the time of this writing, Paris Creperie does not have plans to access additional grant funding through the Workforce Training Fund. The planned focus for Year 2 is building on building the capacity of existing staff to use the curriculum. While some plateauing is likely in terms of decreasing overhead and cost of goods sold, management believes that the better opportunity moving forward is growing revenue. Future revenue growth is expected to be more profitable because of the cost reductions in place.

In the second year of implementation all employees will be assigned to committees focused on different aspects of the business (see Appendix II) to contribute to different areas of management. The committees are: 1) Teachers and Trainers; 2) Finance; 3) Marketing and Communications, and 4) Operations and Culinary. This structure will allow employees to focus on their areas of interest – some employees, for example, have been motivated by environmental concerns to look into improving the restaurants recycling contract. The goal is to help employees take a more active role in running the business, giving them an opportunity to learn more while providing relief for the management staff. While it will take time to train people on new tasks, overall it will help the company accomplish more in the long term.

Impact of the initiative

At the end of the first year of Open Book Solutions, both managers and staff at the Paris Creperie deemed the project a success. Overcoming some initial scepticism, Paris Creperie increased profitability by decreasing costs of goods, increased employee compensation, enhanced skills, and reduced staff turnover. Paris Creperie compares profitability across 13 equally-sized four-week periods. Unlike monthly comparisons, which from year to year may include different numbers of weekend vs. weekdays, these periods allow the restaurant to compare sales more accurately from one year to the next. The impact of Open Book Solutions on profitability was substantial. Primarily by reducing the cost of goods sold, the café has tripled net operating profits, from 4% to 12% per year, as shown in Figure 4.1.

Figure 4.1. **Net Operating Profit YTD, Paris Creperie, 2015-16**



Source: Paris Creperie, internal company data, 2015-16.

An early win: Reducing the cost of goods

For Paris Creperie, the key to introducing Open Book Solutions was to identify what Delta Foodservice Group LLC consultants describe as an "early win" – a simple project that would introduce the concepts of the programme and encourage employee engagement. Early in 2014, a goal of a three percentage point reduction in the Cost of Goods (that is, the cost of food and supplies as a percentage of sales) was introduced. Delta Foodservice Group LLC Consultants consider 30% to be the maximum cost of goods sold for a menu like Paris Creperie, and every reduction in that percentage represents increased profitability without having to increase menu prices. The staff created a challenge for themselves – reduce the cost of goods by three percentage points compared to the prior year's period, and any savings realised would be immediately distributed in the form of an end-of-month bonus.

For their challenge to reduce cost of goods, the staff created a game board in the employee break room, where savings were represented by the progress of paper farm animals down a road. Creating a playful feedback system encouraged co-operation and provided continual information about the progress of the project. Employees were asked to write cost-saving ideas on a whiteboard, and the general manager made implementing new ideas a priority. The general manager knew that his quick reaction was crucial to validating the ideas presented and encouraging full engagement. If a suggestion was not feasible or effective, he would explain why.

At the beginning of the period, the cost of goods stood at 31%. Some of the most expensive items to produce included smoothies and the strawberries that Paris Creperie used as a garnish and as a key ingredient in many of their dessert items. Prior to the reduction challenge, employees prepared smoothies by "eyeballing" the ingredients, often resulting in too much smoothie being prepared. That extra smoothie was discarded or regarded as a perk for counter employees. As the challenge got underway, workers approached smoothie-making in a more conscientious way. Once recipes with clear amounts (and therefore, predictable costs) were established, employees challenged one another with "friendly ribbing" to stick to the required amounts.

Another winning idea came from an employee who regularly had the task of removing the leaves from a large batch strawberries and slicing them for use during mealtimes. She noticed that most employees would line up a bunch of strawberries and cut away the top third – a quick, but ultimately wasteful, prep method. This employee prepped the strawberries differently: using the tip of her knife to scoop away the leaves, more of the fruit intact was left intact. This simple shift resulted in a 30% higher yield on the strawberries purchased by Paris Creperie. When the Delta Foodservice Group LLC trainer asked employees to estimate the annual savings from this change, most guessed a few hundred dollars. In reality the potential savings were estimated at USD 2 800 per year, based on the prior year's expenditures.

This disconnect between what employees believed to be the profitability of the restaurant and the actual financial reality of the business was a recurrent theme in the interviews with consultants and staff. Delta Foodservice Group LLC reported that employees typically overestimate both profits and management salary. Through the regular trainings and information provided to employees, many gained a better understanding of the practical realities of running a business.

At the end of the period, Paris Creperie employees had succeeded in reducing the cost of goods to 26.5%. This exceeded the initial goal, and since that first period the savings have

continued. After the first successful period, employees continued to suggest and implement cost-savings. The chef worked with management to rework the menu, developing standardised recipes for what had previously been an ad hoc process. Employees researched new frothing pitchers for steaming milk for lattes and cappuccinos, discovering that frothing pitchers with pre-portioned markings allowed the restaurant to significantly save on milk costs.

The changes implemented were for the most part small, but added up to significant savings. Asking employees to switch from taking bottles of water to bringing their own cups from home, substituting reusable dishware for disposable wherever possible, and revamping recipes all contributed to the falling cost of goods. Employees also worked on reducing supply costs by rebidding items supplied by vendors, realising substantial savings on some key items. The catering business also improved greatly. While the previous year had shown a drop off in business, catering grew by 30% and became the most profitable part of the business.

Shared profits

At the end year one, Paris Creperie had a total of USD 67 000 in a pool to distribute to employees. Bonuses were distributed based on hours worked – everyone received something, with full-time, year round employees receiving up to USD 6 000. The bonuses were, for most employees, a very significant amount of money. When interviewed, one employee said that it was more money than she had ever had at any one time, and her bonus was used to build savings, pay off student loans, pay rent and take a vacation.

As a result of Open Book Solutions and resulting bonuses, Paris Creperie achieved the goal of reducing employee turnover from 82% to 60%. Throughout the year, while some employees left for school or because they were moving long distance, no employee left to work for another restaurant (a rarity in the restaurant industry).

Employee skills development

In terms of skill development through Open Book Solutions, employees reported that they learned how to develop and track a personal budget, improving their personal financial literacy; increased their business financial skills (including the ability to understand and interpret financial data and statements such as Profit and Loss, Balance and Income, and Cash Flow); learned how to measure progress (including selecting indicators, developing scorecards, and basic forecasting); improved their problem-solving skills (the ability to analyse financial data, and to identify challenges and opportunities); and developed their entrepreneurship skills (the skill to develop and implement new growth opportunities and to decrease inefficiencies (i.e. costs).

Overall, employees expressed different motivations for participation in the Open Book Solutions programme. Some employees were attracted to the environmental benefit of creating less waste. Employees researched recycling programmes and met with vendors to improve the café's recycling rates. Employees appreciated the opportunity to learn and planned to continue to use education in future jobs.

The leadership training provided the opportunity for supervisors to grow in their ability to delegate and manage teams. In addition, the new committee structure helped employees deepen skills in areas such as social media, marketing campaigns, financials, bookkeeping, vendor negotiation, and training.

Strengths

The project built on the existing work culture of Paris Creperie while introducing new tools to promote employee engagement and increase profits. The transparency of the approach reinforced employee engagement, as staff came to both understand the costs associated with restaurant operations and see direct results from their efforts. These strengths reflect existing research on profit sharing, which have demonstrated that profit sharing programmes which foster engagement are more effective than those that simply award bonuses. Finally, the programme was very cost effective – with some start-up costs covered by the state grant, the largest cost to Paris Creperie was staff time for training. The findings suggest that even small businesses can replicate the successes of Paris Creperie, provided incumbent worker training funds are available.

The overall goal of the Open Book Solutions project was to increase profitability for the restaurant. Paris Creperie demonstrated a willingness to invest in employees through training and sharing profits. The Commonwealth Corporation Workforce Training Fund Program grant was essential because it allowed Paris Creperie to finance the training programme with minimal start-up costs. The organisational changes made throughout the year – swapping reusable cups for disposable, renegotiating the recycling contract – did not require significant investments, and paid for themselves quickly.

Challenges

As the first year of Open Book Solutions drew to a close, Delta Foodservice Group LLC consultants and Paris Creperie management made several changes to address ongoing challenges. Since many of Paris Creperie employees are part-time, scheduling training sessions proved difficult. Additionally, the success of reducing costs means that there are fewer remaining areas for innovation in cost savings; additional profit will need to come from focusing on sales growth.

In order to train the entire staff, Paris Creperie and Delta Foodservice Group LLC scheduled trainings to coincide with shift changes on the restaurant's busiest days – the times when it was most likely that all employees would be either starting or ending a shift. Although some employees agreed that it was "not fun" in the words of one employee, to end a busy day with an hour of classroom training, the fact that they were paid for the time helped ease the burden. With the introduction of video trainings and self-assessment tools in the future, new hires will be able to complete training modules at times that work best for their schedules.

While many of the early cost-saving innovations were implemented quickly by managers, some changes took several steps to realise. Employees reported that implementing so much change at once was challenging. It can be hard to make some decisions, and to let go of using certain products or vendors that had been in place over time. It was also challenging and time consuming to break every recipe down in an excel spreadsheet to track costs.

Many of the challenges presented in the first year of Open Book Solutions are expected to be addressed through changes to that are already underway. For example, the formation of ongoing work groups ("committees") is now introduced earlier in the process to better insure their effectiveness in sustaining the Open Book Solutions. Both Delta Foodservice Group LLC and Paris Creperie management noted that they were surprised that the programme worked so well, encountered relatively few challenges, and exceeded expectations in terms of outcomes.

Considerations for expansion and transferability

Business and organisational conditions necessary

Several factors were stated as necessary in order to successfully implement an Open Book Solutions profit sharing programme:

- **Financial readiness.** Company must be financially stable in order to undertake a profit-sharing programme like Open Book Solutions. Without this security, a business would not be able to afford the investment, nor would it be likely to pay off.
- **Organisational readiness.** The business needs to have good morale and employee satisfaction, along with the ability of the team to work together effectively. There needs to be a positive and empowering culture in place. Poor performance and underlying team dysfunction can impede implementation.
- **Leadership readiness.** Owners and management need to buy into the philosophy, and be willing to cede control over decision making and share profits. Delta Foodservice Group LLC partners report that the primary barrier is a leader's fear of relinquishing control. Secrecy around the financials, such as dishonesty on tax returns, is common in the industry. Managers are often afraid to show staff how much they are earning (they think management is making much more). Managers often want to exert a high level of control over decision-making, and need training on employee empowerment, although stable personality traits may override attempts at training.
- **Having the "right" staff on board.** The lessons from Paris Creperie suggest that businesses implementing Open Book solutions should prioritise the following competencies when hiring:
  - Concern for co-workers and the business, and willingness to go the extra mile, such as staying later as needed.
  - Willingness to communicate, eagerness to help others, and ability to work as a team.
  - Desire for a job more mentally engaging mentally, which enables employees to learn new skills and develop knowledge to improve the business.

Implications for the Workforce Training Fund Program

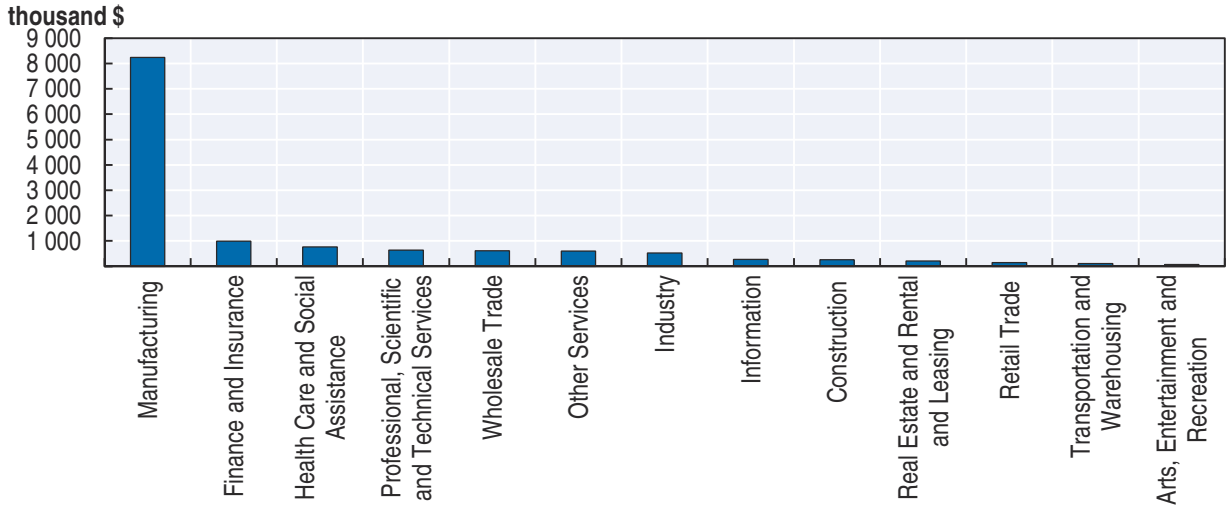
The grant from the Massachusetts' Workforce Training Fund Program was essential to finance the initiative at Paris Creperie. The café reported that they would not have been able to do the training without this grant. Overall, Delta Foodservice Group LLC and Paris Creperie reported satisfaction with the state Workforce Training Fund, while employees also reported that the fund legitimised the training, as it was seen as "sanctioned" by the state.

However, improvements could be made to increase accessibility and impact of the Workforce Training Fund Program, especially for small businesses in the food services industry. In FY13, 173 grants were made to employers totalling over USD 12 million to train 11 397 workers (up from USD 8.9 million in FY12) (Executive Office of Labor and Workforce Development, 2014). As shown in Figure 4.2, the vast majority of this investment was in the manufacturing industry (61%), with food services receiving only 4% of the total investment.

Small businesses pay into the Workforce Training Fund Program, but do not benefit to the same extent as larger firms. Businesses with fewer than 50 employees comprise 95% of all businesses state-wide and employ 38% of the state's workforce. Workforce Training Fund Program data shows, however, that those businesses are awarded on average 34% of general program grant awards (English for New Bostonians, 2013).

Figure 4.2. **Workforce training fund general program: grant totals awarded by industry FY14**

Total: USD 13 441 287



Source: EOLWD (2015b), *Performance Report Fiscal Year 2014*, Commonwealth of Massachusetts, *www.mass.gov/lwd/docs/executive-office/lwd-dec-14-performance-report-final.pdf*.

It is challenging for small businesses to secure the match for the training programme. The grant requires a one-to-one match, with majority of the match being in-kind, in the form of worker wages paid during training time. Because most workers are low-wage, in most cases, it is difficult to make the match equivalent to the expense of the training programmes. Exacerbating this challenge is the fact that not all employees can attend training at one time, as the restaurant must operate while training is being conducted. While redundant sessions covering the same material must be offered so all staff can participate, this increases the cost of programme delivery, and thus increases the requisite match. In order for the Workforce Training Fund Program to reach more low-wage workers, the Commonwealth consideration should be given to this "catch-22" and whether the matching requirement should be reduced or eliminated for small and micro-businesses.

While the results of this intervention with Paris Creperie have been promising to date, in an interview, the Vice President of the Commonwealth Corporation expressed that it was too soon to conclude its ultimate success and transferability to other businesses and sectors, as well as how such an intervention would impact lower-skilled employees. Additionally, as there is only one vendor in the state for Open Book Solutions specifically, the Commonwealth Corporation would be hesitant at this point to set new policies around this specific methodology. Meanwhile, they the Commonwealth Corporation is are placing more emphasis on lean manufacturing, given its more established track record, which is similar to Open Book Solutions from the standpoint of management allowing for more worker decision making.

Provided a track record of success is shown, the Commonwealth could promote the Workforce Training Fund Program particularly for profit sharing programmes, through its website and social media efforts. It could also support capacity building training to expose more employers to profit sharing programmes like Open Book Solutions. In this way, more businesses could learn about profit sharing goals, best practices, case studies, and steps for implementation.

Promoting profit sharing through other types of incentives

Other types of incentives could also be used to promote profiting sharing, and could particularly target businesses with workers in traditionally low paid occupations. Such incentives could include tax breaks, tax incentives, and preference in the awarding of government contracts. State or federal governments could offer a tax credit to companies that share profits with their employees, with higher credits provided for small businesses and firms that share profits widely among employees.

The U.S. recently re-authorised its primary federal workforce policy, The Workforce Innovation and Opportunity Act (WIOA). Compared to its previous iteration, WIOA provides more incentives for improving the quality of jobs, placing more emphasis on higher wages and advancement opportunities. For example, it allows the establishment of job quality criteria in order for employers to receive work-based training placements (CLASP, 2015). Thus employers could tap into WIOA funds for on-the-job profit sharing training programmes. In addition, states and local workforce boards are permitted to establish job quality standards as part of the performance expectations for workforce training service providers. As such, workforce boards could establish higher wage standards for job placements, thus indirectly promoting employers who share profits with employees.

Supporting intermediary training organisations

Intermediary training organisations who offer shared ownership and profit-sharing should be eligible for a special tax status, similar to Benefit Corporations (B-Corps). The certification and documentation process should be streamlined to encourage uptake by training providers.

Private philanthropy could leverage Program Related Investment (PRI) to support training intermediaries who offer profit sharing programmes. PRIs allow foundations to make investments in order to recoup their investments in addition to a reasonable rate of return. While PRIs have traditionally been used for affordable housing development, they have also been used to stimulate private sector innovation in fields such as nutrition and biotechnology (Ashoka, 2013). Philanthropy could use PRIs to provide seed money or otherwise support the capacity of training intermediaries offering profit sharing for employers of lower-paid employees, with an expectation of a return on their investment. In order for this to be successful, there should be a long period allowable for loan payback.

Conclusion

Shared ownership is a significant part of the US economic model, with almost half of workers benefit from some form of profit sharing. Shared capitalism is also prominent in the UK and growing in other advanced countries. Overall, the research on shared capitalism reveals that it improves the performance of firms: it is associated with greater participation in decision-making; higher pay, benefits, and wealth; greater job security, employee well-being, satisfaction with influence at the workplace, trust in the firm, and assessment of management; and better labour-management relations practices. Every year, nearly half the winners in Fortune's list of "100 Best Companies to Work For" offer some type of shared ownership, including profit-sharing and stock ownership for employees (Blasi, Freeman, and Kruse, 2015).

While nearly half of American workers have access to some form of shared ownership or profit sharing, it is rarely coupled with the transparency of the Open Book Solutions.

Blasi, Freeman, and Kruse (2010) demonstrated that high levels of employee engagement are a key factor in the success of employee profit sharing programmes:

> *"Shared capitalism is most effective when combined with employee involvement and decision-making and with other advanced personnel and labour policies… The combination of shared capitalism and high performance workplace policies had the strongest impact on innovation culture and willingness to innovate."*

At Paris Creperie, the immediate emphasis on encouraging (through bonuses) and implementing employee suggestions ensured early success with Open Book Solutions.

As of the time of this publication, the implementation of Open Book Solutions at Paris Creperie has resulted in substantial growth in net operating profits – from 4% to 12%. In the restaurant industry, where profit margins typically hover around 5%, this growth is substantial. While overall, restaurants have seen growth in profits since the end of the recession, this has generally been to a lesser extent than the results reported by Paris Creperie (Biery, 2014).

As reported earlier, Blasi et al. (2013) find that the where employees have profit-sharing, the median annual amount distributed is USD 2 000 annually. At Paris Creperie, by contrast, full time employees received more than USD 6 000 as their annual share of gains realised under Open Book Solutions. While that figure may change in future years, the programme at Paris Creperie, has already achieved relatively higher gains at this early stage. In the restaurant industry, where profit margins are slim and dependent on workers' willingness to monitor food usage and sales with minimal supervision, these improvements can have a tangible impact on the bottom line.

The investment from the state for incumbent worker training was essential to the success of the initiative. Making training funds available and accessible to small businesses is a critical component for the scalability of profit sharing. In addition, several key organisational factors were essential for a successful implementation, including financial stability of the organisation, good team satisfaction and trust in management, and a willingness for leadership to cede control of decision making and profits to employees.

While the results are promising, more research is needed to determine the effectiveness and scalability of profit sharing in the food service industry more broadly. The employees at Paris Creperie have a higher level of skills than the restaurant industry on average, as most employees are college students or graduates. The transferability to lower skilled and non-native English speakers merits further investigation. Open Book Solutions programmes implemented in workplaces where employees have lower skills and personal challenges may need additional support around English language skills, financial literacy, and connections to social support services.

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Chapter 5

Meeting the skills needs of local SMEs in Gwangyang, Korea

In the context of Korea's decentralisation of employment and skills policies, this case study examines the implementation of two programmes in the Gwangyang that address both skills supply and skills utilisation in SMEs: the Local Local-Based Job Creation Programme and the Consortium for HRD Ability Magnified Programme (CHAMP).

KEY FINDINGS

- *Over the past decade, the Korean government has moved to an approach that allows for more locally tailored skills initiatives, recognising that adaptation to local circumstances can improve the efficiency and effectiveness of delivery.*
- *Improving how skills are used in workplaces may be an important complement to skills development, especially for SMEs which often have no dedicated human resource department, or may rely more on informal HR processes than their larger counterparts.*
- *As the experience of the Gwangyang HRD programme shows, training that allows workers to move between different types of work in SMEs can increase employer satisfaction and lead to better employment prospects.*
- *Large companies have a stake in improving the performance and productivity of the SMEs in their supply chains, which can be activated with strategic public support. The POSCO HRD consortium demonstrates how this can be done.*

Background

Advanced nations, including those in the OECD, have been transitioning from centralised to localised policies for employment and skills development activities to secure national competitiveness while achieving sustainable growth. Korea has joined this trend of localising various policies for job creation and skills development as part of an overall effort to achieve balanced national growth by lessening the concentration of economic power in the capital. In the late 1990s, when the country was rocked by the Asian financial crisis, the country's centralised employment policies came under criticism, accelerating the move toward more local employment and skills development policies (Jun and Lim, 2008).

Many scholars have questioned the effectiveness of Korea's central government-led approach to employment and skills development, citing the following weaknesses. First, the centralised decision-making process for employment and skills development does not meet the local needs with respect to the selection of trainees and training methods, and does not sufficiently reflect the skills needed in the local labour market, potentially leading to a skills mismatch. Second, the central government–led approach hinders the capacity building of concerned parties including industries, workers, local governments, local non-government organisations (NGOs), and other related interest groups. Third, because this approach fails to reflect the unique circumstances and industrial structures of local labour markets, it can be problematic in terms of the greater policy objective of balancing regional growth (Jun and Lim, 2008).

In response to these criticisms and the trend toward localisation and decentralisation, the government has initiated a variety of local development policies with a growing recognition of the importance of ensuring that employment policies and programmes address local needs. As part of such efforts, regional employment deliberation committees

have been established in 17 municipalities and provinces in order to address various local employment issues. Moreover, since 2006, the Ministry of Employment and Labour (MOEL) has supported local employment and skills development through the Local-Based Job Creation Programme (LBJCP) (MOEL, 2013). These policy measures have stimulated the creation of networks and enhanced local capacities. In particular, LBJCP stresses the role of local employers in skills development and utilisation to reduce skills mismatch in the local labour market.

Although this policy was not initiated in the context of local development policy, the Consortium for HRD Ability Magnified Programme (CHAMP) has also resulted in local employment and skills development. CHAMP was implemented in 2001 and has become one of the representative programmes that have contributed to the skills development of local small- and medium-sized enterprises (SMEs) through partnerships with conglomerates, employers' organisations, universities, and other groups.

Sponsored by the MOEL, LBJCP and CHAMP have been recognised as key policy measures that address skills mismatches in the local labour market and contribute to local economic development in Korea. LBJCP and CHAMP are currently operating nationwide, with 482 projects for LBJCP and 161 training centres for CHAMP in 2015. Among the various programmes within LBJCP and CHAMP, this study will focus on two representative cases in the Gwangyang area: the POSCO Human Resource Development Consortium (for CHAMP) and the High-Skilled Human Resources Development Programme of Gwangyang's Plant Industry (for LBJCP). These cases demonstrate the engagement of employers in the design and provision of employment and skills programmes at the local level.

Policy context for employment and skills development in Korea

Governance of skills and employment policies

In Korea, the MOEL is the central government body that oversees employment, skills development, and unemployment policies. It oversees the labour administration and labour offices operating in various regions. The ministry plans or creates employment-related policies, while its regional apparatus, the labour administration and labour offices, execute the policies. Such division of responsibilities is characteristic of the Korean government structure and is not limited to the MOEL. Under the traditionally centralised government structure of Korea, it has been generally accepted practice for the central body to undertake planning while the regional units execute the resulting policies or programmes.

Under such circumstances, the characteristics of each region were not readily visible to the central government. Although each region requires employment policies specifically designed for its unique situation, the central government-led policy planning has made it difficult to execute such an approach.

The MOEL has begun to realise that regional or region-based policies are the key to addressing the employment issues of a specific region. The MOEL officially acknowledged the importance of employment and skills development policies customised to each region in 2004 and decided to launch a research project in 2005. In early 2005, the MOEL partnered with the labour administration and labour offices and undertook basic research activities required for local labour markets and skills development projects. Based on the outcome of the 2005 research project, the MOEL has implemented several projects since 2006 to revitalise employment and foster tailored skills development in

each region. The project is now referred to as the LBJCP, which will be discussed in more detail in the latter part of this paper.

In recognition of the need for greater decentralisation of employment policies, the MOEL made significant efforts in 2006 to reinvigorate the local employment councils by building a local employment governance structure. The local employment councils are chaired by the mayors or governors of the respective local governments and composed of representatives of labour and management, experts on employment issues, and relevant civil servants. In December 2007, an attempt was made to revise the Framework Act on Employment Policy with the aim of strengthening the role of the local employment councils in leading deliberations on local employment policies. This meant that major employment and vocational competency development projects that had been initiated by the MOEL would now be co-ordinated by the local employment councils, thus increasing participation at the local level. Local plans for competitive projects and training projects would be implemented after deliberations by the local employment councils.

In 2010, the local employment councils were integrated into the Local Association of the Representatives of Labour, Management, Government, and Community, which was another local governance structure that focused on industrial relations and local employment. Evidence of duplicated functions and participants between the Local Association of the Representatives of Labour, Management, Government, and Community and the local employment councils led to the decision to integrate the two. As a result, the association gained official legal status as the integrated body dealing with local employment, human resource development, and industrial relations in many regions. Since the integration, the association has taken the role of advising and deliberating on regional employment and skills development issues.

Skills mismatch in the Korean labour market

Skills mismatches are among the main challenges facing OECD countries. Recent data demonstrate that Korea faces the same obstacle, with the mismatch becoming even more severe in recent years. The labour skills mismatch index by occupation was 26.3 nationwide (2010-14 average, up from 21.2 in 2008-09) due to structural change throughout the industrial sector. Skills mismatches have worsened since the subprime mortgage crisis, as applicants for white-collar jobs have increased more sharply than the number of available positions (Kim and Kim, 2015).

At the same time, there is a clear mismatch between what is taught in the schools and what skills employers require. According to a survey conducted by the Korea Employers Federation in 2008, the amount of money a company spends on retraining a newly hired college graduate before he/she is assigned to actual work is about KRW 60.8 million over a period of 19.5 months. In particular, companies are facing a skills gap as baby boomers (those born in 1955-63) retire. Baby boomers account for around 14.3% (7.14 million) of the total population. Over the next decade, about 150 000 baby boomers are expected to retire from their primary jobs each year (MOEL News, 2012-7-21).

The following case studies will demonstrate various local initiatives that address these kinds of skills mismatch problems in the Korean labour market. These initiatives were mainly implemented through the engagement of industries in programmes to promote the development and utilisation of skills.

Case study: LBJCP and CHAMP in Gwangyang

Overview of Gwangyang

With 153 387 inhabitants, constituting 0.29% of Korea's total population, Gwangyang is a major economic region in Korea's south coast in South Jeolla province. It is the home of POSCO's Gwangyang Steel Works, one of the largest facilities of its kind in the world. The city has grown as a manufacturing area as a result of developed infrastructure and favourable geographical conditions.

Gwangyang is at the centre of development of the Gwangyang Bay Area Free Economic Zone (GFEZ), which focuses on port container handling, steel production, shipbuilding, and leisure facilities. The GFEZ covers 92.7 square kilometres and with a three-phase development scheme expected to be completed over the next decade, is the third largest among the country's six free economic zones, after Incheon and Busan-Jinhae. As of late 2013, 1 915 domestic companies and 164 foreign-invested enterprises are in the nation's free economic zones, with 5.6% of these, (79 domestic companies and 39 foreign-invested enterprises) in the Gwangyang Bay Area.

The Gwangyang Bay Area, which stretches across the Yeosu, Suncheon, and Gwangyang cities of South Jeolla province and the Hadong region of South Gyeongsang province, was designated a free economic zone in 2003. The area's proximity to China is one of its main geographical strengths. POSCO's Gwangyang Steel Works, which claims to have the world's largest capacity to roll out crude steel, and the Yeosu Industrial Complex, which produces 56% of all domestically produced petrochemicals, have helped make the GFEZ one of the most attractive economic regions for investors (The Korea Times, 2010/11/22). The percentage of foreign-invested enterprises among the businesses in the GFEZ is more than 20% greater than the national average.

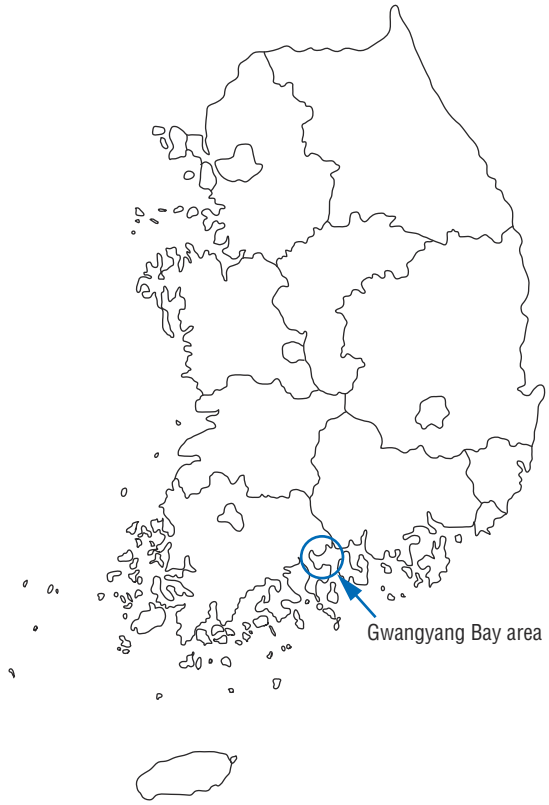
By 2020, when the GFEZ is completed, the area expects to generate around KRW 164 trillion (about USD 141 billion) in production, directly or indirectly, and 66 trillion KRW in value added. As such, although the Gwangyang Bay Area accounts for only 15.3% of South Jeolla province's territory, the area constitutes 61% of the province's economy and 38% of its population.

Over the past decade, Gwangyang Bay Area's number of businesses, number of employees, and added value have grown by 2.71%, 1.74%, and 7%, respectively (see Table 5.1).

POSCO Steel Works in Gwangyang is the second steel mill established by POSCO in the country, following the mill in Pohang, Gyeongsangbuk-do. The mill is one of the largest steel plants in the world and features modern technology and leading facilities for steel manufacturing. It produces steel coil that is used to make bridges, iron structures, cars, refrigerators, and other products. Its production capacity averages about 18 million tonnes per year (Gwangyang city government homepage, 2016).

Under these geographical and economic conditions, Gwangyang expects to enjoy a high rate of employment, with the support of a variety of public policy programmes and various initiatives customised to the area's industries. Both LBJCP and CHAMP, which focus on skills development and utilisation, have been implemented in this area under the names "High-Skilled Human Resources Development Programme of Gwangyang Bay Area's Plant Industry" (hereafter referred to as the Gwangyang HRD Programme) and "POSCO Human Resource Development Consortium" (hereafter referred to as the POSCO HRD Consortium), respectively.

Figure 5.1. **Map of Gwangyang Bay Area**



Source: Gwangyang Bay Area Free Economic Zone Authority.

Table 5.1. **Economic Indicators of Gwangyang Bay Area**

	2005	2013	Average annual rate of change
No. of businesses	371	472	2.71
No. of employees	29 290	34 221	1.74
Added value (KRW billion)	13 257	24 380	7.00

Source: Korea Statistical Information Service.

Gwangyang HRD Programme

Background

As discussed earlier, the government has strengthened local employment policies in response to the trend toward localisation and decentralisation. It has established and implemented policies suited to local characteristics in order to enhance efficiency and bridge gaps in skills supply and demand.

In this policy context, the MOEL initiated the LBJCP in 2006 to ensure that local areas take a leading role in designing and implementing their own job creation projects (MOEL, 2014). The programme was created to help local NGOs, academic institutions, workers' and employers' organisations, and local governments conduct research on their local labour markets and develop creative job creation projects. In 2014, the government selected 567 local projects through an open bidding process and provided them with KRW 77 billion in funding.

The LBJCP involves a variety of programmes specialising in creating job opportunities, promoting local employment, and developing the vocational skills of individuals in the local community. Related programmes and research projects are conducted by a consortium of non-profit corporations or non-profit organisations formed by local municipalities with the aim of addressing local employment issues. Table 5.2 provides an overview of the different types of programmes falling under LBJCP.

Table 5.2. **Status and Proportion of Programmes**

	2010		2011		2012		2013		2014		2015	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Specialised Programme	47	46.5	136	69.7	225	81.5	374	82	485	85.5	408	84.6
Package Programme	29	28.7	25	12.8	12	4.3	8	1.8	16	2.8	14	2.9
Employment Forum Programme	13	12.9	16	8.2	15	5.4	16	3.5	17	3	15	3.1
R&D Programme	10	9.9	3	1.5	8	2.9	41	9	32	5.6	13	2.7
Consulting Programme			15	7.7	16	5.8	17	3.7	17	3	16	3.3
Project-Typed Programme											16	3.3
Total	108	100	135	100	156	100	104	100	567	100	482	100

Note: The 2015 employment security fund for security guards and the 2010 infrastructure project were excluded.
Source: Joo (2015).

For specialised and package programmes (combination of a specialised programme and other programmes), a variety of standards and criteria have been developed with respect to training schedules, trainee recruitment and management, attendance and completion criteria, and employee management. The Employment Forum programme is jointly carried out by the local government, the regional job centre (public employment service centre organised under MOEL), NGOs or NPOs (civilian organisations) and labour relations institutes. The R&D programme features topics that are selected through prior consultation between the local ministry of employment and labour and local government in consideration of the needs of each region. The project-typed programme is a combination of multiple sub-programmes initiated by the head of local municipalities to keep election campaign promises and achieve local job creation as publicly announced (Joo, 2015).

The LBJCP has provided an opportunity to rethink the necessity and validity of local employment policies and has contributed to the development of capacities at the local government level. Moreover, the programme is meaningful in that it serves as an opportunity to better integrate local employment governance and the expand labour management participation as the central and local labour management organisations become more interested in local employment policies. Among a variety of projects nationwide, the Gwangyang HRD Programme was chosen as one of the best practices in 2015, and has been evaluated highly by the partners involved.

Main Features of the Gwangyang HRD Programme

The Gwangyang HRD Programme and the region's employment-related agencies are providing training customised to Gwangyang Bay Area's industry. The main objectives of the programme are to address worker shortages in SMEs and to help revitalise the employment of local youth.

One of the most important features of the Gwangyang HRD Programme is that the training courses are based on a demand-driven approach. Before opening training courses

and recruiting trainees, the local employers' demand is first determined through a survey. For instance, a 2015 survey on companies in Gwangyang Bay Area showed that 37% of 529 welding companies face a shortage of welders (Ha, 2015). As noted earlier, while Gwangyang Bay Area continues to grow in terms of the number of businesses and employees, SMEs suffer from chronic labour shortages.

To deal with these problems, the Gwangyang HRD Center, together with other partners, started to open training courses in 2008 to meet the demand of SMEs. Gwangyang HRD partners involve a variety of local actors with their own responsibilities (see Table 5.3). These partners include the Yulchon Industrial Complex, POSCO Outsources Association, Gwangyang Chamber of Commerce, MOEL, South Jeolla provincial government, and Gwangyang city government.

Even though POSCO is not directly involved in the skills development course, the Association of Outsourcing Contractors working with POSCO and Gwangyang Chamber of Commerce are engaged in identifying the skills needed by the local labour market. The major advantage of local partnerships in the design and utilisation of skills is that they can reduce the skills mismatch between supply and demand. Due to demand-driven training, the trainees can find jobs after the training ends, while local employers (especially SMEs) can more easily find the workers with the skills they need, reducing the need for additional training.

Table 5.3. **Gwangyang HRD Programme: Partners and Responsibilities**

Partners	Responsibilities
Administrative bodies (MOEL, South Jeolla provincial government, Gwangyang city government)	Administrative and financial support
Yulchon Industrial Complex	Activities in business administration improvement
Association of Outsourcing Contractors working with POSCO	Human resource management practices and work organisation for the SMEs
Gwangyang Chamber of Commerce	Activities in business support and survey
Gwangyang HRD Center	Implement training: plant welding, CAD, etc.

Source: Ha (2015).

In general, the training courses involve welding (ARC, C02, TIG, SAW) and CAD-2D, with 743 hours of training per year. In addition, the training is customised to the target company after basic training is provided. In particular, the CAD-2D course enables trainees to move between different types of work in the SMEs, leading to increased employer satisfaction and better employment prospects.

Results

Between 2012 and 2014, the Gwangyang HRD Programme attained a high level of training performance (see Table 5.4). In 2014, the employment rate of the course completers was 96.1%, and the average employment rate for 2012 to 2014 was 92.3% (Ha, 2015).

The Gwangyang HRD Programme received financial support from the MOEL and the local government to implement the training programmes. The total budget for 2015 was approximately KRW 1 billion for personnel expenses, equipment installation costs, and other related uses, with 800 000 000 provided by MOEL and 200 000 000 provided by the local government.

A survey on the Gwangyang HRD Programme was conducted in 2015 by the Korea Employment Information Service, which is responsible for assessing the LBJCP. The survey

Table 5.4. **Gwangyang HRD Programme Outcomes, 2012-14**

Year	Recruited	Dropout	Early employment	Course completion	Employed trainees	Employment rate of course completers
2012	112	6	6	100	96	92.9%
2013	119	6	6	107	94	87.8%
2014	118	6	8	104	100	96.1%
Total	**349**	**18**	**20**	**311**	**290**	**92.3%**

Source: Ha (2015).

shows both the strengths and weaknesses of the programme. The strengths of the Gwangyang HRD Programme included its capacity to secure experts and mobilise resources to carry out the training courses. Local partnerships among stakeholders play a key role in fulfilling the tasks. In addition, the Gwangyang HRD Programme was revised based on the trainees' satisfaction survey results and consultation with experts. Due to its continuous improvement, the Gwangyang HRD Programme is now recognised as one of the best practices in contributing to local job creation and skills development (Joo, 2015).

Meanwhile, stronger linkages between the Gwangyang HRD Programme (particularly Gwangyang HRD Center) and the local government are necessary in the course of implementing the training programmes. This problem is not only limited to the Gwangyang HRD Programme, but also applies to the LBJCP as a whole. In general, the role of local government is quite strong at the initial stage; however, as the training programme proceeds, the co-ordination and consultation between the two parties become weaker. Strengthening ties with local governments remains a key challenge to address.

POSCO HRD Consortium

Background

CHAMP has been a leading vocational education and training programme in Korea since 2001. CHAMP facilitates joint training between large companies and SMEs that are mostly situated in the supply chain as suppliers and contractors of the large companies.

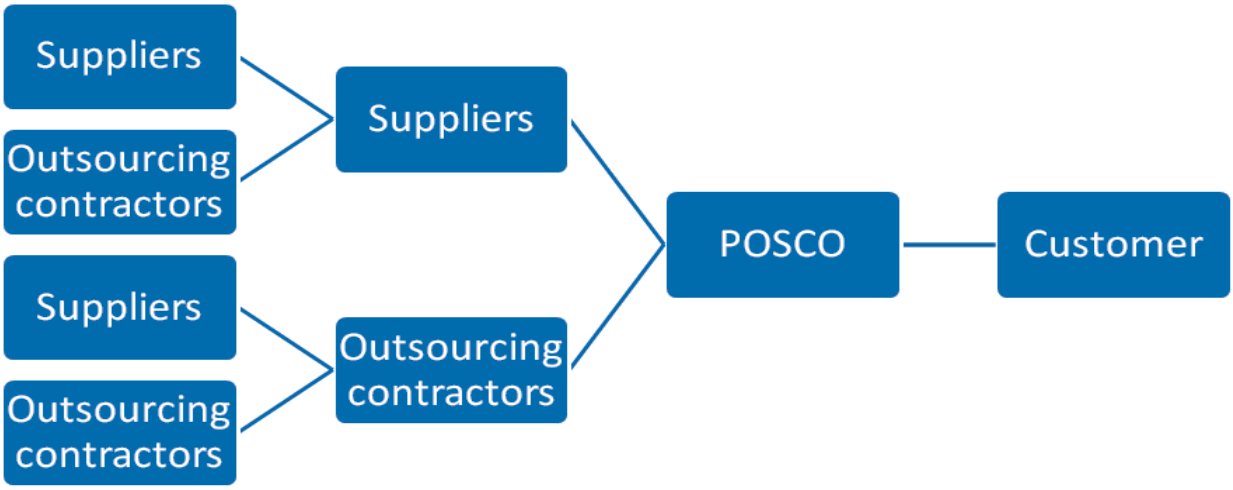
For instance, POSCO has a large number of suppliers and outsourcing contractors that deliver goods and services for the production of steel (see Figure 5.2). Each supplier and outsourcing contractor has its own suppliers and outsourcing contractors as well. Those companies (mostly SMEs) that are located in the supply chain with POSCO do not compete with POSCO; rather, their success can be directly related to the success of POSCO. Hence, large companies have a strong motivation to be engaged in the skills development and utilisation of the SMEs through HRD consortiums.

Table 5.5 summarises the CHAMP delivery system for its operations. While the main responsibility of the MOEL and HRD Korea (an affiliated organisation of the MOEL) is to provide financing and guidelines on the consortium businesses, training centres, and participating companies of the consortiums play a critical role in the design and provision of training programmes customised to their own needs at the local level.

The budget of CHAMP increased from KRW 139.8 billion in 2012 to KRW 159.4 billion in 2013. The MOEL supports the costs of training and equipment to provide effective training courses that are jointly developed by large firms and SMEs.

In addition, the MOEL established specific guidelines on co-operation between large companies and SMEs to cultivate a skilled workforce through CHAMP in 2012 (See Table 5.6).

Figure 5.2. **Members of POSCO HRD Consortium**



Source: Adapted from POSCO, 2013.

Table 5.5. **Delivery arrangement**

Actor		Main responsibility
MOEL (National)		• Approval of action plan • Enactment and revision of related laws and regulations • Guidance and supervision of training operations
HRD Korea	Headquarters	• Selection of consortium joint training centre • Screening and evaluation of action plan and performance • Fund payment and calculation
	Branch	• Recommendation of new joint training centre • Approval of training course, confirmation of the completed trainees, payment of training expense, etc.
Consortium Hub Management Team (Local)		• Survey and research on HRD consortium • Consulting on the joint training centre • Strengthening ability of training officer of the consortium
Joint Training Centre (Local)		• Training demand survey and course development • Recruiting trainees from treaty companies and conducting training • Connection with partner training centre
Partner Training Centre (Local)		• Implementation of the training programme consigned from the joint training centre • Report to the joint training centre about training results
Companies (Local)		• Participation in education and training

The guidelines cover the human resource management functions of the companies, including assessments of the demand and supply of skilled workers, skills development, career management, retirement, and job transfers. They also include mutual collaboration and support measures that large companies and SMEs should utilise to help skilled workers in the event of job transfers.

More specifically, the guidelines include measures that large companies should follow to support their partner SMEs when establishing labour demand, supply plans, and education/training plans to support skills improvement in SMEs. These include establishing and operating a corporate university and sending skilled workers to SMEs.

Furthermore, SMEs are encouraged to increase investment in their own education and training for skilled workers in order to implement a reasonable human resource management system that allows skilled workers to get the treatment they deserve, and to create the conditions necessary for the long-term employment of skilled workers.

Various co-operation models between large companies and SMEs can develop following the application of basic guidelines. In this policy context, the POSCO HRD Consortium has been evaluated as one of the best practice organisations that help SMEs develop human resources through the engagement of large firms.

Table 5.6. **Guidelines on co-operation between large companies and SMEs**

Establishing a plan on the demand and supply of skilled workers	• Large companies and SMEs should establish and implement a labour demand and supply plan including the demand and supply of skilled workers. Large companies should include in their plans matters concerning the demand and supply of skilled workers for their partner SMEs.
Supporting the skills development of skilled workers	• Large companies and SMEs should make efforts to cultivate prospective skilled workers by supporting in-company work experience and long-term on-the-job training through industry-academia co-operation. • Large companies and SMEs should establish and implement an education/training plan. Large companies should include in their plans measures to support education/training by their partner SMEs while SMEs should increase investment in education/training. • Large companies and SMEs should promote the system that allows workers to request shorter working hours during learning, with a view to giving workers more opportunities for skills development. • Large companies should help SMEs foster a skilled workforce and provide education/training to their workers through 'corporate universities', etc.
Giving skilled workers the treatment they deserve and managing their careers	• Large companies and SMEs should make efforts to build up a reasonable HRM system giving adequate treatment to skilled workers, and to create the conditions for skilled workers to be able to serve long.
Managing skilled workers' retirement and job transfers	• Large companies and SMEs should set up and operate programmes, such as outplacement services, that are designed to manage skilled workers' retirement and job transfers, to prevent discontinuities in skills.

Source: MOEL News, 2012. 11.19. Main Features of the POSCO HRD Consortium.

Main Features of the POSCO HRD Consortium

Since 2005, POSCO has participated in CHAMP and provided training for employees of SMEs and outsourcing partners. The company has also provided customised education requested by SMEs as well as safety/job/innovation education to reinforce the human resource management capabilities of SMEs.

POSCO, as the leading national conglomerate in the steel industry, already possesses a large supply of education materials, facilities, and equipment. As the portion of POSCO outsourcing has increased (56% in 2014), the high quality of outsourcing partner companies has become a key element of the competitiveness of POSCO. Drawing on its own training resources with the government's financial support, POSCO has formed the POSCO HRD Consortium and provided various training courses to improve on-the-job skills and help workers acquire the skills demanded by SMEs (POSCO, 2015).

POSCO developed the training programme in collaboration with outsourcing partner companies. In contrast to other education and training institutes, the HRD consortium links the classes with actual needs in the field, starting with the identification of demand for skilled workers and vocational training until the design and operation of the classes. The programmes and courses are based on demand surveys and customised to the partner companies' needs.

POSCO currently provides 130 courses in technology, safety, information technology, and ethics. Customised for each trainee company, the courses provide a wide range of lectures, including technical education for newcomers, an E-MBA curriculum for executive members, and even a Green Life Design programme for prospective retirees.

For instance, POSCO provides a self-developed safety training programme for regular employees in SMEs and outsourcing partners, taking the lead in win-win growth by creating a safe workplace. This programme was developed for regular employees of the consortium members so that they can act as safety leaders on site. The lecturer of this training programme is a safety master of the Safety and Health Office in POSCO, who helps the trainees secure their own safety as well as their co-workers' safety. The programme examines six major safety matters: high-place and heavy-duty work, gas safety, electrical safety, firefighting, facility safety, and cardiovascular pulmonary resuscitation.

The POSCO HRD Consortium set up a systematic training programme in order to enable the employees of SMEs and outsourcing partners to enhance their skills, which in turn contributes to the high quality of POSCO products. The programme provides not only education courses but also a range of features including educational consulting, systematic on-the-job training, and learning systematisation, to implement appropriate solutions to reinforce the trainee company's competence. "S-on-the-Job Training" is a programme that supports systematic skills development, focusing on each corporation's needs at the site. Learning systematisation is a business model designed to share practical knowledge and know-how that only on-site workers could possess. Through these training programmes, POSCO supports hundreds of trainees in learning essential techniques and progressing autonomously as they return to their fields.

In addition, the POSCO HRD Consortium has operated the Corporation University and Work-Study Parallel System since 2014. A long-term curriculum for prospective hires or current employees, the Corporation University curriculum is open even to those without undergraduate degrees. The Work-Study Parallel System is a government programme created in 2013 for corporations to hire job applicants as learning employees in order to systematically train them. The learning employees become full-time employees after one to four years of training programmes and completion of an assessment process. With 112 registered participants from 21 partner companies, the POSCO HRD Consortium has developed and implemented curricula that are suited to each company's demands.

To fulfil the consortium business, POSCO has received financial support from the MOEL. The total government funding was approximately KRW 22 billion for personnel expenses, equipment installation costs, and employment insurance refunds from 2005 to 2014.

Results

As Table 5.7 shows, the POSCO HRD Consortium trained a large number of workers. In 2014, 60 484 trainees participated in the training programmes. From 2005 (the year the consortium was created) to 2012, the total number of trainees was about 220 000. There are over 100 training programmes on topics such as hydraulic pressure control, machine elements, electric circuit drawing, crane operation, and quick six sigma (POSCO, 2015).

Table 5.7. **Training performance of the POSCO HRD Consortium**

		Outsourcing companies	Suppliers
Number of partner companies		106	330
Number of trainees		53 597	6 887
In-house learning	Innovation, safety, etc.	11 854	1 841
	Technology	2 926	186
E-learning		38 817	4 860

An example of an SME that has benefitted from this training is Donghoo, a partner company of POSCO located in Gwangyang. Established in 2010, Donghoo is a start-up company that provides POSCO with advanced steel for energy. Craftsmanship and technical skills are essential qualities for the employees to produce these steel products. However, 80% of the employees are novices, and stabilising its factory operations was somewhat difficult. To address this problem, Donghoo participated in POSCO's HRD Consortium. Their newcomers started with POSCO's three-month programme and continued to receive organised education to advance as professionals. Donghoo's consistent endeavours in education were reflected in the apparent growth in their management index (POSCO, 2014).

Another example is Roll and Roll, a steel rolling company that has approximately 225 personnel. Roll and Roll was a subsidiary company of POSCO until it became independent in 2005. However, this new enterprise experienced quite a few problems at its starting point. Problems occurred in organisational culture due to the organisational structures and sudden personnel changes. The staff were demoralised due to successive industrial accidents, and internal processes were not yet properly organised. Consequently, the productivity of the company declined, the personnel's dissatisfaction with the company increased, and vision sharing began to be gradually more difficult. Roll and Roll had to face the task of completely reforming its organisational culture and personnel's working attitudes.

POSCO's HRD Consortium used three approaches to solve the problems. The first approach was "change management", the second one was "productivity improvement", and the third one was "expert training." First, POSCO's HRD Consortium provided leadership education to Roll and Roll to assist with change management. Through the education, POSCO's HRD Consortium emphasised the importance of communication between organisations and sharing common visions. Second, productivity improvement was pursued through POSCO's six sigma program named Quick Six Sigma, which can easily and immediately be applied to the field. Finally, POSCO's HRD Consortium helped Roll and Roll to cultivate skilled experts through certified industrial engineer education courses. In addition to these three approaches, POSCO's HRD Consortium supported Roll and Roll to improve the skills of personnel in areas such as IT, language, and common sense in management.

The results of these initiatives were overall very positive. In 2009, trainings for 1 690 workers were completed (double counting those workers who received more than one training), and the average education time of the personnel was close to 143 hours. In addition, Roll and Roll was certified for quality management systems such as ISO 090001 and KOSHA 18001. Roll and Roll also saw productivity improvement amounting to KRW 670 million and zero accidents for 1 000 days. Consequently, the net profit increased by approximately KRW 450 million in 2008 and 210 million won in 2009, and 10% of such profits were shared with the personnel. In addition, the personnel were able to improve their capacities and job skills and this led to their higher satisfaction with their jobs (POSCO, 2013).

A survey among 20 365 employees of the POSCO HRD Consortium participating companies (POSCO, 2015) showed that the majority of employees (67%) are generally satisfied with the vocational training. They stated that the vocational education and qualification training have contributed to the enhancement of their capacities (68%). Second, the respondents identified the following areas that need improvement: curriculum development (29%), strengthening public relations (22%), and strengthening education specialty (20%). Third, the respondents stated that field staff (44%), office job (9%),

management supervisors (36%), and executives (8%) also need training. Fourth, the respondents indicated that the optimal training period for collective training is three days (88%). About half (49%) of the respondents need e-learning, while 33% want both collective training and e-learning. Fifth, respondents want both elementary levels (48%) and advanced levels (51%) of training. This is because the number of new employees is growing due to the increase of retirees; accordingly, training programmes are required for both beginners and experts.

Based on the annual training demand survey, the POSCO HRD Consortium has revised its programmes and number of trainees. In addition to the regular courses mentioned in the main survey, further programmes are provided whenever specific training needs arise.

Conclusions and lessons

Over the past decade and a half, the Korean government has moved to an approach that allows for more locally tailored skills initiatives, recognising that adaptation to local circumstances can improve the efficiency and effectiveness of delivery. This case study particularly considers how skills initiatives can be tailored to meet the needs of SMEs, which make up 99.9% of Korean firms and account for 87.7% of employment (SMBA, 2012). Based on the case studies of the Gwangyang HRD Programme and the POSCO Human Resource Development Consortium, the following findings may prove useful for policymakers in other countries seeking to implement similar initiatives.

- **Improving how skills are used in workplaces may be an important complement to skills development.** SMEs often have no dedicated human resource department, or may rely more on informal HR processes than their larger counterparts. In some countries, such as the UK, a "long tail" of SMEs that are not using management best practices, constraining their performance and growth (Department for Business Innovation and Skills, 2015). In such cases, the bottleneck to job creation and productivity growth may be less about a lack of skilled workers, and more about poor management and use of skills. As the case of Roll and Roll demonstrates, intervening at this level – through leadership training, change management approaches, and quality management systems – can be a key complement to skills development activities, leading to improved productivity and employee satisfaction. Likewise, the Gwangyang HRD Programme includes a focus on training that allows workers to move between different types of work in SMEs, which can increase employer satisfaction and lead to better employment prospects.
- **Large companies have a stake in improving the performance and productivity of its suppliers and contractors, which can be activated with strategic public support.** Large employers benefit when their suppliers and contractors are more productive and efficient. Programmes such as the HRD Ability Magnified Programme are able to "activate" this interest by providing an enabling framework for action as well as financial incentives. Some employers may also be more willing to engage with a programme lead by another employer, rather than public actors, as they are may have deeper knowledge about their actual business practices and challenges. In this case specifically, the fact that the SMEs in question were POSCO's suppliers and contractors created a more natural pathway for engagement.
- **Delivery should be flexible to meet employee and employer needs.** Using a variety of training modalities (e.g. e-learning, systematic on-the-job training) as well as offering training at a number of different levels (e.g. E-MBA, entry-level training, programmes for

prospective retirees) ensures that training is delivered in a way that is flexible to meet the schedules and developmental needs of a variety of employees. Additionally, having a "stock" of available courses as well as the ability to develop bespoke programmes allows the POSCO HRD Consortium to respond to ongoing needs, as well as specific, short-term demands.

- **A wide variety of local partners should be involved, but securing ongoing engagement can be a challenge.** Both the Gwangyang HRD Programme and the Consortium for HRD Ability Magnified Programme involved a variety of local partners in their design, delivery and administration. For example, the Gwangyang HRD Programme involved MOEL, South Jeolla provincial government, Gwangyang city government, the Yulchon Industrial Complex, the Association of Outsourcing Contractors working with POSCO, the Gwangyang Chamber of Commerce, and the Gwangyang HRD Center. As such, this programme provides the opportunity to better integrate local employment governance, build local capacities, and engage labour management organisations, as they have become increasingly interested in employment policies. However, a key challenge for this programme was securing the ongoing involvement of local government beyond the initial set-up phase.
- **Programme design and improvement should be an iterative process.** Both programmes based training provision on actual local demands, for example through employer surveys, but have also been fine-tuned tuned based on implementation experiences and feedback. For example, the HRD Programme has been revised based on the trainees' satisfaction survey results and consultation with experts. This continuous improvement process has been an important part of developing both of these best practice models.

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Chapter 6

Investing in employee skills at the local level through Viet Nam's score programme

In a rapidly evolving economic landscape, the wood processing industry in Viet Nam has emerged as a sector in need of skills development to boost productivity, compete with international rivals and promote sustainable growth. This case study analyses the implementation of a skills development programme to boost organisational capital and enhance productivity in the wood processing cluster in Dong Nai Province.

KEY FINDINGS

- *Since pursuing export-driven growth, the wood processing industry in Viet Nam has emerged as a significant driver of jobs and growth. As the wood processing industry faces increasing competition from other Southeast Asian rivals, enterprises are increasingly in need of a greater degree of basic and managerial skills amongst employees in order to boost productivity, reduce costs and pursue sustainable growth. This objective is difficult in light of persistent challenges with respect to informality, high labour turnover and a lack of economies of scale amongst SMEs.*
- *Consequently, the Sustaining Competitive and Responsible Enterprise (SCORE) Programme (developed by the International Labor Organization) was implemented for SMEs in the wood processing cluster in Dong Nai Province, Viet Nam. This programme delivered modules on workplace co-operation, quality management, productivity and cleaner production, human resource management and occupational health and safety to both managerial and general employees.*

Background

Viet Nam is a Southeast Asian economy that has undergone significant and rapid economic transformation since the 1980s. The total population of Viet Nam is around 94 million, 69% of whom are aged 15-64 years old. In 2014, the agricultural sector accounted for 17.4% of GDP, while the industry sector accounted for 38.8% and the services sector accounted for 43.7%. However, 48% of the labour force is active in the agricultural sector, while 21% is engaged in the industry sector and 31% is in the services sector. The economy is still in the process of economic development since the transition from central planning in 1986 (CIA Factbooks, Viet Nam).

Raising labour productivity and enhancing competitiveness will be a priority over the next five years as Viet Nam seeks to move up the value chain through regional and global production networks. In order to meet this goal, Viet Nam must address a number of issues, including millions employed in the lowly productive agricultural sector, the proliferation and low productivity of SMEs and the shortage of professional and technical skills in the workforce.

In 2010, Viet Nam's productivity was low in absolute terms and was equal to only 61.4% of the ASEAN average, 22% of productivity in Malaysia and 12.4% of the level in Singapore (ILO Labour and Social Trends in Viet Nam 2009/10).

The *Viet Nam Competitiveness Report (Ketels, 2010)* confirms the productivity challenge in Viet Nam. The foreword by Professor Porter underlines the depth of the problem:

> *"Viet Nam's cost position is gradually eroding relative to other countries that also provide a large pool of low cost labour. In 2009, Viet Nam's productivity was equivalent to only 40 percent of that of Thailand and 52.6 percent of that of China….The comparisons look even worse for the manufacturing sector, which is expected to be the key driver of Viet Nam's productivity growth."*

A 2013 report from the consulting firm McKinsey, *Viet Nam's growth: The productivity challenge,* in turn, points to the change that is needed in order to address this productivity challenge: "To facilitate a transition to higher productivity activities, low-wage labour needs to be replaced with new sources of comparative advantage" (McKinsey, 2013). Both studies also acknowledge that to avoid the middle-income gap, Viet Nam must boost national productivity, with McKinsey suggesting that an increase in the measure of 50 per cent, from 4.1 per cent annually to 6.4 per cent, is needed.

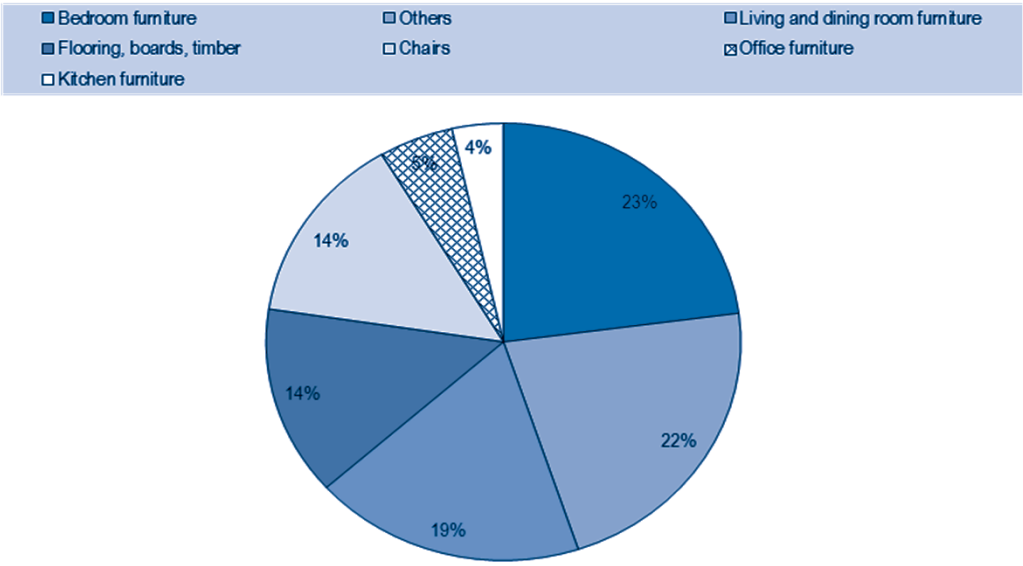
This issue is particularly important for SMEs, who must become more productive to compete with their national and international peers. Upgrading productivity through better people management and workplace practices in compliance with national laws and guided by the principles of the core international labour standards can be an effective first step to improving the sustainable growth of the SME sector.

The economic and policy context of the wood processing industry in Viet Nam

The wood processing industry is the 5th largest exporting industry of Viet Nam after crude oil, garment, footwear and aquaculture. Viet Nam is amongst the largest exporter of wood products in South East Asia. The export turnover increased rapidly from USD 2.1 billion in 2006 to USD 5.4 billion in 2013. In 2015, this figure is expected to reach USD 7 billion (Do Ngoc, 2015).

The main export products of the industry include bedroom furniture, living and dining furniture, flooring and board, chairs, office furniture, kitchen furniture and other articles. The most recent statistics of the proportion of wooden product are shown in Figure 6.1.

Figure 6.1. **Structure of Vietnamese wooden product exports in the first 8 months of 2015**



Source: Vietnamese Ministry of Industry and Trade (2015).

There are over 3 500 wood processing enterprises in Viet Nam, of which 95% are in the private sector and 16% enjoy the benefits of Foreign Direct Investment (FDI). It is estimated that the industry employs 250 000 to 300 000 employees. Of these, 10% are university graduates, 40-50% are regular trained workers and the remaining are seasonal workers

with very limited training (VIETRADE, 2015). Those enterprises with FDI are the most advanced in terms of production technology, followed by large exporting enterprises and exporting SMEs. SMEs with a focus on domestic market and handicraft are considered the least developed in terms of production technology.

One of the most pressing constraints on the sector is the future supply of materials. In response, the Prime Ministerial decision 889/2013 included a focus on developing plantation forest, reducing wood chip export to improve material supply for wood processing and reduce material imports.

In particular, policies in export markets in the EU and USA have been noted as a challenge by the Vice Chairman of Handicraft and Wood Industry Association of Ho Chi Minh City (HAWA) in the recent Forestry Forum 2015, due to the limited understanding and capacities of domestic producers. For example, wooden product exports to EU need to be certified to ensure the use of legal materials. This requires significant comprehensive systems to document the procurement and production process of enterprises. This is a significant gap in the current capacity of many wood processing enterprises, where purchases are mostly made informally and without proper documentation.

The General Secretary of Viet Nam Forestry Association also noted that wood processing enterprises import 4 million m^3 of raw material every year, accounting for 80% of the total materials used in the industry. With the increasing import prices of raw materials and transport costs, local enterprises will soon face competition from other enterprises in China or Malaysia which are less dependent on imported materials.

The enterprises in the industry are facing issues associated with productivity, employment, recruitment, and the quality and volatility of labour. As a high percentage of factories originated from rural family businesses, with limited exposure to industrial manufacturing, there have been difficulties in building capacity for training and apprenticeship, and applying modern management tools.

The capacity of existing employment service centres, training centres, colleges, universities to meet the industry's skills and labour demands is very limited. The TVET sector in Viet Nam is generally underdeveloped, and is characterised by a lack of skilled instructors, lack of output standards, lack of independent assessment of graduates, and overcrowded workshops. There are also few connections between training providers and actual employers and enterprises in the local labour market (ADB, 2014).

Although there are some institutes and training programs for woodworking, the number of students is very few, especially at the vocational level. Some institutes only conduct courses for engineers at college or university level, even though the industry requires a large number of frontline workers rather than engineers. Enterprises in the woodworking industry thus have to organise their own worker training or attract workers from others businesses in the industry. The industry's demand for skilled labour is continuously rising, but less than 13% of the employable workforce has any vocational qualifications, raising fears of a shortage of highly skilled workers (ADB, 2014).

A major policy initiative related to TVET in Viet Nam was moving responsibility for vocational training from the Ministry of Education and Training (MOET) to the Ministry of Labour, Invalid, and Social Affair (MOLISA). Recently, MOLISA replaced MOET as the executing agency. This policy can be seen as recognition that vocational training needs to have better links to the skills demanded by enterprises. MOLISA interacts with both employers and employees, theoretically enabling increased stakeholder engagement in

understanding the demand for training and the implementation of more suitable programs, curriculum, and training system structure.

Another policy relevant to the woodworking industry is the Decision 1956/QĐ-TTg, "Vocational Training for Labour in Rural Areas to 2020". In the scope of this policy, the government aims to improve public services to rural areas to support economic development by supporting the labour force, who mostly work in agriculture. This policy is expected to increase the available labour supply for the wood processing industry.

Addressing low productivity in the Vietnamese wood processing industry

A large percentage of wood processing employees have limited training and operate in an unprofessional manner. Only one of the enterprises interviewed for this case study noted that 40% of their employees had undertaken comprehensive training in woodworking – for the majority of surveyed enterprises (80%), just 10-20% of their employees have been trained. Limited management capacity is also a critical issue reflected in the low productivity and limited application of modern management tools (SCORE progress report 2014). With the current situation, capacity building for the work force plays an essential role in the modernisation and development of the industry.

Sustainable enterprises in the Vietnamese wood processing industry need to innovate, adopt environmentally friendly technologies, develop skills and human resources, and enhance productivity to remain competitive in national and international markets. They also need to apply workplace practices based on the full respect for fundamental rights at work and international labour standards, and foster good labour-management relations to raise productivity and create decent work (SCORE, 2014).

Recent research clearly demonstrates that better management practices (such as ones taught in SCORE) are strongly linked to higher productivity and profitability at the firm level. Improving management practice is also associated with increases in productivity and output. (Bloom and Van Reenen, 2007)

Description of the SCORE Programme

Origins

Previously the International Labour Organisation (ILO) implemented the Factory Improvement Program (FIP) to improve the competitiveness of local enterprises. FIP piloted the programme by working with enterprises in multiple sectors on workplace co-operation, quality management, cleaner production, human resource management and occupational safety and health. The later stages of the project focus on enterprises in the garment and shoes industries. Upon the success of the FIP program, two new programs were developed to target different target groups: the SCORE program to support SMEs, and the Better Work program to work with large enterprises in different value chains. The core contents and modules of FIP were implemented in both the SCORE and Better Work programmes. In Viet Nam, the Better Work Viet Nam programme focuses on the garment industry. The programmes conducted a joint pilot to introduce SCORE to smaller enterprises in the value chain of Better Work Viet Nam members.

Objectives

The Sustaining Competitive and Responsible Enterprises (SCORE) program is a practical training and workplace improvement program to increase the productivity of

small to medium-sized enterprises (SMEs) while promoting respect for workers' rights. The program demonstrates best international practice in the manufacturing and service sectors and helps SMEs access global supply chains. In Viet Nam, SCORE was launched in October 2011 and targeted the wooden furniture manufacturing industry in Ho Chi Minh City, Binh Duong and Dong Nai. The program is also currently expanding to Binh Dinh province in central Viet Nam and the garment sector in southern provinces.

The objectives of the SCORE program for the woodworking sector are:

- To enable industry associations and training institutions market, sell and organise SCORE training to SMEs.
- To enable service providers to deliver effective training and consulting services to SMEs.
- To increase awareness of responsible workplace practices at the local, national and global level.

Implementation strategy

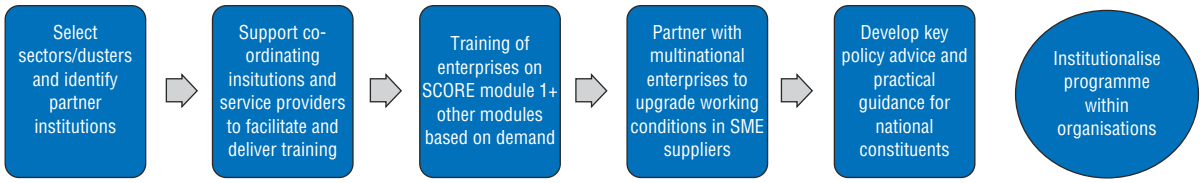
The Ho Chi Minh City branch of the Viet Nam Chamber of Commerce and Industry, (VCCI HCM) is the key implementing partner for SCORE and plays a vital role in promoting the training, co-ordinating sectoral partners and trainers, ensuring service quality, and more broadly facilitating the achievement of project objectives.

In the beginning of the project, VCCI HCM co-operated with the Department of Labor Invalid and Social Affairs (DOLISA) of Dong Nai province to implement SCORE for SMEs in the wood processing cluster in this province. In the later stage of the programme, industry associations had a stronger involvement in the implementation.

Handicraft and Wood Processing Association Ho Chi Minh City (HAWA), Binh Duong Furniture Association (BIFA) and Binh Dinh Forestry Product Association (FPA) are sectoral partners for the SCORE project. Among these associations, HAWA has the strongest experience in implementing productivity improvement programs, while SCORE is the first comprehensive program implemented by the other partners.

Each association nominated a staff member to co-ordinate project work and act as a focal point for SCORE implementation within the framework of these agreements within the ILO. With their strong network and experience in the wood processing industry, these associations become the key implementing partners of SCORE project.

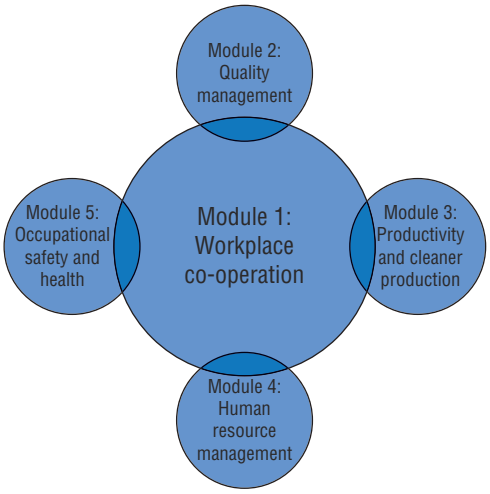
Figure 6.2. **Implementation Strategy for the SCORE Programme**



Activities of the SCORE Programme

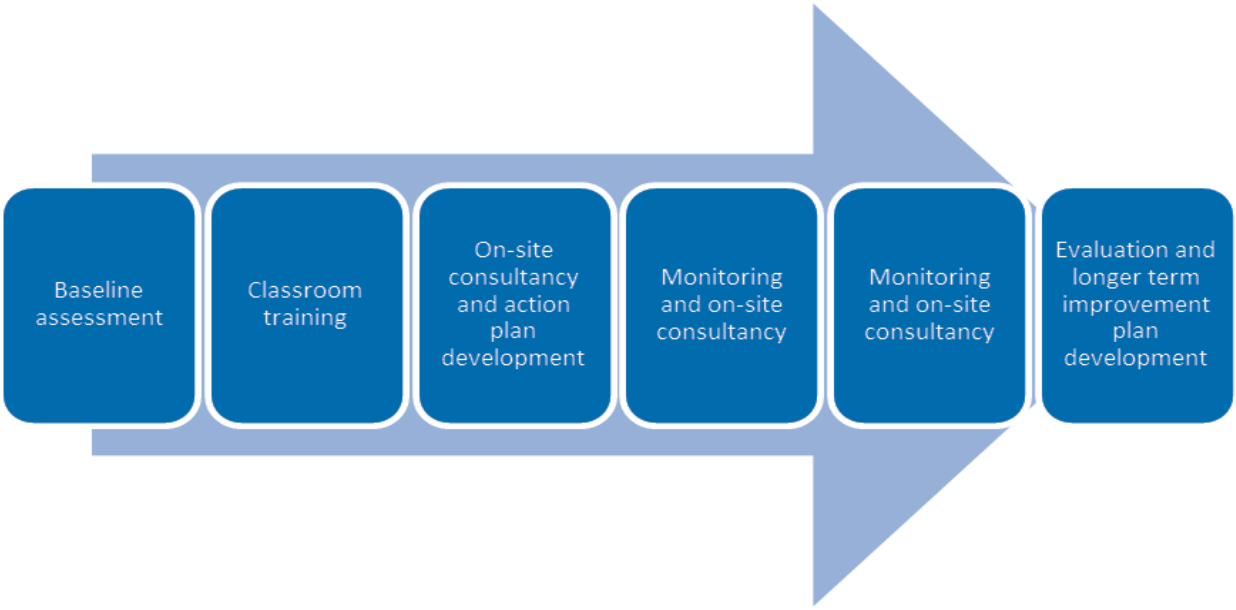
SCORE is a modular training programme that focuses on developing co-operative relations at the workplace. The five SCORE modules cover workplace co-operation, quality management, clean production, human resource management, and occupational health and safety. The first module on workplace co-operation establishes the approach and methodology for the other four modules.

Figure 6.3. **SCORE programme modules**



Each of the modules includes a baseline assessment, joint two-day classroom training for managers and workers and on-site consultancy visits from experts to the participating enterprises.

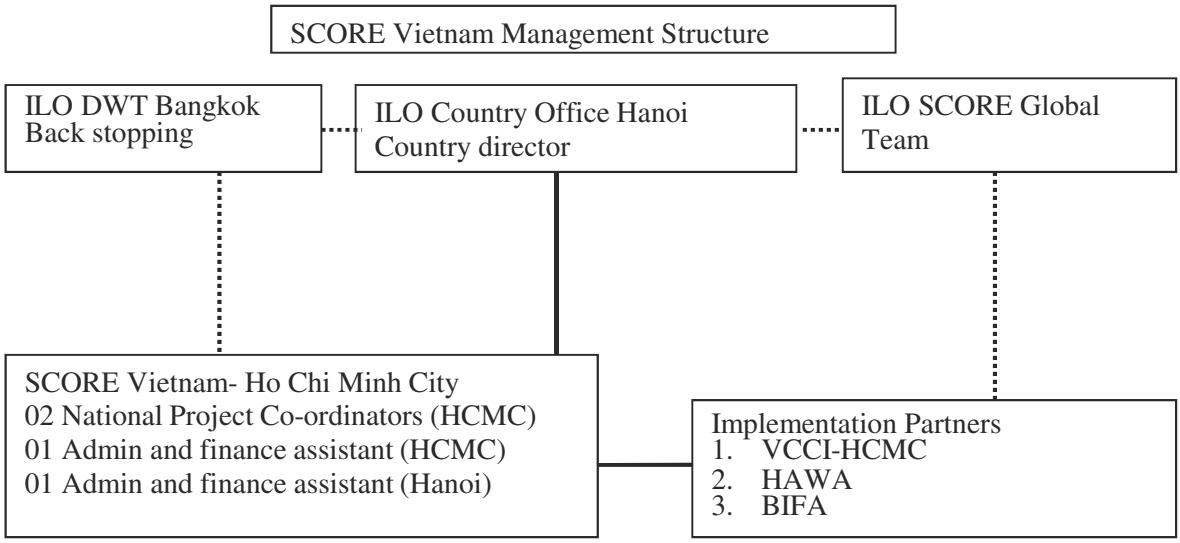
Figure 6.4. **Activities of the SCORE programme**



Governance framework and delivery arrangements

The SCORE project in Viet Nam is co-ordinated by an ILO project team with support and guidance from the ILO headquarters in Geneva. Specific activities at the field are implemented by local partner organisations namely, the Chamber of Commerce and other business associations (HAWA, BIFA, and Forestry Product Association-FPA).

Figure 6.5. **SCORE Programme Management Structure**



Budgeting and financing

SCORE in Viet Nam is funded by Swiss State Secretariat for Economic Affairs (SECO) and the Norwegian Agency for Development Co-operation (NORAD). The total funding for the project between 2014 and 2016 is USD 1.1 million. Funding for SCORE Viet Nam is managed by the ILO with several Implementation agreements and contracts to SCORE partner organisations. The partners are responsible for implementing project activities including training, making consultancy visits and sharing best practices while the ILO SCORE team focuses on strategic planning and quality control of the activities. The main funding for field activities goes through VCCI HCMC.

Impacts of the SCORE Programme

Training of Trainers (TOT)

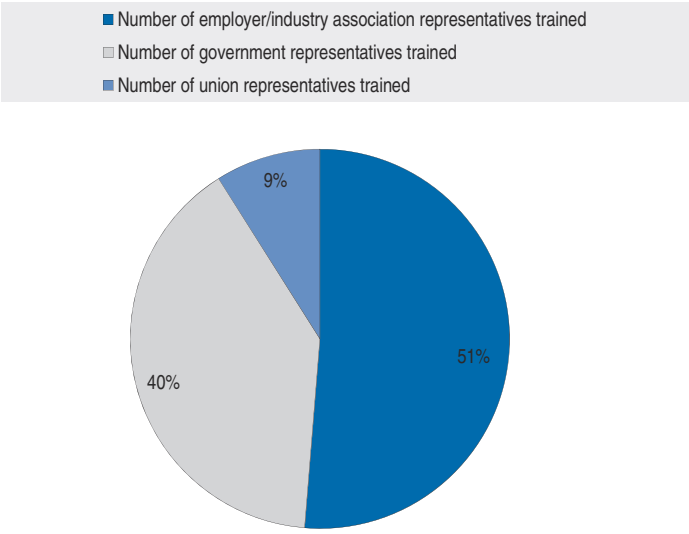
SCORE trainers are selected by ILO SCORE based on recommendations of partner organisations and in accordance with the SCORE TOT curriculum. The trainers went through a comprehensive 10 day training program which included classroom training and practice at the enterprises.

Table 6.1. **Training at SCORE**

People trained in workshops	Total number	% Female
Number of trainers trained	45	33
Number of government representatives trained	31	32
Number of employer/industry associations representatives trained	40	23
Number of union representatives trained	7	29
Number of others trained	13	15

SCORE also provided training on SCORE themes and topics to constituents like government representatives, employer and industry association and trade unions. The focus of these trainings is to increase awareness of the linkages between productivity and working conditions as well as how the SCORE methodology can be used to improve conditions.

Figure 6.6. **Constituents of the SCORE Programme**



Source: SCORE Monitoring and Evaluation Database Oct 2015.

Training of enterprises

Over 80 enterprises participated in the SCORE programme from October 2011 to December 2015. These enterprises employ over 26 000 employees. From 2011 to 2015, 734 staff were trained in SCORE workshops and 410 on-site consultancy visits were conducted. The average satisfaction rate amongst these enterprises was 96%, with 43% of the enterprises attending more than one module of the SCORE programme.

Each enterprise contributes by paying a participation fee to SCORE, which accounts for 29% of the total direct cost of each training (presented as "Average Cost Recovery" in Table 6.2 This fee is collected by the implementing partner, namely VCCI HCMC and local associations. The table also reflect the level of independence of SCORE partners in organising SCORE trainings. Where the partners can organise trainings without any technical support from SCORE, the level of independence is marked "high".

Table 6.2. **Enterprise characteristics**

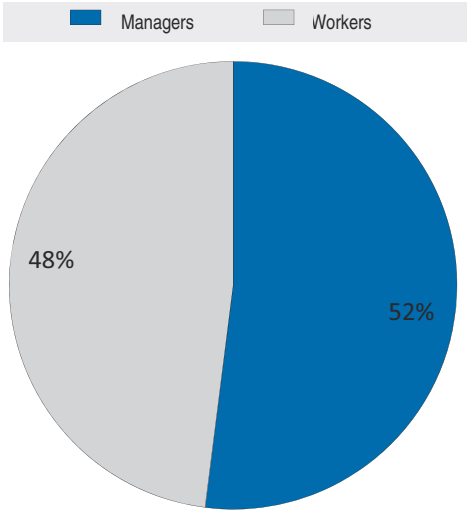
Total number of enterprises trained	87	
Total staff of enterprises trained	26 438	
Total number of enterprises that completed training	76	
Number of enterprise staff trained in workshops		
Total number of enterprise visits	410	
Average satisfaction with training	96%	
Enterprises that sign up for multiple modules	43%	
Average cost recovery	29%	
Average number of enterprises per ToE	4.8	
Independence of partner organisations when organising modules	Low	0
	Medium	22
	High	17

Source: SCORE Monitoring and Evaluation Database Oct 2015.

SCORE encourages the involvement of both workers and managers in the improvement process, resulting in a balanced ratio of both groups in the training courses. Gender balance

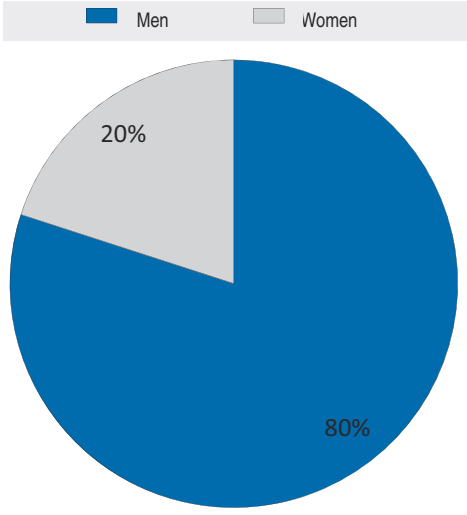
is also a priority for SCORE. As the majority of employees in the wood processing industry are males, the gender balance maintained by the program is 80% male and 20% female for staff trained in SCORE.

Figure 6.7. **Characteristics of SME staff trained in workshops**



Source: SCORE Monitoring and Evaluation Database Oct 2015.

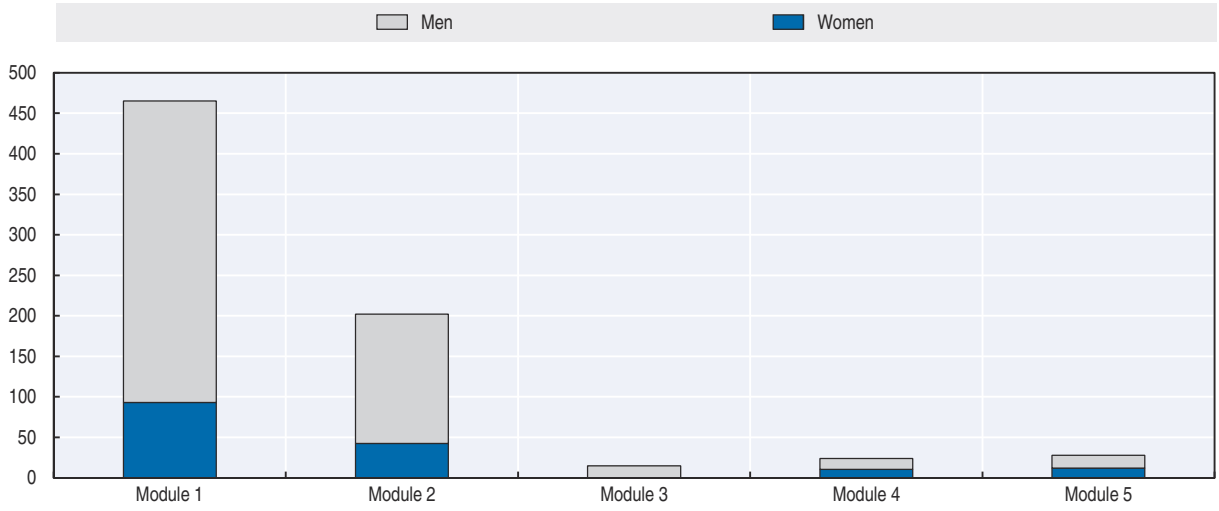
Figure 6.8. **Demographics of SME staff trained in workshops**



Source: SCORE Monitoring and Evaluation Database Oct 2015.

The SCORE training model designates the first module as a compulsory first step all SMEs before progressing to other modules. On average 43% of participating SMEs enrolled in another module after module one. Fewer SMEs participated in modules 3, 4 and 5 because they were implemented at a later stage of the project.

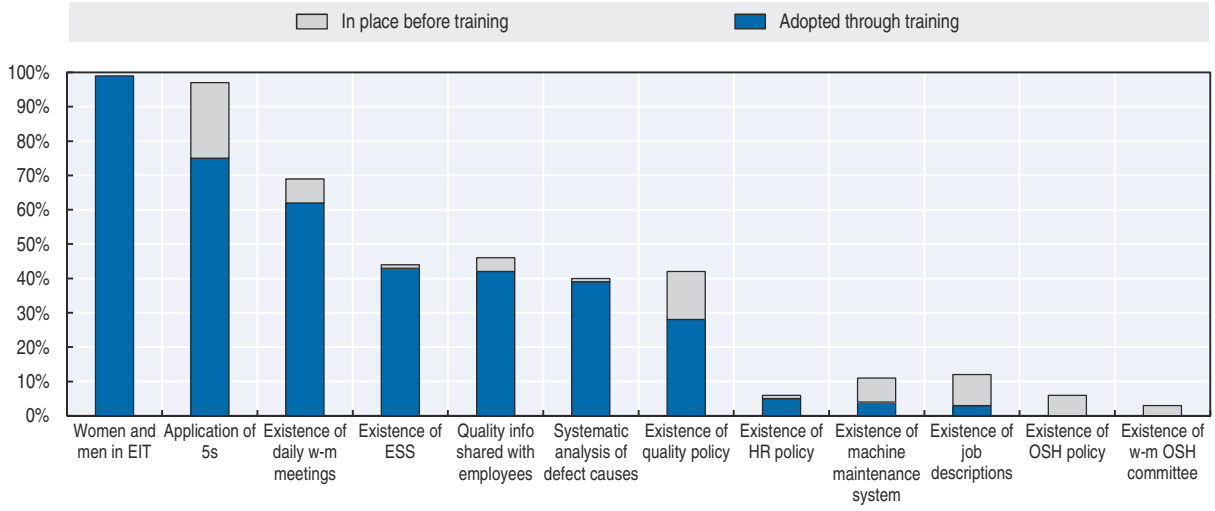
Figure 6.9. **Staff demographics of SMEs participating in the SCORE Programme, 2015**



Source: SCORE Monitoring and Evaluation Database 2015.

Long-term impacts

Figure 6.10. **Adoption of good practices from SCORE**



Source: SCORE Monitoring and Evaluation Database 2015.

Data gathered within the project highlights the new practices implemented as a result of the training and the impacts of these upon the enterprises. Data to the point of reporting showed:

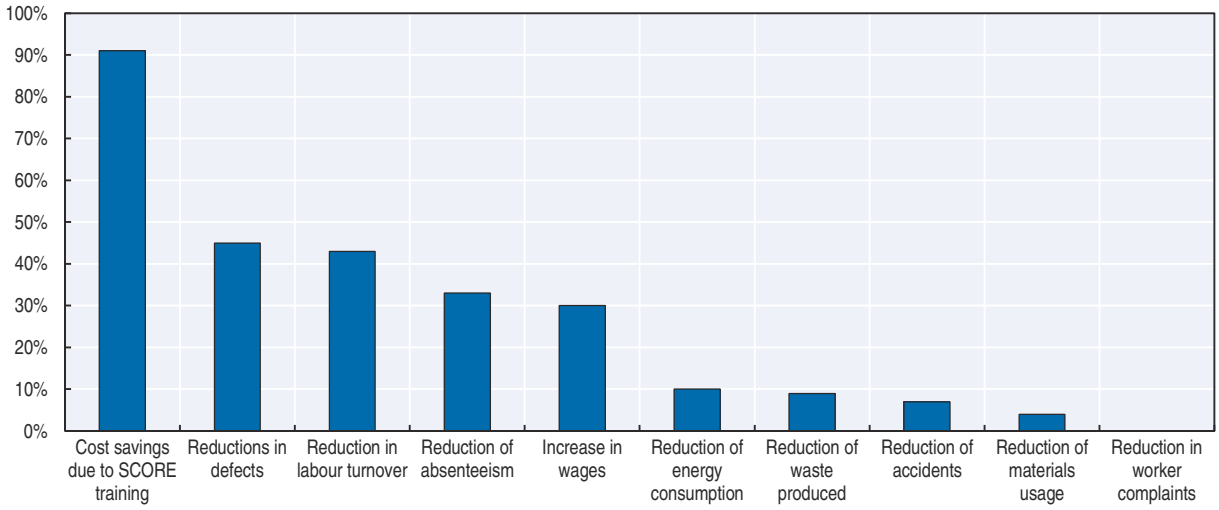
- 99% of participating companies established Enterprise Improvement Teams (EIT) composed of both male and female employees.
- 97% of the enterprises trained applied 5S, a tool from the SCORE programme, to improve their production arrangement. This management tool is highly appreciated by managers and workers in the factory. Data and qualitative reports confirm that the EITs that succeeded in maintaining the worker involvement approach achieved a much higher effectiveness from the application of 5S and were better able to maintain high standards in their workshops than those that did not.

Communicating and information sharing are other good practices that has a significant impact on production improvement. Although all factories internally communicate quality information in one way or another, the effectiveness of this process is not consistent. SCORE introduces more effective and systematic sharing techniques to improve both the frequency and the quality of the information sharing process. Over half of the enterprises were able to adopt this practice to the point of reporting:

- 69% of the enterprises maintained daily worker-manager meetings. This practice plays a key role in improving the internal communication, which led to a higher level of worker involvement and improved information sharing.
- 46% of the enterprises used visual tools such as large information boards and banners to display information, objectives and instructions on product quality and quality management to workers

Other good practices introduced include the development of employee suggestion schemes and the systematic analysis of defect causes.

Figure 6.11. **Percentage of SMEs that report improvements following SCORE training**



Source: SCORE Monitoring and Evaluation Database 2015.

Improving business competitiveness is central to the SCORE project. One of the ways this is achieved is through SCORE training is by increased savings through reduced waste, increased efficiencies/quality and improved processes. Data from participating enterprises reveals:

- 91% reported cost savings thanks to SCORE training.
- 45% of enterprises reported a reduction in the defect rate.

Creating a positive impact for employees in terms of their working conditions, safety and health, satisfaction and motivation is also central to SCORE's objectives. 43% of enterprises reported a reduction in labour turnover. High labour turnover is often a reflection of worker dissatisfaction with working conditions or other workplace issues.

The program enhanced the skills of workers through various means including: promoting ideas for improvement among employees, especially frontline workers, developing procedures to receive, process and apply the improvement ideas, promoting

team work skills, strengthening workplace communication, and providing internal training. These improvements developed and strengthened various soft skills which are essential for the performance of managers and workers at the factories.

The technical trainings of SCORE, including quality management, cleaner production, occupational safety and health, had the largest impacts on middle management. The practical skills related to manufacturing management were highly appreciated by the interviewed enterprises.

Strengths of the SCORE Programme

Practical and industry-specific contents of the programme

SCORE is highly appreciated by target enterprises for its practical and industry-specific content which has been continuously adapted throughout the implementation of training and on-site consultancy with over 80 SMEs over four years. A large number of practical experiences were included and fine-tuned to directly address the needs and expectations of participating enterprises.

Prior to each training course, a baseline assessment was conducted with the participating enterprises. The information from this baseline assessment was later integrated into training content to address the specific situations of factories so that that training participants were able to discuss and develop solutions to real workplace problems.

High standard of training quality

The training standards of SCORE Viet Nam were based on the SCORE global standards developed by the ILO team in Geneva. Training quality is considered the core of the technical sustainability of SCORE. Enterprises were overwhelmingly satisfied with the content of the training provided by the SCORE programme, and interviewed enterprises often described the training as of "high and consistent training quality".

Programme design provides practical and hands-on instruction to SMEs

SCORE training is designed for enterprises to develop their own improvement plan, and scope was included both for tailored training for SMEs and the independent development and implementation of training from enterprises.

Worker involvement in EIT

Worker participation and involvement is the key approach of SCORE. This approach was implemented in order to promote shared ownership of problem identification and solution. Whilst SCORE enterprises acknowledged some difficulty in applying this in practice, they saw the benefits of continuing this approach after their participation in the program had ended.

Obstacles observed during implementation

Difficulty in approaching target enterprises

SCORE has very specific requirements of size, management capacity and commitment in recruiting enterprises to the program.

At the beginning phase of the project, identifying enterprises with the right size, capability and commitment for the SCORE programme was time consuming. The number of appropriate enterprises in the networks of each partner organisation (HAWA, BIFA,

DOLISA), was limited, which exacerbated the challenge of recruiting firms over time. The time consuming process of recruiting new enterprises affected the outcome, delivery and timeline of the project.

Limited human resources from industrial associations and partner organisations

The human resources allocated to the implementation of SCORE by partner organisations was the main challenge mentioned by the SCORE office. The implementation model required strong commitments, full-time staff and a plan to develop and retain staff for future institutional sustainability. HAWA, BIFA and other partner organisations could not allocate sufficient human resources to implement SCORE independently. The process of developing local constituents thus took longer than anticipated by the initial implementation plan.

Limited resource of qualified experts with strong industry background

The limited number of qualified experts with strong industry experience remains a challenge in the recruitment of trainers. Although new trainers that are factory managers have been brought on board and are now fully capable of delivering SCORE training and support, their limited availability means that the project is not yet able to fully meet the demand for training activities.

Limited resources to sustain SCORE at local associations

BIFA and FPA have few regular staff with experience in development work at the scale and level of expertise required by SCORE. Any instability in staffing in these associations can have a direct impact on their implementation of SCORE. HAWA had a stronger team of four staff handling SCORE but continuing the programme after funding ends will require stronger management capacity to deliver the training at market rates. There is a clear need for more significant investment in human resources of local business associations.

Difficulty in obtaining key data from the enterprises

SCORE collects Key Performance Indicator (KPI) data from enterprises to evaluate the impact of the training on the enterprise and employees. However, the data collected from target enterprises has been incomplete, which is a challenge for effective program monitoring. This challenge makes the data collection process more time and resource consuming. The lack of monitoring data from a number of enterprises makes it difficult to complete a comprehensive assessment of the impacts of the SCORE programme. This problem has been noted in a number of countries where the SCORE programme has been implemented.

Limited engagement and support from the government

The Ministry of Labour, Invalids and Social Affairs (MOLISA) and its departmental representations (DOLISA) is aware of SCORE and participates in the NTAC, but does not offer any material support for the programme. No links have been established with labour inspection services within MOLISA at the central level to consider developing joint activities (such occurs in China, for example). At the departmental level, DOLISA observes what the project does in the furniture sector but it does not take an active role. The country strategy for SCORE in Viet Nam anticipated collaboration with the Ministry of Planning and Investments (MPI) to establish a partnership with its SME support provision activities (SME-TAC), but this co-operation has not yet materialised.

Skills and capacity issues amongst the enterprises

Lack of effective internal training

Only a few of SCORE enterprises have effective internal training systems in place. Although, orientation and technical training for newly recruited workers was present in many enterprises, there was neither follow-up training nor regular skills upgrading mechanisms. The team leaders or the managers of each division without training or coaching skills are often responsible for training new workers. While SCORE heavily relies on the re-training model (where staff trained in SCORE workshops deliver simplified training to other employees of the enterprise to improve skills for the whole workforce), the lack of internal systems of enterprises posed an obstacle to the implementation of the SCORE training methodology.

Lack of KPI to evaluate the effectiveness of skill training

Related to the internal training issue, the majority of SCORE enterprises do not have comprehensive KPIs to evaluate the effectiveness of SCORE training. The SCORE program itself focuses mainly in measuring the overall improvement of enterprises' competitiveness and not the skills obtained by individuals participating in SCORE. KPI measuring skill development can be a significant add-on to SCORE should the project further target this potential area.

High labour turnover rate

Last but not least, the high labour turnover is mentioned as an important obstacle for skills development. The average labour turnover rate of SCORE enterprises rate is about 6-7% annually, and can spike as high as 30-40% after holidays like Lunar New Year. This is not only challenging for enterprises who aim to invest in skills development but also the SCORE project in term of ensuring the effective operation of the EIT. The majority cases of high staff turnover within the EIT led to gaps or duplications in programme implementation.

Potential transferability

Main lessons for other non-OECD countries

Public organisations and other agencies should consider developing and strengthening the partnerships between training institutes and businesses. This partnership could enable the exchange of enterprises' staff to attend training at the institutes and students to practice at the enterprises. This could make vocational training more attractive to students and would have a positive influence on the worker supply in the long term.

The education and vocational training organisations should adjust programs to make them fit to the demands of the industry. The woodworking industry requires a large number of front line labourers, resulting in significant demand for short courses of basic technical training for newly recruited employees or applicants to line worker positions.

Almost all employees will require basic management skills and training skills as the enterprises in the wood processing industry improve productivity by automating manufacturing processes and modernising work methods. Soft skills like monitoring, assessing, critical thinking, team work, communication, and creativity should be included or enhanced in the training programs.

Raising awareness of productivity and production quality issues amongst both frontline workers but also managers is a major concern for enterprises. Raising awareness

is essential before the application or implementation of advanced management methods and tools like those in the SCORE programme.

The enterprises should not rely solely on the education and training sector but also need to be able to handle their own internal training effectively in order to develop and utilise labour skills. They should prepare and invest to in developing internal training systems. Public organisations and agencies, or programs like SCORE should also assist enterprises to improve their capacity to provide in-house training.

There is clear link between labour turnover and working conditions (salaries and benefits, working hours and location, working environments, management). This impacts not only the skills development process but also the activities of the whole enterprise. It is therefore essential to improve working conditions, and increase employees' motivation through workplace co-operation tools such as those introduced in SCORE.

Considerations for successful adoption in emerging countries

It should not be assumed that success in one region or country will result in equal success in another. It is important to understand the dynamics of local businesses. Some considerations for successful adoption of the SCORE programme in emerging countries include the following considerations.

The programme structure and content are widely appreciated by enterprises and the data illustrates the positive impacts to both employees and enterprises. There is also a clear need to continuously adapt the structure and contents to meet local needs.

To ensure long-term financial sustainability, there must be increased financial contribution from enterprises, public sector and MNEs. SCORE Viet Nam was moving from 2% cost recovery at the introduction phase to over 35% in 2015 exclusively from the participation fees from enterprises. If the impact and values of the project can be proven to the public organisations, the programme is more likely to be sustainable in the long-term.

A renewed focus on quality monitoring and continuous improvement is strongly recommended for any similar programs. The project should be implemented in collaboration with industry associations as well as chambers of commerce and industry to ensure institutional sustainability. Their role in the project should aim to improve the implementation and facilitate the capacity building process.

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Chapter 7

Local actions to boost skills utilisation Tasmania's disability services

Once fully operational, Australia's new National Disability Insurance Scheme is expected to nearly double the size of the disability sector workforce as well as create demand for new job roles, skills, and employment models. As part of the response to these changes, this chapter describes workforce development projects in the Australian state of Tasmania, with a focus on efforts to engage disability service providers in boosting skill development and utilisation.

KEY FINDINGS

The National Disability Insurance Scheme (NDIS) is a new model of providing disability services in Australia that introduces the concept of client-centred care, requiring disability service providers to adopt new business models and workforce practices.

To adjust, the disability services workforce will need to rapidly expand, become more flexible, and acquire new human resources skills, supporting self-care, business disciplines, and management and leadership. The Australian Government and state and territory governments are supporting the industry to transition with assistance to develop and implement local workforce plans.

- *In Tasmania, the plan identifies four priorities: building industry capacity and capability for workforce development and training, management and leadership skills for the sector, workforce attraction and retention, and addressing workforce skills gaps.*
- *Local activities reinforced national initiatives undertaken by NDIS, including the development of a Workforce Capability Framework to map the skills, knowledge and capabilities required of all major job roles in disability services, and a data Workforce Wizard. While the small, compact nature of Tasmania was one critical factor, strong input from a range of employers, dedicated resources and co-ordination with other national and state workforce plans contributed to the success of the initiatives.*

Background

In 2012, the Australian Government together with the governments of its states and territories agreed to transform the way that disability services are funded and provided. The National Disability Insurance Scheme (NDIS) will shift service provision to a client-centred approach while also eventually expanding access to support for many more Australians with a disability. The Scheme, once fully operational, is expected nearly double the size of the disability sector workforce as well as create demand for new job roles, skills, and employment models. The NDIS is currently undergoing a staged rollout with trial sites across Australia, including in the small island state of Tasmania. As part of the trial, the Australian Government together with other stakeholders is sponsoring a number of workforce development projects. This chapter focuses on the workforce development projects currently being undertaken in Tasmania, with a focus on activities to engage disability service providers.

The National Disability Insurance Scheme and its implications for the disability services sector

Australia is currently implementing a National Disability Insurance Scheme (NDIS), which will support a better life for hundreds of thousands of Australians with a significant and permanent disability and their families and carers. The basic structure of the scheme was outlined by the 2011 Productivity Commission report into options for funding and delivery long-term disability care and support (Productivity Commission, 2011). The NDIS

aims to promote the independence of people with disability and their carers by expanding their opportunities to participate in social and economic life and lead dignified lives. In doing so, the National Disability Insurance Agency (NDIA) will radically expand the range of supports available, and reorient service systems around promoting the capacity of people with disability to exercise choice and control, to ensure individuals can access the mix of services and supports that best meet their needs.

Local trials of the scheme, which is based on a client-centred approach, began in 2013. The Tasmanian trial began on 1 July 2013 and involves young people (people aged 15 to 24 years old). As of August 2015, there were 924 Tasmanians with approved plans under NDIS. Plans are predominantly about supporting Social participation (594 plans) and Independence (558 plans). Funding support has mainly been provided to support communication; self-care; social and civic involvement in the community; and general tasks and demands (NDIA, 2015). Intelligence from the trial sites indicates that participants are exercising more choice and have better access to assistive technology than in previous years, providers have become more customer-focused but organisations find the NDIA systems and processes time consuming and would benefit from further market information (NDS, 2015a). The NDIS is expected to be fully operational by 1 July 2019.

Implications for the disability service sector and workforce

Prior to the commencement of the NDIS, the disability service sector in Australia predominantly comprised a mix of services provided by the state and territory governments and numerous not-for-profit organisations. Disability service types are commonly grouped into seven categories: accommodation support; community support; community access; respite; employment; advocacy, information, alternative forms of communication; and other support. In 2011-12, a majority of all service types (and 80% of all services) were provided by non-government organisations and most of these were charities (69% of all service types) (AIHW, 2013). In total, there were 2 277 agencies managing 14 306 service type outlets (AIHW, 2013). State governments provided approximately 86% of the public funding for disability support services, with the Australian Government providing the remaining 14% (AIHW 2013). Accommodation support, community support, community access and employment comprised the largest categories by expenditure and usage (AIHW, 2013).

A 2010 survey estimates there around 68 000 people working in the sector (Martin and Healy 2010). With a high rate of part-time employment in the sector, this translated to 34 000 full-time equivalent (FTE) positions. The largest group of workers in the survey (adjusted for FTE) were support workers (43%), managers and co-ordinators (25%), and care workers (19%) (Martin and Healy, 2010: 111-12). Only 12% of workers were in professional social worker or allied health worker roles. Workers were overwhelmingly female (approximately 80%) and middle-aged. Wages in disability services are lower than for other female employees, with disability service sector employees paid less than their colleagues in government-run services (Martin and Healy, 2010).

The introduction and roll-out of the NDIS is having a significant impact on the service sector and the paid workforce. As the Productivity Commission (2011) noted, disability services are labour intensive, and there is potential for severe workforce shortages to emerge as the disability sector expands. The Federal Government expects the full roll-out of the scheme to require the formal disability workforce to double in size (Treasury, 2013). Other estimates predict that once fully operational, the disability sector workforce is expected to be around 162 000 FTE, an increase of 73 600 FTE workers (NDIS, 2015). This

rapid expansion will require co-ordinated initiatives to support and retain existing workers in a range of professional and non-professional occupations, and to ensure a supply of workers to support people with disability into the future.

In addition to the profound implications for the number of workers demanded by the disability sector, the roll-out of NDIS will affect the type and mix of skills required, the connections with other sectors (most notably aged care, and also health and education) and the employment and training arrangements that are needed to underpin it. The disability workforce will also need to build capacity to provide person-centred supports, involving adapting the skills-base to ensure capacity to effectively promote client choice and control. Transitioning to the NDIS will require care workers to develop and use new skills, including identifying and responding to a wider range of client needs relating to health, leisure and wellbeing (CSHISC, 2015). In addition, as more people with disability look beyond specialist disability services, workers in mainstream services will need to expand their capacity to address the needs of people with disability.

The workforce will also need to respond to a new market dynamic within the sector. The anticipated entry of new providers and the withdrawal of the public sector from providing some services will result in a change of employment arrangements for some workers and require many frontline workers to develop business skills to attract and retain clients.

National policy responses

Policy efforts are being undertaken to help the disability sector adjust to the new NDIS, including strengthening the foundations of careers in disability services. The sector, led by the Community Services and Health Industry Skills Council (CS&HISC) has developed and launched new broad-based vocational qualifications at the Certificate III and Diploma level, which provide workers with a theoretical underpinning of the client-centred approach while also promoting mobility within disability services and related fields (aged care and home care).

National Disability Services (NDS), the main employer association in disability services, develop a recommended a website called care careers (*www.carecareers.com.au/*) to encourage potential workers to consider a career in the disability services sector. The website also incorporates a jobs board. NDS also developed a career framework. The structure provides a pathway for workers in the sector that incorporates the requirements of qualifications and industrial relations arrangements.

As valuable as supply-side developments are, the scale of the change means that initiatives to engage employers in skill development and utilisation initiatives are also essential. At the national level, a disability workforce innovation network (DWIN) was established by NDS Services and the CS&HISC with funding from the Australian Government. To support the implementation of NDIS, the specific objectives of DWIN are to:

- Build the skill of disability enterprises to commence evidence-based workforce planning through customised training in the relevant skills set;
- Support disability enterprises to build, implement and monitor workforce planning as a continual process through routine data collection and analysis against a core indicator set;
- Coach disability enterprises to undertake their own workforce development projects and use common elements to create localised workforce action plans;

- Develop communities of practice that identify, describe and disseminate good practice from within the disability and adjacent sectors; and
- Encourage enterprises to increase their investment in quality training that is targeted to critical skills needs.

While national in scope, the Disability WIN is implemented at the regional level. Regional planning based on the collection of consistent workforce data at the regional and enterprise level was expected to facilitate development of regional and enterprise solutions, including collaborative models that better enable the local supply chain to respond to steadily increasing demand for disability support. Workforce planning skills were intended to build capacity at both enterprise and regional level and were tailored to enterprise requirements in the context of the NDIS.

Finally, in June 2015, the NDIS Integrated Market, Sector and Workforce Strategy was released by NDIS, detailing the vision of what disability services will look like and how they will function. The workforce component of the strategy has three components (NDIS, 2012), including both supply and demand side interventions:

- Assisting the sector to build a sustainable and diverse workforce
- Encouraging innovative and efficient use of the workforce
- Enabling the development of a workforce with skills, knowledge and values to support the implementation of the NDIS.

The strategy foreshadows a workforce transformation programme to develop and promote "new work roles and related models of supervision" (NDIA, 2015).

Box 7.1. **Background on VET in Australia**

Participation in VET in Australia is high: in 2014, there were over 3.9 million VET students, in a country with a population of 22 million (NCVER 2015).

The governance and delivery of VET in Australia is impacted by the division of responsibilities between the national (Commonwealth) government and the governments of the states and territories. Formally, VET is a constitutional responsibility of the states and territories. However, the Commonwealth Government is a substantial contributor to VET funding, both directly and through grants to the states and territories.

VET qualifications are contained within the Australian Qualifications Framework (AQF), with most VET qualifications occupying levels 1-6 (Certificate I to Advanced Diploma). The AQF specifies the learning outcomes to be associated with each level and qualification type. Students may be entitled to a subsidised place at the Certificate-level or have access to an income-contingent loan provided by the Commonwealth Government for a Diploma or Advanced Diploma qualification. Further subsidies or scholarships may be available for study in particular fields (such as areas experience skill shortages) or for particular students (such as Indigenous students or students with disability) (Bowman and McKenna 2016). Apprenticeships and traineeships are fully integrated with the VET system. In 2014, approximately one in ten VET students was undertaking their studies as part of an apprenticeship or traineeship (NCVER 2015).

VET qualifications are competency-based. Units of competency and the rules for assembling them into recognised qualifications are contained within training packages. Training packages also contain assessment guidelines but not curricula. In February 2016, there were 81 current training packages (see *www.training.gov.au*). Until 2016, training

Box 7.1. **Background on VET in Australia** *(cont.)*

packages were devised and reviewed by 11 Industry Skills Councils. ISC are not-for-profit companies with industry-led boards including representatives from employers, educators, and unions. (From 2016 onwards, the Commonwealth Government has transferred management of training packages to contracted Service Skills Organisations).

Industry and employers have the direct input into the design of qualifications participation in the 11 ISCs. ISCs are constituted as By international standards, the Australian VET system features strong engagement of employers (Hoeckel et al., 2008).

Quality assurance is governed by the Australian Quality Training Framework (AQTF). The AQTF is the national set of compliance Standards and Essential Conditions that the VET training provider must meet to become a Registered Training Provider (RTO) (Knight and Mlotkowski 2008). The Australian Skills Quality Authority (ASQA) is the national regulator, established in 2011 to replace most of the state-based regulators (Victoria and Western Australia have retained their state-based quality assurance systems).

Training delivery is provided by Technical and Further Education (TAFE) institutes, which are public VET providers funded by the states and territories, and private and not for profit RTOs. This includes some enterprise RTOs, which are authorised to provide national recognised training to their own workers. In 2014, most students (57.6%) undertook their training through a private RTO, approximately a quarter (27.3) were enrolled through TAFE institutes and the remainder participated in VET through schools, enterprise providers, community education providers, and universities (NCVER, 2015).

Labour market context in Tasmania

This case study is based on the work of local employers, training providers and brokers in the small Australian state of Tasmania (pop. 510 000).

Overall, the Australian labour market has demonstrated considerable resilience. Seasonally adjusted unemployment was 5.9% in October 2015, a level that is lower than the OECD average (ABS 2015). The unemployment rate in Tasmania has been persistently higher than the national average over the last three years but the gap is decreasing. In October 2015, the unemployment rate in Tasmania (trend data) was 6.2%, with Queensland (6.3%), Western Australia (6.4%) and South Australian (7.7%) recording higher levels (Department of Employment, 2015). The participation rate in October 2015 was 61.0% (Department of Employment, 2015).

At the time of the last census of population and housing (ABS, 2011), healthcare and social assistance was the industry that employed the largest number of Tasmanians (12%). This was followed by retail trade (11.3%), public administration and safety (9%) and education and training (8.9%). Apart from a considerably larger public sector and a larger share of employment in agriculture, forestry and fishing (4.8% vs 2.5%) and a smaller proportion in professional, scientific and technical services (4.7% vs 7.3%), the industrial composition of the Tasmanian workforce is broadly similar to the overall Australian workforce.

In 2011-12 (prior to the commencement of the NDIS), there were 9 243 Tasmanians who accessed disability services funded by the state and federal government. Mostly this involved accessing community support (51% of users), followed by employment services (35%), community access (17%) and accommodation (14%) (AIHW, 2013: 16). This is broadly in line with the profile of services accessed by users nationally, except with a higher

proportion of Tasmanians accessing community support and a lower proportion accessing employment services. In 2013-14, there were 114 specialist disability service organisations funded through state and federal programmes. The most common services provided by organisations were accommodation support (110), community access (59), and open employment (47), with many organisations providing multiple services (NDS, 2015b:7). A higher number of organisations (216) are registered with the NDIS in Tasmania, reflecting the ability of mainstream community services and businesses to provide services under a consumer-directed care model (NDS, 2015b).

Workforce development in the Tasmanian Disability Services industry

Objectives

In Tasmania, disability service provider engagement in workforce development activities is organised around the Tasmanian Disability Industry Workforce Development and Skills Plan: 2013-18. The plan was released by NDS Tasmania in June 2013 after consultation with NDS Tasmania members and other industry stakeholders. The plan details four priorities for the sector and the outcomes sought.

Table 7.1. **Priorities and outcomes sought in the Tasmanian Disability Industry Workforce Development and Skills Plan**

Priority	Outcome sought
Industry capacity and capability for workforce development and training	A strategic and integrated approach to workforce development and planning as a foundation for navigating the transition to greater emphasis on self-directed funding and a "managed market" environment.
Management and leadership skills	Current and emerging leaders and managers are skilled in adaptive management and leadership, and able to effectively and innovatively navigate the transition to a managed market environment.
Attracting and retaining our workforce	An industry of choice characterised by a growing and diverse workforce that is inspired and rewarded by working with people with disability to live as they wish.
Skilling the workforce for the future	A workforce that is committed to continual skills development; that has the competency and capability that support new ways of working with consumers and their families and carers; and a responsive VET system that offers best quality training and support for the current and emerging workforce.

Source: NDS Tasmania, 2013.

These priorities address both skill supply and skill demand and utilisation issues. Active engagement with employers to review and transform their human resources and general business strategies is essential to making progress with the first three priorities. While the disability service sector in Tasmania encompasses a range of provider types (supported accommodation, day services, supported employment, etc.), the plan does not target any particular type of provider.

In addition to these overall priorities, seven skills development priorities were identified: management and leadership; change management/adaptive management and leadership; business management skills; support work; social care professionals; collaboration; and functional literacy and numeracy. Three of the seven skill development priorities that are set out in the plan have a strong relationship to business operations and strategy. These are described in more detail in Table 7.2.

Table 7.2. **Skills development priorities with a strong relationship to business operations and strategy**

Management and leadership	• Attracting and maintaining business from self-managing consumers; • Adapting to emerging trends, leading adaptation; • Consumer need analysis; • Consumer engagement in service design; • Competing on quality and effectiveness; • Innovating for and adapting to changing consumer interests and needs; and, • Transparency and accountability that builds consumer confidence.
Change management/ adaptive management and leadership:	• Determining assets and barriers, innovating, testing and confirming new practices, integrating new practices and aligning people; • Cultural change within organisations and working productively with continual change; • Adaptation to new business models; • Adaptation to new work practices and skills needs; and, • Supporting consumers, their families and carers to understand and adapt to change.
Business management skills:	• Contracting a diversity of roles; • Contracting for flexibility in combination with rewarding conditions and quality overheads; • Co-ordination of a variety of contractors to meet person's goals (if person is not self-managing); • Collaborative service models through networks of providers/associates; • Offering specific roles/ services to self-managing person – maybe a tiny slice of the person's overall plan and approach; and, • Capacity to innovate and respond to consumer need and interests and organisation's corresponding ability to compete in a market environment.

Activities

The following activities have been established in accordance with the plan:

- Disability Industry and RTO Roundtable, and HR Managers network. A Disability Industry and RTO roundtable was established in September 2013 and as at August 2015 had met eight times. At each session, between 15 and 23 service providers participated. The roundtable involves primarily Operations and HR managers, rather than CEOs and Managing Directors, which is more common in roundtables. Operations and HR managers have demonstrated themselves to be more directly involved with workforce issues. The format of the roundtable has been flexible, and four sub-groups were formed to look at various topics: language, literacy and numeracy; strategic level engagement; student work placements; and recruitment guidelines.
- Rather than being driven by the NDS and the co-ordinator, the roundtable appointed its own leaders. Even though this meant that the roundtable momentum was sometimes negatively affected by workload constraints of the leaders, it gave the roundtable members more ownership of the activity.
- An HR Managers network has also been formed, to enable sharing of information between different employers. Meetings may be general or address specific topics (such as guest speakers on qualifications from universities or information on traineeships and apprenticeships). The network meets quarterly, before or after the roundtable. The HR Managers network was initially separate (meeting before the roundtable) but has now been folded into the roundtable because of high overlap in participation.
- Training in management and leadership skills. A strong investment has been made in strengthening management and leadership skills. Workshops had been held on the following topics: 1) Business disciplines in a changing market; 2) Learning English; and 3) Valuing the role of the frontline worker.
- Accredited training in Change management and leadership was also co-ordinated by NDS and State Enterprise Training. The programme was run of four months, with a

day-long workshop at the end of each month. The goal was to upskill managers in change management, adaptive management and other leadership skills.

- Non-accredited training in Designing and implementing change was also co-ordinated by NDS, with participants joining in a Melbourne-based course via videolink from NDS's Hobart office.
- Support worker conferences. These well attended annual events (172 delegates in 2013 and 140 delegates in 2014) bring together a range of presenters. Topics are targeted to support workers, focusing particularly on how their roles will need to adapt to support the objectives of the NDIS. Topics at the 2013 and 2014 conferences included: Systems reforms; person centredness; supporting mental health and wellbeing; reducing restrictive practices; managing serious incidents; self-care strategies; employment pathways.

The conferences were the result of a collaboration between NDS Tasmania, the Mental Health Council Tasmania, the Tasmanian Department of Health and Human Services and the NDIA. In addition to activities organised through NDS Tasmania, the Disability WIN funded a separate set of activities to assist in meeting the Plan's objectives. These activities include services engaging in organisational workforce planning (via a tailored training programme); regional workforce planning; and collaborative projects on topics like managing casual workforce, high performance work practices, training quality and creating literacy-friendly organisations. More specifically, the following additional activities have been co-ordinated by the DWIN Workforce Adviser:

- Workforce capability framework: NDS has commissioned the development of a national Disability Workforce Capability Framework. This robust, consistent and transparent framework is designed to assist providers to: Design jobs to suit their future service requirements; Align employee performance with organisational strategy; Identify workforce development priorities.

The Workforce Capability Framework consists of: 1 x 3-part introductory recorded webinar; 1 x Implementation Guide; 10 x Job family capability frameworks; and 20 x Template position descriptions. The job families and template position descriptions are designed to provide services with concrete examples of how roles can be adapted to both meet client-centred care objectives and provide career progression for employees.

Twenty-five Tasmanian providers participated in workshops to learn about the framework. In a follow-up survey to which 13 providers responded, 7 indicated that they are using the framework to assist with job design, workforce planning, performance appraisals, interviews, learning activities and professional development.

Workforce planning training: Training was provided to 27 sector workers in workforce planning, as part of an accredited skillset in Change management and leadership (a skillset is a collection of units of competency that forms part of a vocational qualification). As a result of the training, 8 Disability service providers have developed a workforce plan.

Validation and moderation network: The quality and reliability of assessment practices by registered training organisations (RTOs) issuing vocational qualifications has been an ongoing concern for the community services industry (Halliday-Wynes and Misko, 2014; ASQA, 2013). A network with RTO, industry members and participants commenced in 2015 to improve the quality and consistency of training assessment practice, with ongoing support from the DWIN Adviser. It has proved effective in bringing together client-facing, disability workers with training organisations with the aim of strengthening the quality

Box 7.2. **The Workforce Capability Framework**

The Workforce Capability Framework was designed by NDS with support from the NSW Government, It defines the skills, knowledge and capabilities required of all major job roles across the disability sector.

Rob roles are grouped into 10 job families. For each family, the functional requirements required of roles at each level (levels 1-4) are set out. The ten job families are: 1) Business enterprises; 2) Business growth and positioning; 3) Corporate and service support; 4) Corporate services; 5) Direct service delivery; 6) Employment services 7) Employment services deliver; 8) Executive management; 9) Management; and 10) Specialist and professional services.

As a further resource, the Framework includes 20 template job descriptions and an implementation guide for services. The framework was developed with input from 65 sector representatives with experience in person-centred approaches to job design and workforce development. Feedback from organisations that have implemented the Framework indicates that it is useful not for identifying what organisations want their workforce to achieve, but also establish clear expectations from clients about what roles employees should play.

and consistency of training and assessment practice to better meet the needs of the workplace. (Alcorso, 2015).

Assessment and learning resources: From mid-2015, the sector's existing Certificate III in Disability Services is being replaced with the new Certificate III in Individual Support. The DWIN Adviser was successful in achieving State Government funding application for disability industry-developed learning and assessment resources to accompany the new qualification. The resources will be used by Tasmanian RTOs and will ensure that graduates of the new qualification meet the needs of disability service providers. They will be available nationally.

Literacy, language and numeracy (LLN) training in disability workplaces: The Tasmanian workforce has workforce literacy and numeracy rates that are lower than the Australian average (Duff, 2014: 2). The DWIN Adviser was successful in securing State Government funding to provide LLN training at several organisational levels across multiple disability workplaces.

Virtual network: a virtual network, facilitated through the DWIN e-newsletter and webinar series, facilitated the active engagement of 36 service providers. NDS is currently considering how the network can evolve. One option being considered is to develop it into a national network, with more specialised events and topics.

Through the national DWIN activities, Tasmanian employers also had access to a growing number of online resources:

- A web-based Workforce Wizard data collector. The tool is designed to track workforce trends over time and has two objectives: 1) to assist services with workforce planning; and 2) to facilitate national workforce data collection by NDS on behalf of the industry
- Short video clips on **Innovation for High Performance**. The clips feature speakers from organisation in the UK and Canada that use radically different service and workforce models to current practice in Australia. They were based on national workshops held in Melbourne and Canberra in June 2015.

Box 7.3. **NDS Workforce Wizard**

The Workforce Wizard is NDS's online tool which allows service providers to enter disability workforce data and a quarterly basis and benchmark themselves against other similar workforces. Launched nationally in October 2015, as at March 2016 Workforce Wizard has already collected data for over 190 workforces (a collection of employees specified by the user and defined by region, occupation and service type).

Users enter information on the size, aged, gender, and employment status of their workforce as well as questions on labour flows (new recruitment and turnover). Data is collected separately for the direct care workforce and for allied health professionals.

Workforce Wizard data so far suggest that casual employment is the most common form of employment for the direct support workforces in the disability sector, while permanent employment is most common for allied health professionals. Results from the wizard also suggest strong (double digit) growth in the number of casual direct support workers over the first two quarters.

Workforce Wizard users are able to view their workforce data against sector and industry benchmarks for employee and employment characteristics and turnover rates.

Source: NDS (2016).

Governance and funding

Implementation of the Tasmanian Disability Industry Workforce Development and Skills Plan occurs through two co-ordinated streams of activities. The plan is "owned" by NDS Tasmania, which has employed a Project Officer – Industry Development to lead these activities since July 2013. There are approximately 50 NDS members operating in Tasmania. NDS operations in Tasmania are overseen by a State Manager, who reports to a State Committee. In practice, the roundtable functions as a regular accountability mechanism for implementing the plan, with a core group of ten service providers participating in most meetings.

NDS has a memorandum of understanding with Skills Tasmania, recognising NDS's role in providing an advisory service. Another role for NDS is as a broker for training funded by Skills Tasmania. Skills Tasmania is working with NDS to assist with collating data on participation by the sector's workforce in nationally recognised training, particularly the uptake of the new qualifications (Certificate III in Individual Support, Diploma of Individual Support).

Activities under the plan have been funded through a mix of streams: the Tasmanian Department of Health and Human Services (DHHS), Skills Tasmania (the state government agency with responsibility for vocational training and workforce development), and the National Disability Insurance Agency. NDS also makes a contribution through its staffing and facilities. To develop the plan, Skills Tasmania provided AUD 20 000. DHHS provided AUD 117 500 to support an Industry Development Project Officer for 12 months. A further AUD 144 500 was provided by DHHS and AUD 100 000 by Skills Tasmania to implement the activities listed in the plan. This amounts to a total budget of AUD 382 000 over an approximate 30 month period.

The largest expenditure item was salaries and overhead costs (approximately 75%). The Project Officer – Industry Development is funded from this budget. Other costs included consultants, meetings and workshops; and communication and IT. Consultant

costs primarily relate to an independent evaluation of the programme, the commissioning of research by specialists, ICT development and expert presentations.

The second stream of activities occurs under the umbrella of the DWIN project. These are aligned with the activities co-ordinated by the NDS Workforce Advisor, but have separate funding, reporting and governance arrangements. The DWIN project is managed nationally but also overseen by the State Manager and State Committee. A requirement of the funding is that there be a local group that oversees it. Any additional non-core DWIN activities get signed off by the State Committee and the NDS National Manager (Workforce Development). Through the Department of Education and Training, the Australian Government provided approximately AUD 3.7 million over two years (June 2014-April 2016) to National Disability Services to run this agreed set of activities nationwide, with the CS&HISC acting as intermediary until its demise (Alcorso, 2015). NDS has been able to extend the life of the project to December 2016, within the current funding to enable implementation of the lessons from the interim evaluation; more time to extend or complete a range of workforce development projects from the NDIS trial sites; and inclusion of 12 months' Workforce Wizard data. Tasmania DWIN activities for literacy, numeracy and language development; and training resource development specifically also received funding from the Tasmanian Development. Joint activities with the Tasmanian Government to promote positive behaviour management, as is another joint programme with Primary Health Tasmania targeting work practices aimed at reducing lifestyle risk factors of people with disability.

Impact

This section draws heavily on a mid-term review of the current Plan that was produced in August 2015 (NDS, 2015c). The report includes evidence that many employers have benefited from the local activities, including utilising the relationships with Workforce Advisers, networking and workforce planning training opportunities. A more extensive evaluation is currently underway, which will result in a new plan being launched for the sector in Tasmania. It will be a workforce strategy and action plan and is expected to cover the 3 year period coinciding with the NDIS rollout.

Outputs

The range of activities occurring in Tasmania, spanning both activities covered by the plan and those sponsored by the DWIN project, achieved the following outputs.

Overall reach of activities

Overall, the activities conducted have had a very wide reach, involving the clear majority of providers in the state. In total, 36 service providers (out of an estimated 75) have actively engaged in the DWIN e-newsletter and webinar series. Twenty-five service providers were introduced to the Disability Career Planner and Capability Framework produced by NDS, providing a foundation on which to base other workforce development activities. Twenty-five was also the number of service providers that participated in the engagement forums for the next Workforce Strategy and Action Plan.

Workshop participation

A diverse range of workshops have been held, with the best attended involving 124 participants from 39 organisations. Further details are provided in the table.

Table 7.3. **Workshop attendance**

Workshop topic	# of participants
Business disciplines in a changing market	124
Employing a flexible workforce in a person-centred environment	28
Easy English workshop	13
The Change Room: strategies for positive change at the front line	37
Person-centred active support	48
Online human rights tool	21
Brinkerhoff Masterclass	39
Brinkerhoff – Mission based marketing and leading change	14
Organisational Readiness tool	43
Valuing the role of front line workers	102

Source: Workplace Research Centre (2013) and author's own elaboration.

Outcomes and impact

Eight disability service providers have developed a workforce plan as part of participating in the accredited skillset training. Feedback from the Roundtable and HR Managers Network (reported in the Mid-term Review) was that they helped to overcome feelings of isolation and provided a useful benchmarking opportunity for services. The various workshops have also had an impact on some of the providers taking part:

A report prepared by the facilitator of the "Business Disciplines in a Changing Market" workshops indicated that a minority of service providers had a good understanding of their cost profiles and market positioning prior to the workshops. At the conclusion of the workshops, service providers were much better informed of these issues. The workshop on employing a flexible workforce in a person-centred environment equipped participants to make practical changes to their enterprise bargaining agreements and rostering arrangements. In evaluation surveys after each workshop, between 59% and 95% of attendees indicated that they intended to make changes in their organisation as a result of attending the workshop.

Strengths

The initiative aligns with many of the best practice principles for regional workforce planning and development developed by the Workplace Research Centre (2013), as outlined in Table 7.4.

In addition to this overall alignment with these best practice principles, a number of particular strengths can be identified:

- Overall, the strategy has been very effective in engaging with providers, increasing their awareness about the implications of the NDIS and associated changes (such as the new Certificate III in Individual Support qualification) and providing them with support to develop their own workforce development strategies. As at December 2015, eight service providers have developed a workforce plan as part of accredited skillset training;
- The evaluation strategy, particularly the mid-term review, was an in-built mechanism to engage with providers and other stakeholders as well as modify objectives;
- The Tasmanian activities relates to the design of the Tasmanian NDIS trial itself. The Tasmanian trial population is 15-24 year olds. Because this group is not the bulk of any service provider's client base, the trial has succeeded in heightening awareness about what increased client choice and control will mean service delivery and the workforce without (yet) requiring wholesale change in operations and strategy.

Table 7.4. **Alignment with best practice principles for regional workforce planning and development**

Best practice principles	Alignment
Purpose • Regional workforce plans should encompass a balance of activities	The plan involves a balance of activities intended to make better use of existing skills, develop the skills of the current workforce and promote the disability sector to new potential workers. For example, LLN training and resources to support the new qualifications are intended to address deficiencies in foundation skills among existing workers and help them transition to new service models Workshops in new business models, flexible employment and development for HR and Operations Managers will allow the skills of existing workers to be utilised more effectively.
Structure • The division of states or territories into workforce planning and development regions should be organised around commonly understood areas of economic and workforce activity. • Workforce planning and development regions should be intertwined with other regional structures.	As Tasmania is a fairly compact and relatively homogeneous state, it makes sense to establish a structure that encompasses the entire state, which works in well with other structures, especially the support provided by relevant state agencies (Skills Tasmania and Department of Health and Human Services). Because of the crossover of personnel, the Plan integrates well with the national activities organised by NDS, both through DWIN and independently.
Alignment with other plans • Regional workforce plans should set goals that are correlated with state/territory and national workforce goals. • Regional workforce planning and development should be integrated with other regional planning and development activities.	Skills Tasmania has not developed an overarching state workforce plan. Instead, it works closely with industries within the state to create their own plan. The plans list agreed actions, developed through consultation, with achievable timelines. The Tasmanian Disability Industry Workforce Plan is among the 15 industry plans that have been sponsored by Skills Tasmania, providing a consistent approach to workforce planning across the state.
Stakeholder involvement • Regional workforce planning and development should be led by local stakeholders. • Regional workforce planning and development should encompass a broad cross-section of stakeholders.	NDS has worked hard to develop stakeholders' awareness of workforce planning and development as well as support the capacity of service providers to participate (and lead) the workforce planning activities. However, stakeholders from service providers have not been able to lead and direct as many of the activities as envisaged by the Plan. The plan's activity, notably the Industry and RTO roundtable, does bring together a broad cross-section of stakeholders, including representatives from different parts of the sector and state, education and training providers, and state government agencies. As is typical, the ongoing resource and support provided by a dedicated local co-ordinator (in this case, split across two roles) is crucial to maintaining active stakeholder involvement.
Data • Regional workforce planning networks and alliances should be resourced with data from a single contact point. • Regional workforce planning should be informed by reliable and tailored data, including projections of future supply and demand.	Data requirements have not featured strongly in this case study but the Plan makes good use of available national and local data while also developing its own sustainable data sources. Nationally, the Australian Government has sponsored extensive modelling, including workforce modelling, to understand the likely impacts of the NDIS. Once operational, NDS's *Workforce Wizard* will provide the sector with ongoing, locally-based workforce data. NDS has been working with Skills Tasmania to increase access to timely data relating to vocational student enrolments and completions
Resourcing • Regional workforce planning and development should be resourced adequately.	In this current trial phase, the sector in Tasmania has benefited from the additional resources made available through the DWIN initiative. A key issue for the next workforce plan will be how to provide resources to support workforce development activities on an ongoing basis.

Note: See Appendix A for full description of best practice principles.
Source: Workplace Research Centre (2013) and author's own elaboration.

The NDS DWIN project has also adopted an innovative methodology, based on complex adaptive theory (Snowden and Boone, 2007), as a tool to work with providers to generate ideas for the next iteration of the plan. Based on the premise that we cannot predict the future, the methodology provides a framework for gathering information in a complex environment to plan and implement small actions that will gradually shift the workforce toward the desired state. One element of the concept intended to support innovation is creating "safe to fail" experiments, which is now being progressed through the DWIN Extension under the name of "Innovation for High Performance Trial".

As a further trial of the methodology, the next version of the plan will include a project to support greater uptake of information technology solutions to support a range of functions, including providing structured supervision and feedback to workers. This is an issue of increasing significance in the disability sector as the number of support workers who provide in-home care increases. Workers may travel directly from home to a client, or from client to client, without returning to base for a debrief. Current practice may involve

sporadic meetings or hand written notes The project will explore how low-cost innovative reporting solutions, using common platforms such as Facetime or Skype, can be adopted to facilitate better employee support and development.

Other underlying success factors

Key to the success of many of the initiatives is the small size of Tasmania, both geographically and in terms of population and number of service providers. Consequently, it is possible to directly reach service providers across the state, especially rotating the location of some events (such as roundtables and the annual conference) on a south/north (Hobart/Launceston) basis. Technology, through teleconferences and videolink, further bridges the gap, both within Tasmania and helping to connect Tasmanians to national events held on the mainland. The small size also means that workers across providers come to know one another.

Another factor is the relative stability of the sector, notwithstanding the changes to funding principles. There are currently no very large service providers operating in the state. The biggest provider is estimated to have approximately 400 employees (headcount, with a much lower full-time equivalent as most employees are employed on a casual or permanent part-time basis). Most providers are well established within the industry. The small size, established set of operators and existing personal networks foster a climate of collaboration and information sharing.

Persistent difficulties recruiting and retaining allied health professionals, a problem shared by all providers, is also ironically a factor in the success of the initiatives, as it is a prompt to explore alternatives. The University of Tasmania, the main higher education provider in the state, does not offer Physiotherapy, Audiology, Occupational Therapy or other allied health specialisations because there is insufficient demand. And because of its small size and remote location, the state also has difficulty attracting graduates from other parts of Australia. This has led providers to exploring alternatives, such as pooling their resources to support work placements for students from the mainland (in the hope that this may increase their interest in accepting a position in Tasmania after the graduate) and trialling the use of Allied Health Assistants. Under this model, locally employed Allied Health Assistants follow a treatment plan devised by an Allied Health professional, who may fly in from Melbourne on a periodic basis. (See Community Services and Health Industry Skills Council (2015:14) for more information on the training and deployment of allied health assistants). The next iteration of the workforce plan will outline further strategies for addressing the shortage of allied health professionals, such as providing bursaries and travel support to allied health professionals so that they can travel to Melbourne or Sydney for professional development opportunities. The next plan will also consider how scarce professional expertise can be shared with other sectors (such as aged care).

The active support of the state government was another success factor. Skills Tasmania has provided expertise and guidance to the development of strategies together with funding for training and other key initiatives.

Weaknesses

Problems of co-ordination

Some of the obstacles that were encountered are common to all efforts to engage employers in co-ordinated action. For example, some providers were reluctant to contribute

to the roundtable because of concerns about sharing intellectual property (particularly relating to business model strategy) and loss of competitive advantage.

A second challenge was ensuring that information about the initiatives reached the most appropriate people in each organisation and encouraging the right people from each organisation to participate. Most activities are publicised via NDS News Updates which individuals self-subscribe to. They are also announced at Roundtable meetings, while the Project Officer and DWIN Workforce Adviser would also write directly to individuals they come into contact to.

A challenge that resolved itself over time was how to strike the right balance between activities and projects that would be of relevance and interest to all service types in the sector and events and projects that were more targeted toward a particular service type (e.g. residential care). NDS is currently considering a proposal to develop national-level virtual communities of practice, resourced through webinars that would have a more specialised focus, as a complement to the locally-based activities, which will continue to be more broadly-based.

The areas where capacity in workforce management is weakest is in workforce planning, ability to integrate workforce and other service planning and costing data, change management and capacity to innovate in service and workforce models. Urgent needs are also felt in recruitment methodologies, managing a casual workforce, deploying flexible work practices within the constraints of industry awards and agreements, and sustainable data collection and analysis.

An operational obstacle that emerged related to initiatives to involve providers in more formal training for employees. Skills Tasmania is keen to see NDS take on a broker role to overcome the problem of thin markets and encourage more RTOs to make training available. However, in Australia the barriers to entering the training market are quite low and RTOs are not required to offer a wide range of courses. Government subsidies are also being made available to new RTOS beyond the traditional public VET provider (TAFE). Consequently, some providers had established themselves as RTOs and were directly providing training for their workforce. Other service providers have pre-existing direct relationships with RTOs (involving customised courses and delivery) and were reluctant to disturb those arrangements.

Problems of time

A familiar challenge was to encourage participants to take meaningful ownership of the initiative, such as by taking on responsibility for co-ordinating specialised subgroups of the roundtable. Mainly participants appeared reluctant to do so because of already high workloads. Similarly, attendance at the webinar series was lower than hoped for. It is hoped that developing a national webinar series with a bigger range and depth of topics will improve participation.

Problems of change

Other obstacles were attributable, at least in part, to the transformation underway within the sector because of the transition to the NDIS. Pitching activities was made more difficult because of the variability in providers' readiness and exposure to the NDIS trial. Securing the ongoing commitment and involvement of participants was also more difficult in a time of ongoing change.

Conclusions

Lessons for other OECD countries

Four key lessons from the disability sector in Tasmania should inform future initiatives to engage employers in other OECD countries in skills utilisation initiatives:

1. Including (and emphasising) managerial and leadership skills;
2. Integrating workforce development with other business and service innovation changes;
3. Genuine, contemporary employer input into qualification design;
4. Early integration of workforce development and workplace planning development activities.

In common with many industries, managerial and leadership skills were identified early on in the development of the Workforce Plan as an important area requiring investment by the sector. Developing managerial and leadership skills also proved to be a very effective means of generating and maintaining effective employer engagement. This is true for many industries, including work done in the cotton and dairy industries in Australia (Nettle and Oliver, 2009).

Changing service delivery models mean that the disability sector workforce, in common with many social care service sectors across the world, needs to develop new skills. The Plan successfully integrated skills programmes in business skills with tools to help organisations adapt their business practice. NDS was able to provide skills training in new areas like budgeting and marketing while simultaneously launching tools, such as the organisational readiness. This is something that a peak body group representing the sector was much better placed to do than a specialist training organisation or workforce development authority.

The successful launch of the new client-centred qualifications (Certificate III in Individual Support and Diploma of Individual Support), although beyond the control of the local actors in Tasmania, was another critical success factor. Consultations for the new qualifications created opportunities for providers to consider the skills implications of consumer directed care and under the structure of Australia's VET system, providers and individual workers in the sector can access subsidised training to undertake the new qualifications. The structure of the new qualification also aligns well with the Workforce Capability Framework developed by NDS. Employer engagement in qualification design, through the training package system, is one strong element of Australia's current VET system (Heuvel et al., 2008), although not all ISCs necessarily did this well.

The development of the workforce data wizard provides service providers, individually and collectively, with a powerful tool to assist future workforce planning. By recognising the importance of ongoing data collection, the sector is now well placed to overcome the data deficiencies that had existed. At the same time, NDS was well placed to understand how the tool could be integrated into service providers' daily practice to minimise the compliance burden.

Implications for wider adoption

Arguably the most important design feature of the workforce development activities described in this chapter is the key role played by the NDS, the peak body representing non-government disability services. This meant that the strategy and the activities were industry led. It also meant that it was easy to integrate the workforce development activities with other initiatives, such as business model innovation, which service providers were eager to engage with to prepare for the NDIS environment.

Dedicated government funding was an important component as well as how it was spent. The funding largely supported locally-based workforce development co-ordinators whose work priorities were determined by a Plan developed by industry and overseen by a local committee of sector representatives.

There are however some specifics of the institutional context that would limit wider adoption. First there is the geography of Tasmania as a small, isolated region. As a result, the distances to be covered (such as by a network co-ordinator) are containable, personal networks are often quite stable and established, and there are small and responsive government agencies with broad responsibilities, making it easier to co-ordinate activities and avoid silos. Remoteness also served to exacerbate shortages especially for allied health professionals (which are not catered for by the University of Tasmania), prompting more creative thinking and willingness to collaborate for solutions.

Second, there is the scale and ambition of the NDIS. Notwithstanding its phased introduction, the NDIS will greatly expand the size of the disability sector in Australia as well as change delivery models. Services providers, workers, and clients are all largely aware of the broad implications of the changes and government has also committed additional resources to assist with its implementation. Although many social services across the world are moving toward more client-centred approached and individualised funding models, few changes will generate the same sense of urgency as the NDIS has.

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Chapter 8

The Impulsa Perú initiative to improve local worker's skills and employability

The Impulsa Perú is an active labour market programme that is designed to improve the employability of disadvantaged people with structural disadvantage in the Peruvian labour market. It aims to use partnerships between the state and training providers to respond to skills needs from employers.

KEY FINDINGS

- *Peru is a developing economy with a large, informal and unskilled workforce. The global downturn of 2008 had lasting impacts on the economic and labour market performance of Peru. In response, the government invested heavily in an active labour market programme to improve the employability of a number of disadvantaged groups, including the disabled and the persistently unemployed.*
- *The Impulsa Perú programme aims to providing subsidised training and entrepreneurship support services at the local level to applicants. Enterprises who have received graduates of the programme have noted that it was effective in improving workplace productivity.*

Background

This chapter is a qualitative and quantitative analysis of the Impulsa Perú programme, which was undertaken from 2012 to 2015. It analyses the main characteristics, impacts, costs and consequences of the Impulsa Perú programme. In the context of the global financial crisis in 2009, forecast growth rates for developing countries were reduced to just 0.9%. This was particularly disappointing in the context of an average annual increase in economic growth amongst developing countries of 7.6% between 2004 and 2008.

In this context, the Ministry of Employment and Work Protection (*Ministerio de Trabajo y Promocion de Empleo*, MTPE) of Peru developed the Impulsa Perú Programme in 2009 for the benefit of unemployed persons lacking work competences or suitable jobs for their skills. The Impulsa Perú Programme is the continuation of the "Revalora Peru" Programme (implemented from April 2009 through August 2011) and the "Vamos Perú" Programme (run from September 2011 through March 2015). The funding arrangements of the programme have evolved over this period of time in congruence with changes in the national Peruvian administration.

Table 8.1. **Economically active population (EAP) by employment levels, Metropolitan Lima area, 2004-14**

Employment Levels	2004	2009	2010	2011	2012	2013	2014
Total EAP (thousand)	4 104.4	4 514.0	4 703.7	4 781.2	4 812.2	4 885.1	4 916.5
EAP Employed (thousand)	3 717.2	4 135.4	4 332.1	4 414.8	4 484.9	4 594.2	4 642.6
Fully Employed (thousand)	1 421.7	2 122.1	2 332.8	2 542.0	2 658.4	2 840.2	3 053.6
Under Employed (thousand)	2 295.5	2 013.3	1 999.3	1 872.8	1 826.5	1 754.0	1 589.0
By Hours (visible)	674.3	636.4	627.9	547.1	541.5	536.8	486.5
By Income (invisible)	1 621.2	1 376.9	1 371.4	1 325.7	1 285.1	1 217.1	1 102.5
EAP Unemployed (thousand)	387.2	378.5	371.6	366.5	327.3	290.9	273.9
Trained Labour	368.4	354.5	351.7	344.2	305.4	272.9	246.9
Untrained Labour	18.8	24.1	19.8	22.3	21.9	18.0	27.0

Source: National Institute of Statistics and Information (INEI) – Permanent Employment Survey.

Description of the programme

The general objective of the Impulsa Perú programme is to "promote jobs, improve labour skills and broaden the employability of those in the active economic pool (PEA) that are unemployed, underemployed or at the risk of losing a job". Particular programme objectives include:

- Strengthening labour market skills of those who are unemployed, underemployed or at risk of losing their job, through training courses and vocational education;
- Recognising competencies, capabilities, abilities, performance, aptitudes, skills and the knowledge of targeted groups to meet specific occupational profiles established through skills certification (Recognition of Prior Learning).
- Strengthening capabilities for those in the candidate pool with strong entrepreneurial potential for self-employment.

To be eligible for participation in the Impulsa Perú programme, the candidates need to meet a set of requirements:

- Those wishing to participate in the Job Competency Certification (CCL) must be over the age of 18 years. Applicants must also have a minimum of two years of general work experience and one year of work experience. Candidates receiving training should be between 30 and 59 years of age.
- Programme applicants must have a minimum incomplete high school studies or incomplete studies in higher learning.
- Programme applicants must also be in a vulnerable employment situation, an adult head of household with at least one child and an income of less than PEN 1 500 per month.
- The programme also targets persons with disabilities. Those with disabilities who wish to participate in the programme must have their Disability Certification issued by the Ministerio de Salud, by ESSALUD or by the Fuerzas Policiales hospitals.

Governance of the Impulsa Perú Programme

The programme was implemented by Employment Centres, which delivers services according to sector. Employment centres also implement other job projects, including Trabajo Perú, Jóvenes Productivos and Perú Responsible. Employment Centres are operated by Regional Offices.

Impulsa Perú is an employment economic development programme that depends functionally on the Viceministerio de Promoción del Empleo y Capacitación Laboral through the Ministerio de Trabajo y Promocion de Empleo (MTPE). The organisation is made up of four (4) Management Units, Zone Units and an Executive Co-ordination Office. In this set up the Program has, to date, 11 Zone Units, which are in the country's following regions: Ancash, Arequipa, Cusco, Ica, Junin, La Libertad, Lambayeque, Piura, Puno San Martin and Tacna.

Between April 2009 and June 2011, the total amount invested in Impulsa Perú was PEN 62.39 million (or USD 26.46 million). This represents an average investment of PEN 31 million per year. A number of funds were also received by the National Fund for Employment Education and Work Promotion (FONDOEMPLEO), a public entity for private law. This was created with the purpose of financing projects to educate workers and promote sustainable job opportunities. Since its establishment in 1998 its goal has been to evaluate, select, finance and monitor labour. It is financed by contributions from enterprises.

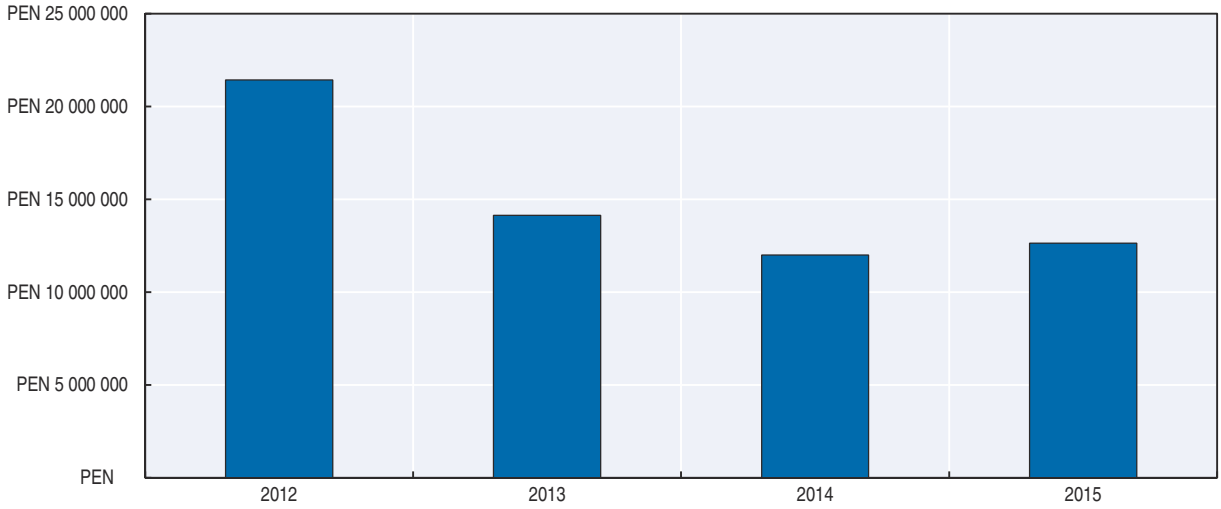
Table 8.2. **Funding for the Impulsa Perú Programme (millions)**

	2009	2010	2011	2012	2013	2014	2015
Public		PEN 32 (USD 11.1)	PEN 10 (USD 57)	PEN 21.8	PEN 14.3 b/	PEN 9.8	PEN 9.3
Private (FONDOEMPLEO)						PEN 2.9	PEN 4.6
Private and Public Associations						PEN 4	
Federal Reserves	PEN 100 (USD 32.8)						

Source: MTPE.
In November 2011 with DU N° 058-2011 PEN 20 million (USD 7 407 407) are included PEN 6 million (USD 2 222 222) of which were used in 2011 and the balance moved to 2012. (USD 1 = PEN 2.7).
With DS.028-2013 resources are included in the framework for the benefit of the fishermen.

Between 2012 and 2015, the total budget for the program rose to PEN 58 502 198 (USD 17 515 628). During this period, the average annual investment was PEN 19 500 732. The budget for the Impulsa Perú programme has progressively declined from 2012 to date. In 2015, the total funding for the project was PEN 14 million, of which 33% was obtained through FONDOEMPLEO Projects and the rest (77%) from ordinary resources. In 2015, the project benefited 10 145 people in 17 Regions. Since 2013, the Impulsa Perú Programme has been primarily financed through the line item assigned to the Labour Section through the ProEmpleo Budget.

Figure 8.1. **Funding of the Impulsa Perú Programme**



Note: Total Budget (includes the cost of entering into an agreement, operating expenses and administrative expenses), according to SIAF. The budget reported includes the resources granted by FONDOEMPLEO.
Source: MTPE. Information provided by Impulsa Perú.

Programme structure and available supports

Programme Component 1: Training for Work Placement

This path strengthens the work skills of unemployed and underemployed people as well as those at risk of losing their job with the aim of enhancing their employment opportunities and facilitating their entry into the job market. Training is offered in a number of fields, which are determined on the basis of socioeconomic studies performed by MTPE and validated by Zonal Chiefs in co-ordination with their regional business sectors. These fields include: construction, manufacturing industry, agricultural sector, and services, (hotel management and tourism, financial, and others).

The process starts with a macro evaluation consisting of a socioeconomic labour diagnostic in each of the regions where the Program is carried out. This analysis is complemented with an evaluation of specific labour needs with the objective of defining employment and job training needs according to field or business sector.

Between August 2011 and December 2015, 36 916 individuals were involved the programme. The assigned budget for this field is equivalent to PEN 52 million. The component is carried out through two (2) free services: 1) Skills Training Service; and 2) Employment Service. The training entities (whether public or private) are selected through public tender, where the training services requested by businesses are allocated via a bidding process. The Program has opted to work with public training entities, to the extent that they represent lower costs and the awarding procedure is shorter.

As of the course of 2014, the *Programa Vamos Peru*, subjected itself to the framework of the Programa Presupuestal Proempleo, (Pro-employment Budgetary Program), which in administrative terms meant performance-based funding. This change resulted in variations in programme implementation. For example, the programme was increasingly oriented to those 30 years and older. The number of participants fell from 18 804 in 2012 to 3 027 in 2015. The MTPE broadcast a public invitation for participants and did not co-ordinate with syndicates or business guilds.

Courses are delivered by educational institutes and are typically 6-9 weeks in length. The average cost per person ranges between PEN 800 and PEN 1700. An example of the impact of training for work placement is the case study of the TOTTUS company. TOTTUS is a supermarket chain which sells food products, cleaning supplies, personal hygiene products, clothes, home improvement, and other similar items to the general public. TOTTUS began its operations in the Peruvian market in 2002 and currently has 10 000 employees in 49 stores throughout the country. In *Great Place to Work*, TOTTUS ranked as one of the best employers in Peru for 12 consecutive years.

TOTTUS has personnel trained by Impulsa Perú Program, for customer service, warehouse jobs, and food production. Mr. Hugo Castro from Area Personal Selection provided the following information:

- Bolsas de Trabajo, organised by MTPE is the mechanism used to find personnel to incorporate into the company. Area de Seleccion is in charge of recruiting, but each individual store evaluates each employee.
- TOTTUS found that the training provided by the Impulsa Perú Programme improved employee retention and development.
- However, some communication problems were encountered with the personnel trained by MTPE, which impacted performance in retail sales to the general public. These types of communication issues were more common among the workers from the Cono Norte y Este region.
- TOTTUS believes that MTPE should emphasise training that develops "soft skills", which would help improve customer service and customer relations (e.g. empathy, attention to detail, etc.).
- TOTTUS has personnel with disabilities that have been trained by MTPE. As a company they have identified factors that would allow them to incorporate deaf-mute personnel in customer service (cash register) and supervisors with sign language. They also have personnel that have had their job skills certified by MTPE.

Programme Component 2: Training and Technical Assistance for self-employment.

This component provides training and specialised technical consulting to those who wish to set up their own businesses or enhance their current undertakings. These people wish to establish enterprises in the manufacturing, commerce and services industries. The programme involves orientation, training and technical support for self-employment. The program has three stages: Focusing Stage, Formative Stage, and Implementation Stage. This programme is particularly valuable because it is intended to generate both direct and indirect employment. Between August 2011 and December 2015, the number of participants in this programme component was 3 554. These services were carried out in fourteen regions. Monitoring and evaluation of beneficiaries of this programme component has not yet been completed. The budget allocated to this line of work was PEN 9 million.

The formative stage of the intervention model gives the participants skills and training to develop their business plan during the application review process. The participants receive training in management, production, presentation, product, processes, marketing, market segmentation, value proposition, market value, costs, cashflow and other issues. The training is structured as follows:

- 20 academic course hours to develop "soft skills";
- 40 academic course hours to develop entrepreneurship management skills or further business acceleration;
- 20 academic hours in training to develop a business plan or a business improvement plan;
- 80 academic hours for technical assistance.

There are other additional features of the module, including a Business Plan contest, where approximately 20% of participants compete for seed investment.

Programme Component 3: Job Skills Certification

This line of work focuses on recognising and accrediting skilled labourers, thus promoting dignified employment, higher self-esteem and improved productivity. The Program accredits up to 13 occupational profiles.[1] The MTPE evaluates the requirements of the business sector through socioeconomic studies to define the occupational profiles that are subject to work certification.

Between August 2011 and December 2015, the number of participants in this programme component was 13 070, and more than 70% of the participants were able to certify their competencies. The budget allocated to these specific services was PEN 11 million. The targeted regions are defined by FONDOEMPLEO in relation to entrepreneurial contributions and the needs of each place. The Impulsa Perú Program defines the projects or contests in which it will be presented in accordance to the evaluation of the work markets previously undertaken.

The Executive Regulatory Management Office of the MTPE establishes the rules, directives and procedures on which accreditation processes (administrative section) are based, and creates the occupational profiles, (80 accredited profiles) outlined in the Catalogo Nacional de Perfiles Ocupacionales[9] that are most requested by the private sector. The Regulatory Office evaluates, authorises and accredits the certification centres, which are the entities that specialise in determining specific occupational profiles. The Program also contracts with private and public firms through contracts and agreements, respectively. They can be public or private entities dedicated to training and job training. Some are public

institutions, like Centers of Technological Innovation (CITE), and others are private, such as institutes of higher technical education.

Recent research analysed the impact of the accreditations offered by CITE Madera on the employability, productivity and income for industrial carpenters from Villa El Salvador, a district in Metropolitan Lima. Amongst its main conclusions, the study found that:

- 43% of those interviewed confirmed that their sales increased after having recieved certification.
- 56% noted improvements in productivity.
- 51% of certified noted continuous improvement in their work capacities; 20% mentioned improvements in the quality and competitiveness of their products; 18% saw an increase in their prestige in the industry; and 11% saw improvements in their salary and job posts.
- 87% of those interviewed received positive feedback from their clients with respect to their work quality and overall performance.
- 96% of those interviewed noted reductions in production time and/or improvement in the quality of their products, while 86% confirmed having improved their employability.

Impacts of the Impulsa Perú Programme

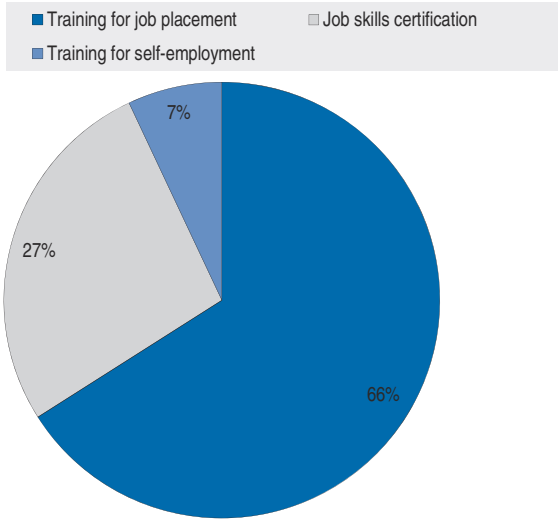
Between April 2009 and August 2011, Revalora Peru (the first iteration of the Impulsa Perú project) impacted more than 55 000 people. In the second iteration of the programme between August 2011 and December 2015, the programme was known as Vamos Perú and benefitted 53 531 people in 24 Regions across Peru. Between September 2011 to December 2015, the Impulsa Perú programme reached 53 531 people, who accounted for 17% of the eligible pool of 319 000 unemployed and underemployed Peruvian citizens. In this pool of participants, 56% (28 771) are males and 44% (22 517) are females. Divided by age group, 43% (22 031) are below the age of 30 while the remaining 57% (29 257) are adults.

Likewise, the programme managed to integrate candidates from populations considered vulnerable: during the time permitted by the Fishing Authority, 4 580 (8.9%) of traditional fishermen were provided with job restructuring training. Another sector that was served by the Program included 1 100 people in the Valle del Río Alto Apurímac y Ene (VRAE) Zone, an area with a significant historical links to the illegal drug trade. Finally, the programme has benefited persons with disabilities (467), prisoners (355) and those returning from abroad (305).

Almost 80% of the participants that took part in the programme between Setember 2011 and December 2015 took part in training to improve their job placement opportunities (as salaried workers). Approximately 24% of programme participants received skills ceritifcation and a further 7% were trained for self-employment. As a result of the programme budget funding reductions, the number of participants fell by 40% over its lifetime, from 21 561 participants in 2012 to 10 145 in 2015.

Across the lifetime of the programme, participation in Job Placement Training fell from 87.21% of the participants in 2012 to 29.83% in 2015. In comparison, the percentage of participants in the Job Skills Certification process grew from 4.67% in 2012 to 70.16% in 2015. This was a result of the changes to the financing and governance of the programme – in particular, the increased use of the budget from ProEmpleo Budget resulted in an increased focus on the certification of work competencies. MTPE is implementing an evaluation process that monitors programme beneficiaries through an audit of their electronic payroll information.

Figure 8.2. **Beneficiaries of the Impulsa Perú Programme**



Source: Ministerio de Trabajo y Promoción del Empleo (2015).

Table 8.3. **Number of beneficiaries by service line, 2012-15**

Service	Participants*
Training for job placement	32 223
Training for self-employment	3 545
Job Skills Certification	13 070
TOTAL	48 838

* Total number of people are evaluated to measure their competence, or who have been beneficiaries of that program.

Table 8.4. **Impulsa Perú Programme**

Period	Physical Goals-Participants beginning training		Physical Goals-Evaluated Participants	TOTAL[1]
	Training for Job Placement (%)	Training for self-employment (%)	Job Skill Certification (%)	
2012	87.21	8.11	4.67	21 561
2013	88.64	6.13	5.22	7 694
2014	37.84	14.01	48.13	9 438
2015	29.83	0	70.16	10 145

1. The preliminary information is subject to verification with the final reports delivered by Entidades de Capacitación (ECAP) Training Entities or Centro de Certificación (Certification Center) and validated Impulsa Perú.

Source: MTPE.

Strengths of the initiative

A number of the strengths of the programme include:

- The Impulsa Perú programme is an example of an Active Labour Market Programme (ALMP) that aims to enhance the employment and production capabilities of Peruvian citizens who are in vulnerable employment and social situations. In that sense it should not be understood as a social assistance programme, (where the participants play a passive role), but rather as an employment service that looks to generate and improve work opportunities through training and certification to facilitate formal employment or self-employment.

- The programme has improved the reintegration of socially vulnerable people into the labour market in a sustainable way.[2] The total number of participants in the programme since its inception is 102 595.
- It offers the Peruvian business sector a better trained, competitive and productive workforce, trained to produce higher levels of profitability. In the words of the Executive Co-ordinator: "We work for the private sector. Our responsibility as the State is to give workers the proper due for their skills."
- As part of a departmental programme to build adequate employment, the Programa Impulsa Perú programme is one component of an integrated strategy which offers up to twelve (12) services in the areas of employability and income and four (4) economic development services.[3] Similarly, multi-departmental employment observation labs have been established (with the co-operation of MTPE, Ministerio de Educación (MINEDU), and of the Instituto Peruano de Administracion de Empresas (IPAE)). Similarly, an online portal (Ponte en Carrera[4]) has been developed to offer information about the jobs, profession and salaries in the Peruvian labour market. This is a public-private initiative led by two ministeries and one private centre for higher learning (IPAE) that seeks to inform young people about current occupations demanded by the employment market to inform professional and training decisions.
- With the co-operation of the private sector, the programme has successfully proven its ability to generate income sources by participating in FONDOEMPLEO projects.
- According to the statements made by interviewed officials, the programme should be redirected to greater skill certification and training for self-employment. It is their opinion that greater attention and resources should be assigned to the Labour Sector.

Weaknesses of the initiative

The officials interviewed enumerated a number of limitations and obstacles which made it difficult for the programme to have a larger impact.

Budgetary Limitation

The programme experienced a significant decline in funding in the 2012-15 period. According to the interviewed officials, this is a problem that prevents and hinders coverage for the totality of participants at the national level (319 000). Impulsa Perú receives PEN 10 million, just 20% of total funds available for employment support programmes. Promoting public private partnerships (PPP) can promote the sustainability of programmes like Impulsa Perú. For example, an agreement with ALAC (Associacion los Andes de Cajamarca) to train workers in the Yanacocha mine enabled the training of 680 participants.

Changes to criteria in resource assignment

In the framework of the 2014 Budgetary Program, the Ministerio de Economía y Finanzas (MEF) set a series of new goals that must be achieved by the programme to receive the assigned financing. These goals changed the criteria for measuring the Program's impact. For example, with the new criteria in force, the amount of time allotted for the job placement of participants was reduced from two years to one year. In addition, it was mandated that a minimum of 50% of participants must find formal employment to secure additional funding. This goal was difficult to achieve in the national context, as the total percentage of those informally employed amongst the Peruvian population of economically active people is 72%,

which can rise to 90% in cities like Huancavelica. In some regions, there are structural problems that make it difficult to obtain formal work placements for programme participants, largely due to a lack of businesses or insufficient economic activity.

On the other hand, the evaluation criteria do not take into account the trained participants that generate their own employment (self-employment). For example, in Cajamarca, a region in recession, 47% of the participants were able to be placed in jobs with qualified businesses, but the rest found employment opportunities with informal businesses and others in self-employment. Similarly, in an informal sample of 100 programme participants, 47 people were able to generate work for themselves, while 15 were employed by formal businesses, and the rest (around 35) found employment in the informal sector.

Persons with Disabilities

There have also been difficulties in meeting the job placement quotas for persons with disabilities. At the root of the problem is the imbalance in the supply of trained personnel to the actual business labour demand. The number of available vacancies is below the number of participants targeted for the Training Program.

Amongst the reasons given by the interviewed technicians is the uncertainty about the infrastructure required to incorporate persons with disabilities into the work force. In some cases, a completed secondary school education and a minimum three month work experience is required. Many participants are unable to meet these requirements. For example, those aged 30 to 59 years old tend not to have the required basic education. In addition, the participants' job earnings in the Program are low, (the minimum salary), making it less attractive to those over 30 years old, who tend to have greater financial obligations. In general, municipalities also do not have current records of the disabled population. Such limitations hinder the ability to target disabled participants.

What are the main lessons for other emerging countries?

The Impulsa Perú Program was created to improve occupation and unemployment outcomes across Peru through the implementation of training services, competencies accreditation and labour mediation. Since its establishment in 2009 and until 2015, the Program has provided services to at least 55 000 adult beneficiaries.

The lack of proper evaluation on impacts of the programme constitutes an important limitation to its proper functioning and potential evolution. Monitoring of the income levels or of the quality of employment (formal or informal) for programme beneficiaries has only begun recently. However, a recent academic study that evaluated the impacts of skills accreditation on construction workers found significant differences in terms of productivity, income and self-esteem.

The limited Budget assigned by the Ministry for Economy (MEF) embodies the main limitation in terms of reach and impact of this programme on the targeted population, leaving a broad range of groups unable to access support from the State. The identification of options for job training are defined by the programme through the analysis of internal statistical information, which is then validated and supplemented with the analysis produced by the Program's Zonal Chiefs in each region. There has been no direct participation from entrepreneurial organisations nor business groups in this process.

In accordance with the sentiments expressed by interviewed businesses, the programme represents an important method of training people whose level of education is

low or who have incomplete secondary schooling. However, the trained personnel that are introduced into the workplace have some skills limitations, including with respect to communication and interpersonal relations (especially in jobs that required direct interaction with the client). More of a focus on soft skills may assist programme participants in future employment.

Notes

1. These are: industrial carpenter, knitted garment maker, phytosanitary evaluator, janitorial worker, flat-weave garment maker, pattern cutter, buildings electrician, embroiderer, alpaca fiber hand-knit worker, garment and piece printer, asparagus crop collector/crate packer.
2. In accordance with a thesis case performed with the beneficiaries of the work accreditation, there is a percentage of accredited workers that manifest having improved their salaries and productivity.
3. The Impulsa Perú Program is one of four of the social programs implemented by the MTPE. The other three are: Perú Responsable, Trabaja Perú and Jóvenes Productivos.
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Chapter 9

Engaging local employers in skills development and utilisation in the Philippines

This case study presents the learnings from a new initiative from the Philippine public skills development programme that targets disadvantaged populations to build skills that are in demand by the private sector. The programme aims to create new partnerships between training providers, industry associations and disadvantaged groups in order to rapidly respond to emerging skills needs at the local level from employers.

KEY FINDINGS

- *The Philippines is a large and complex economy with a variety of labour market challenges. A large percentage of the population is informally employed, and employers report skills deficits while high rates of unemployment amongst post-secondary graduates. Issues regarding the appropriate recognition, certification and utilisation of skills have emerged as barriers as the country's economic structure transitions away from agrarian production.*
- *The Philippines has existing capacity issues with respect to the provision of public employment services. However, in recent years, the government has increased its focus on the need to develop skills, particularly vocational skills, amongst the labour force.*
- *Consequently, the federal government has invested significantly in the Training for Work Scholarship Program, which funds grants for young unemployed people with little or no formal education to pursue vocational education through a training provider at the local level.*

Background

Every Filipino family's dream is for their children to get a good education, find a decent job and improve their quality of life. In the Social Contract, which former President Benigno Simeon Aquino III made with the Filipino People, the country is envisioned, among others, to be "… *A country with an organized and widely-shared rapid expansion of our economy through a government dedicated to honing and mobilizing our people's skills and energies*…" (Executive Order No. 43, S. 2011).

The Philippine Development Plan 2011-16 provides the framework to achieve sustained and inclusive growth, address poverty and create massive employment opportunities. The Philippine Labor and Employment Plan 2011-16 identifies the strategies and programmes that will improve employment levels and access to employment opportunities. The National Technical Education and Skills Development Plan (NTESDP) 2011-16 seeks to contribute to achieving the vision of inclusive growth through the improved provision of technical vocational education and training (TVET). It envisions a 21st century skilled Filipino workforce with the following characteristics: technically competent; innovative and creative; knowledge-based; with higher order thinking skills; with foundational life skills; in pursuit of lifelong learning opportunities; and possessing desirable work attitudes and behaviours.

One of the major objectives of the NTESDP 2011-16 is to improve the responsiveness and relevance of training through a closer linkage between the world of learning and the world of work. Among the major strategies to be pursued are:

- Develop public-private partnerships in TVET, especially in TVET development, financing, labour market information, standards setting, assessment and certification;
- Expand enterprise-based training by strengthening enterprise-based training schemes such as apprenticeship and dual training systems and workplace training for skills upgrading, retooling and multi-skilling.

- Strengthen linkages with employers to hire TVET graduates and recognise the importance of OJT and certification.
- Provisions for creative incentives and rewards to generate wider industry support such as technical assistance and capability building interventions.
- Expand and purposively direct scholarships and other training assistance to critical and hard-to-find skills and higher technologies and use the programme to incentivise the TVIs.

This Chapter attempts to review and highlight outcomes and best practices in employer engagement and participation in skills development and utilisation under the Training for Work Scholarship Program (TWSP). Under this programme, TESDA partners with technical vocational institutes (TVIs), employers and industry associations (IAs) in the delivery and implementation of training programmes that addresses priority skills needed by the private sector. The target beneficiaries of TWSP are young people who are unemployed, poor and disadvantaged.

Key Labour Market Challenges

In 2010, the population of the Philippines was 92 337 852. At present, it is estimated that the population of the country has reached 102 million with an estimate rate of population growth at 2.1%, one of the highest in Asia. This high rate has put pressure on the labour market.

However, during the mid-term assessment of the Philippine Development Plan (PDP), Secretary Arsenio Balisacan, Director General of the National Economic and Development Authority (NEDA), reported that the unemployment rate declined to 6.5% in the first three quarters of 2015. This unemployment rate and underemployment rate of 18.4% in 2014 are the lowest in 10 years (NEDA, 2015). The International Labor Organisation (ILO) also reported that the Philippine economy grew by 7.2% in 2013 and 6.1% in 2014. The total number of people employed is now 38.1 million, a sizable increase of four million since 2008. The report also highlighted that vulnerable employment, a measure of the quality of employment, declined from 43.5% in 2008 to 38.3% in 2013. Similarly, the rate of poverty among Filipino workers saw a modest decline from 22.9% in 2006 to 21.9% in 2012 (ILO, 2015).

Youth Unemployment

Youth unemployment continues to be a major challenge. In 2010, youth (aged 15 to 24) comprised only one-fifth (21.3 %) of the labour force but more than half (51.1%) of the total unemployed (ILO, 2012). Unemployment is still highest among young people, who comprise almost half of the total population of unemployed people (PSA, 2015).

Educated Unemployed Phenomenon

The Philippine labour force is highly educated. The portion of the unemployed who are educated, namely those with secondary, post-secondary and tertiary education, has increased from 74.2% in 1995 to 86% in 2010 (ILO, 2012). This situation continues to be reflected in the current labour statistics of October 2015. About 89% of the total population of unemployed people are graduates of secondary and tertiary education. One contributing factor may be the easy access to education. The country has 2 080 higher education institutions, of which 607 state-run colleges and universities and 1 573 private institutions. College education is subsidised or even free in state-run colleges and universities. However,

many of these institutions are often referred to as "diploma mills." This may explain why 400 000 young people who graduate from college every year are unable to find jobs.

Overseas Filipino workers

Another complexity is the integration of the domestic labour market with the global market. According to the Department of Labor and Employment (DOLE), there are 12 million overseas Filipino workers (OFWs) all over the world. The annual remittances of OFWs, estimated at PHP 173.2 billion (USD 37 billion), is the second largest contributor to foreign exchange earnings (PSA, 2015).

Many studies have raised concerns about the social costs of overseas employment, which include human trafficking and illegal recruitment. The majority of OFWs are women and about a third of OFWs are in vulnerable and difficult work situations. Global developments affecting the economies of oil-producing countries in the Middle East where many OFWs are currently employed has prompted fears about the potential massive return of OFWs and the need for their re-integration into the domestic Philippine labour market.

Shifts in the Philippine Economy

The Philippine economy has also been undergoing major structural change through a distinct shift of resources towards the services sector. The services sector employs 21.7 million or 55% of the total employed. Employment in the industry sector was 16.5% in 2015 but has fallen as low as 15%, while employment in the agriculture sector is 28% (PSA, 2015). Several other countries in ASEAN pursued economic development through the development of the secondary sector. The lack of a solid and growing industrial base has been criticised as the root cause of the country's high unemployment and sluggish rate of poverty reduction (ILO, 2012).

There are about 945 000 establishments in the country. Of these, 86% are services enterprises, 13% are industrial businesses and 1% are agricultural industries. Approximately 90% of all enterprises are micro establishments with fewer than ten employees (PSA, 2012).

Social inclusion

The Philippines has persistent challenges regarding poverty and social inclusion. The income of the richest 20% is 8.4 times that of the poorest 20%, which is comparatively higher than regional neighbours including Thailand (6.9), Viet Nam (6.0) and Sri Lanka (5.8) (Cielito Habito, 2015). Over 1.8 million children are engaged in work and the average real daily wage has declined over time. A significant proportion of workers receive earnings that are insufficient to meet their basic needs and elevate themselves above poverty (ILO, 2012).

To eradicate extreme poverty, the Philippine government embarked on a conditional cash transfer (CCT) programme by investing in health and education, particularly for children under 14 years old. A budget of PHP 64 billion (USD 1.48 billion) was allocated to this programme in 2015. According to the Asian Development Bank, this is the third largest cash transfer programme in the world.

Private Sector Engagement in TVET

In the late seventies, the then National Manpower and Youth Council (now the Technical Education and Skills Development Authority, "TESDA") established Industry Boards (IBs), which represent different sub-sections of the economy's industrial sector. It also established

Industry Associations (IAs), which group together institutions and individual in the same line of business or profession. IAs and IBs directly partnered with the National Manpower and Youth Council to deliver various assistance programmes for skills development. The first IB was established for the tourism sector, and a further ten were developed over the following twenty years to represent almost 25 000 firms and over three million workers. The IBs were initially publically funded but this arrangement was ceased in the late 1990s.

TESDA is legislatively obliged to establish effective and efficient institutional arrangements with IBs and IAs to facilitate the participation of employers and workers in skills development. TESDA also has a mandate to formulate a comprehensive development plan for middle-level manpower, which would encompass industry-based training programmes including apprenticeships, dual training systems and other similar schemes. Relatedly, the administration of the apprenticeship system was transferred from the Department of Labor and Employment (DOLE) to TESDA. While TESDA has the legislative authority to implement levy and grant schemes for skills development, private sector partners are not in favour of such mechanisms as they contribute to the already high cost of doing business.

Private sector participation in TVET is institutionalised in the policy making process. Fourteen of the 22 members of the highest policy making body, the TESDA Board, are from the private sector. Of these, six are from the labour sector, four are from employers groups, two are representatives from the business and investment sector, and two are from the associations of private technical vocational institutes. At the local level, the private sector is also represented on Regional and Provincial Technical and Skills Development Committees.

Similarly, employers are involved in programme development through their participation in the process of developing Training Regulations (TRs), which outline the minimum programme and training standards for occupational qualification levels. The private sector is also involved in the formulation of skills plans and the development of competency standards and assessment and certification instruments. In terms of program implementation, the private sector participates in the conduct of industry-based training programmes like the dual-training system, apprenticeship programme and on-the-job-training (OJT) programmes (TESDA Planning Office, 2015).

Under the Rationalization Program of the government in 2012, TESDA created the Office of Partnerships and Linkages, which aims to strengthen TESDA's relationships with its major stakeholders. TESDA developed a framework for private sector participation wherein each office of TESDA was made responsible for specific concerns to promote partnership and linkages.

The participation of the private sector in skills development and skills utilisation remains a major challenge for TESDA. While enterprise-based training is widely accepted as an effective mode of training delivery, the Impact Evaluation Study (IES) of TVET programmes indicates that the number of enterprises (about 400) and graduates of enterprise-based training are not increasing. The percentage of graduates in enterprise-based training has declined slightly from 5.6% in 2008 to 5.4% in 2013. Of a total of 788 439 graduates in 2013, only 42 542 completed enterprise-based training. It should be noted that these reports show that enterprise-based training has consistently yielded higher employment rates than the two other modes of training, which are institution- and community-based trainings.

The Training for Work Scholarship Programme

The Training for Work Scholarship Programme (TWSP) was launched in 2006 as a response to persistent structural unemployment. The TWSP aimed to provide local and overseas Filipino workers with scholarship grants in order to fund training. At its initiation, PHP 500 million (USD 10.6 million) was provided to fund 100 000 scholarship grants that covered full or partial training costs (Orbeta and Abrigo, June 2011).

The TWSP was subsequently expanded in 2009 as part of the government's Economic Resiliency Plan (ERP) in response to the Global Financial Crisis in 2008. Under the ERP, the allocation for TESDA for TWSP increased by PHP 2 billion (USD 43 million) in 2009 (ADB, 2010). The total funding for the TWSP from 2006 to 2015 was approximately PHP 15 billion (USD 320 million). In the present TWSP Implementing Guidelines issued in 5 January 2015, the objectives of the programme are as follows:

> *The TWSP shall continue to be directed towards filling up the skills gap and job requirements of priority industries and sectors with high employment demand, improving the reach of quality TVET to the grassroots and encouraging technical-vocational institutions to offer programs in higher qualifications catering to in-demand industry requirements. This shall be supportive of the government's thrust of rapid, inclusive and sustained economic growth.*

The main beneficiaries of the TWSP are those who are unemployed, over 18 years old, have no formal or vocational training and are from regions and provinces with high incidence of poverty. The scholarship grant covers the cost of training, assessment and certification. The training cost per course is determined by TESDA.

The TWSP is conducted through over 4 000 technical and vocational institutions (TVIs) across the country, 90% of which are private TVIs. The TVIs must be registered with TESDA and must reach a minimum threshold of completion rate, certification rate, employment rate and other criteria set by TESDA. The training providers are expected to facilitate the tracking and job placement of their graduates. They must commit to an employment rate of at least 60% of the trainees within six months to one year of graduation. Some TVIs are based in IAs or within specific firms.

TESDA aims to pursue partnership agreements with industry associations/bodies/groups shall be pursued and encouraged. Such arrangements shall focus on identification of priority qualifications/programmes, conduct of training programmes, selection of qualified TVIs, commitments on employment rates (which vary across the IAs) and facilitation of employment of TWSP graduates. There is also a provision for the creation of a Training Development Fund (TDF) to be managed by the concerned IA, which shall come from the minimum amount of 10% per voucher allocation for every hired graduate. This is supposedly a fund replenishment scheme to extend the mileage of the scholarship programme.

TESDA has partnered with eleven IAs in key employment generating sectors to implement TWSP. These sectors include the software, health management outsourcing, plumbing engineering and electronics industries. For this case study, representatives from the Information Business Processing Association of the Philippines (IBPAP); the Philippine Software Industry Association (PSIA); the Semiconductor and Electronics Industry in the Philippines (SEIPI); and the Philippine Society of Plumbing Engineers, Inc. (PSPE) were interviewed.

Impacts of the Programme

Number of graduates and employment rates

To date, the TWSP has reached and benefitted over 2.4 million unemployed people. Of these, 2 231 650 people successfully graduated from the programme in the period between the programme's inception to August 2015. A major indicator of the effectiveness of the programme is the employability of its graduates. TESDA has conducted Impact Evaluation Studies (IES) to monitor and assess the efficiency and effectiveness of TVET based on the employment outcomes of its graduates. The employment rate for TWSP graduates has increased from 55% in 2008 to 71.9% in 2014, which exceeds the national average employment rate of 62% for general TVET graduates.

Relevance and responsiveness to skills needs of the industry

Employers were categorical in saying that TWSP is relevant and responsive to their needs. With the programme, employers were afforded the opportunity to hire better-trained and qualified workers from among the TWSP graduates. In a way, TWSP can be considered as a kind of government incentive or subsidy for the training costs that would have been normally incurred by employers.

The Philippine Software Industry Association (PSIA) was one of the earliest participants in TWSP. A representative from PSIA noted that the programme was an effective response to a shortage of skills in the IT sector in 2006. Graduates from IT courses were failing to meet the requirements of the industry, which required skills in new technologies including COBOL, Java, Microsoft and Oracle.

After the industry approached President Arroyo with their concerns, TESDA was instructed to meet with PSIA to help to develop a bespoke training programme. PSIA identified trainers who were industry practitioners. Subsequent TWSP graduates had an almost 100% employment rate, in part because companies in the software industry had taken part in the recruitment and selection of programme participants.

Similarly, the Information Business Processing Association of the Philippines (IBPAP) noted that the TWSP "did a lot for the industry" particularly in addressing the shortage of call centre agents. The government provided PHP 500 billion (USD 10.65 million) for remedial training which produced 40 000 call agents and 30 000 graduates in other skills needed by the ICT sector, including animation, medical transcription and computer hardware servicing. The IBPAP served as an intermediary for the training involving various establishments in the sector. The TESDA and IBPAP collaborated in developing the Training Regulations for the various courses to address the skills need of the sector. According to IBPAP, the employment rate for all the graduates averaged 70%.

The training centre of the Philippine Society of Plumbing Engineers (PSPE) had produced almost a thousand plumbers since 2009, thus addressing the need for certified plumbers in the booming construction industry. PSPE notes that big construction companies subsequently hire most of the TWSP participants who complete on-the-job training in their enterprises. The Society notes that there is no longer a shortage of plumbers in the construction industry, based on fewer requests received from recruitment agencies for plumbers for overseas employment.

TESDA is able to respond quickly to the skills need of firms. For example, in 2014, four establishments needed 100 skilled workers in articulated driving. Since the TR for this skill

is already available, the training programme was conducted in the work premises of the establishments and the employment rate for graduates was almost 100%. Another firm that registered as a TVI was able to train 600 people in skills required to handle advanced technology, including industrial automation, instrumentation and control servicing, and electrical installation and maintenance. Another establishment in the butchering industry registered as a TVI and conducted a course on butchering appropriate for its "world class" facilities. The training, however, was undertaken only once. The firm hired its own employees and the other graduates easily found jobs locally and abroad.

In 2014, Semiconductor and Electronics Industry in the Philippines (SEIPI) conducted training for 3 400 operators urgently needed by the semiconductor industry. This was done through five companies which registered as TVIs. In the past, SEIPI had a cadetship programme for the operators, which took six months to complete. With the training curriculum formulated by the industry representatives and TESDA, the duration of the training was reduced to five days classroom and five days of hands-on-training. Most importantly, the training was actually conducted in the enterprises. The SEIPI representative stated that 95% of the graduates were employed. In 2015, SEIPI has been granted 7 000 scholarships in five newly approved training regulations for the industry. These priority TRs were identified through industry consultations. Representatives from some of the IBs raised administrative concerns regarding the differences in documentary and administrative requirements between TESDA offices, including with respect to proposals, delays in approvals and payments and a lack of a feedback system.

Partnership of TESDA and Industry in the identification and formulation of training regulations

In 2004, the TESDA Board promulgated a policy that all training programmes should have a TR. It is worthy to note that through various industry consultations, as reported in the LMIRs, priority TRs have been identified. TRs assure quality training as it is competency- and outcomes-based and contain minimum standards for trainers, training tools, equipment and facilities. The competencies cover three areas: basic (such as work values, communication and analytical skills), common (skills specific across the industry), and, core (qualifications that are distinct to the trade). The Philippine TRs are benchmarked with the Australian competency-based training and education framework. The TR System is ISO certified. As emphasised by the TESDA Director of the Qualifications Standards Office (QSO), employers must be involved in the process of determining TRs because they have direct knowledge of the skills needs and processes of the industry. It is also important that establishments recognise the value of TRs and commit to utilise them.

There are over 230 qualifications and courses included in the TWSP implementation. The IBPAP was involved in formulating nineteen TRs for the industry. The PSPE was actively involved in formulating three TRs on plumbing. SEIPI was instrumental in completing five new TRs for the semi-conductor industry. As mentioned earlier, four establishments collaborated in the development of the TR for articulated driving and conduct of training in their premises. One establishment was instrumental in developing the TRs for Mechatronics.

Representatives from TESDA also highlighted the importance of regularly reviewing and updating these TRs so that they are aligned with new technologies and industry processes. These TRs can be a good starting point for skills standards to be established at the ASEAN

region as the economies start integration. TESDA will continue to pursue the review of the TRs more aggressively through IAs and establishments that registered as TVIs.

Employer engagement in skills development

The objective of "*empowering training providers and expanding their absorptive capacity*" was accomplished with the greater involvement of establishments and IAs in the actual conduct of skills training. The employers interviewed highlighted the TWSP as a training programme that promotes the "*balance of theory and skills*" where their trainees gain theoretical perspectives alongside practical experience. Because they "*know best their skills needs, the work processes and technologies of their industry*," employers are able to provide appropriate and relevant on-the-job training. Moreover, the trainees are immersed in the actual work setting where they are able to train using "*state of the art and up-to-date machines, equipment and tools*."

In the course of the case study, the following models of training delivery were identified:

- TVIs conduct training to respond to (and supply) the specific skills needs of establishments that seek their training services. The TVI justifies its application for scholarship vouchers by presenting documents to TESDA that contain the actual skills requirements of the establishments.
- Private and public TVIs are selected by TESDA to conduct training for specific qualifications or courses.
- Employers or groups of employers register as TVIs to conduct training for their own requirements. For example, a firm that initiated an enterprise-embedded Mechatronics course in 2006 established its own training centre that is separate and independent from its industry operations. It conducts other training courses in addition to Mechatronics which continues to be covered by TWSP.
- Industry Associations such as the SEIPI and the PSPE establish their own training centres to conduct trainings. PSPE also undertakes a lot of other related training and development activities over and above the training for plumbing. It is worthy to note that the PSPE made a declaration that "*the training center they established did not receive any financial assistance from the government*". The training centre of SEIPI was recently established in 2014. Likewise, it was the IA that funded the establishment of the training centre. As mentioned earlier, before this happened, there were five member establishments which registered as TVIs.
- Industry Associations which co-ordinate the conduct of training for the need of their member establishments and institutions such as IBPAP, PSIA, ACPI, and HMOAP.

TESDA does not have reports on the number of establishments that registered as TVIs. Once establishments register as a TVI, they are not accounted in terms of "*establishments that became TVIs*." Moreover, there is no information to account for the accomplishments of IAs as a co-ordinating body. This information would have been useful to determine how many establishments became directly involved in training and how effective the IA was in co-ordinating the training programmes.

In the aftermath of the skills crisis experienced by the sector, the IBPAP initiated a project which involved the design and development of the Global Competitiveness Tool, an online test to assess the skills gap between new ICT graduates and newly hired employees. Twenty thousand individuals took the assessment and the results were utilised to identify the skills gaps, those who are "job-ready," and to determine the remedial training courses

needed. TWSP applicants and participants took the assessment tool. IBPAP used this information further to propose a new specialisation on Service Management under the Bachelor's degree in Business Administration, which has been approved by Commission on Higher Education (CHED). It contains a mandatory on-the-job component held at IT firms. This course has been deployed in 39 colleges and universities. The latest innovation is that this course is now offered on-line through the University of the Philippines Open University (UPOU). It is reported that about 300 initial enrollees are Filipinos working abroad (IBPAP Breakthroughs, March 2015).

In the case of PSPE, it partnered with the Professional Regulation Commission (PRC) to develop and design training courses for Master Plumbers, which build on the three TRs they have developed. The completion of said courses will enable them to comply with the continuing professionalisation of education requirements of the PRC for the renewal of their licenses. The association is also working on a new law that will strengthen and modernise the practice of their profession as the current law was passed way back in 1956.

Learnings and insights gained towards revitalising the Industry Boards

The experiences gained in the partnership of TESDA and the IAs should provide insights towards revitalising the Industry Boards and the Industry Training Centers as envisioned in the NTESDP. These "new breed" of Industry Boards may become the role models for the IBs contemplated in the NTESDP (2011-16).

These IAs are self-reliant, well-organised with permanent full-time staff and substantial membership from the establishments, professional and other stakeholders in the sector. They are quite different from the Industry Boards of the past, which were dependent on the funding from the then NMYC. Their operations are funded from fees and contributions of their members. Member organisations of IAs typically include over half of the companies in the sector. IBPAP has 300 members which also include six associations with their member companies (the Animation Council of the Philippines Inc., Contact Center Association of the Philippines, Game Developers Association of the Philippines, Global In-House Center Council, Healthcare Information Management Outsourcing Association of the Philippines and Philippine Software Industry Association). For example, the latter currently has 100 member companies.

PSPE has been in existence for ten years and has 600 members coming from master plumbers, small contractors and various engineering professions. It maintains a modest training centre but is equipped with state-of-the-art plumbing tools and machines. Through a partnership agreement, the training centre is able to use standard plumbing supplies and materials for the trainings, as these are donated by big construction companies and suppliers All their trainees complete two months of on-the-job training at actual construction sites of two of the biggest construction companies in the Philippines.

SEIPI, with 265 members, is the largest association of Filipino and foreign electronic companies in the Philippines. The electronics industry is one of the ten priority sectors identified in the Philippines Development Plan 2011-16.

It is important to highlight that IBPAP and SEIPI have formulated their respective Industry Road Maps. For IBPAP, its Roadmap of 2011-16 targets the creation of 1.3 million jobs by 2016. It sees its role as pivotal in "*sustaining the rapid growth of the IT-BPM industry by working to ensure supply of high-quality labour*" and in "*obtaining government support in the area of remedial training and educational reform at all levels*."

The SEIPI Road Map identifies the support needed from TESDA in terms of scholarships and development of training programmes and training regulations. A recent noteworthy development was the appointment by the President of the Philippines of the current SEIPI President as TESDA Board Member, representing employers for a three-year period with possible extension. This can be appreciated as recognition of the accomplishments of the IA and will likely result in greater employer involvement in TESDA programmes.

The IAs promoted continuous learning towards building a community of practice in the sectors. They have organised themselves into committees with regular meetings and discussions on new issues and trends, best practices, and other concerns to sustain the growth of the industry. IBPAP has done several summits on Information Technology. PSPE conducts regular trainings, workshops, and exhibits for its members in Luzon, Visayas, and Mindanao. It also conducts an Annual Convention of its members. They have built a wide network of partners to complement each other and share best practices. The IAs also produces technical journals, newsletters and other publications. They have been able to tap additional funding sources from government and foreign aid granting institutions for their strategic initiatives.

The Strengths of the Programme

The TWSP has enjoyed strong support from the government and funding has expanded over the programme's history. The establishments view the programme as responsive to their skills needs and priorities. The TWSP has provided incentives to TVIs and firms to undertake skills development, much like a subsidy for establishments for the training of newly recruited workers.

The government promoted a holistic approach in helping and engaging the industries in skills development and utilisation. A major factor for this is the organisational set-up of TESDA. Its highest policy making body, the TESDA Board, is composed of members from various government departments, representatives from the employers, industries and workers.

Similarly, government bodies have assisted IAs in developing long-term plans towards skills development. The Department of Trade and Industry assisted SEIPI in the formulation of its roadmap. The CHED assisted the IBPAP in many initiatives already mentioned elsewhere in this report. The Department of Science and Technology and its agency, the Information, Communication and Technology Office, gave financial and technical assistance to IBPAP in the formulation of its roadmap. These road maps highlight the need for and the importance of a talented and skilled workforce.

Another facilitating factor is that TESDA has rationalised its structure, specifically, with the objective of encouraging more industry participation. As earlier mentioned, an Office on Partnership and Linkages was created for this purpose. TESDA has initiated and convened numerous meetings, fora and summits on TVET and consultations with industry associations on their skills requirements. There are also capacity-building programmes for the officials and technical staff of TESDA on effective strategies and approaches in engaging the industries to support TESDA and in coaching skills to better evaluate and assess needs of industry partners. TESDA has embarked on the ISO certification of its various work processes such as the Development of Training Regulations, Competency Based Assessment Tools, Programme Registration, Assessment and Certification. For three years now (2008, 2011 and 2014), TESDA has undertaken an Employers Satisfaction Survey

which provides information on the overall satisfaction of employers with TESDA graduates, their skills demand, the skills upgrading given to their workers, and their suggested improvements of TESDA programmes, among others.

Another positive contributing factor is the reputation of TESDA as an expert provider of technical-vocational education. This has been complimented by improved perceptions of vocational education pathways, ensuring that there is now value and recognition associated to a TESDA certification. Certified TESDA graduates are most likely to be employed both in local and foreign jobs. The budget of TESDA has increased from PHP 2.3 billion (USD 49 million) in 2005 to PHP 7.38 billion (USD 157 million) in 2016. The high regard for technical-vocational education is also due to new policies on the ladderized education system and the Philippine Quality Framework (PQF) initiated by TESDA.

Weaknesses of the Programme

Weak administrative mechanisms

The data, information and reports on the TWSP are disorganised, incomplete and are not up-to-date. There is no master list of TVIs accredited for trainings. There is no breakdown of the budget for each region and province and for TVIs. As earlier mentioned, TVIs are not categorised as establishments or mainly suppliers of skills. The Project Management Office does not maintain a database on the TWSP that can be readily accessed by researchers. The District Offices were not able to provide situational and accomplishment reports. Data and information were also not readily accessible in the IAs interviewed.

The major source of data is nationally collected TVET Statistics (2005-11). However, this data is not complete or holistic, and there is no information on the number of graduates by qualifications and by sector. The Philippine Commission on Audit (COA), in its 2012 Audit Report on TESDA, stated that the government spent nearly PHP 230 million (USD 4.9 million) for the scholarship programme but failed to immediately provide jobs to at least 60% of the graduates. COA explained that it only managed to check 211 graduates out of over 24 000 but, it was alarming that of the 211 151 could no longer be located due to invalid contact addresses. In the same report, two loopholes were identified: the absence of a penalty clause in the agreement between TESDA and the training schools, and lack of a monitoring system on the employment status of participants. There were also no evaluation procedures on courses with few enrollees and low employment rates. Graduates were not required to report their employment status to TESDA or the training school (Philippine Daily Inquirer, 2012).

In 2011, TESDA established a Unique Learner Identifier (ULI) for tracking graduates. The ULI is a personal 12-digit alphanumeric code generated and allocated to TVET students. The ULI was intended to form a central record of learning experiences, assessment results, assessment results and qualifications, but the programme was ultimately discontinued.

Increased and more effective monitoring systems should have been implemented alongside the huge increase in government investment in TWSP. It is critical to have information about the employment status and skills of graduates. That there are almost 30% of graduates who are not able to find work after training should be a cause for concern, not to mention the major loss of the investments made for their scholarships. Relatedly, information on whether skills shortages have been addressed is also not available.

Similarly, TVIs and IAs complained of administrative processes such as delays in the approvals of the vouchers, which in turn delays the provision of training. There were also

instances of delayed payments for training services rendered. In 2011, 12 training centres complained that they had not received almost PHP 1 billion for training services rendered under TWSP. In response to the complaint, additional funds were committed to the programme. (ABS-CBN, May 5, 2011).

Approximately one third of TWSP scholars are college graduates or undergraduates, who may not be the target beneficiaries of the programme. This can undermine the ability of unskilled unemployed people to access training services. Similarly, poor management and record keeping between TESDA offices has resulted in reports of students claiming more than one scholarship from different districts. Recruiting participants to the TWSP could also benefit from the input of other government departments, including the public employment service.

Capacities and selection of TVIs

There are 4 000 TVIs that may apply as training providers. The major criterion for acceptance as a TVI for the purposes of TWSP is a proven track record in terms of the employment rates of their participants. However, given inadequate information on graduate performance, the selection process is constrained. There were comments given that "*some TVIs are there for the business and some are favored due to political considerations,*" and that "*scholarship vouchers are given out by some politicians*."

Similarly, many TVIs lack the capacity to deliver training appropriate for the TWSP. PSIA noted that many IT training providers employ teachers without industry experience. One IA raised the concerns that "*some TVIs do not have competent trainers to conduct effectively the training even if they utilized and supposedly followed a well-developed TR that the IA has developed*." Another IA also commented that their industry has developed a revised TR for Call Agents but some TVIs are still using the old TR for said course. Relevant to this concern is the lack of information on the performance of TVIs, in terms of graduates and passing rates in the assessment examinations. Systematic collection of this information could help to enable better and more informed decisions on the selection of TVIs to be provided scholarship grants.

Lack of clear parameters for the identification of priority skills

It is not clear how priority skills are determined at the provincial and district level. While regional offices are obliged to report on skills demand and supply, there is a lack of transparency regarding the process of utilising data to determine local labour market conditions. This may be a function of the lack of a strong working relationship between TESDA and the Bureau of Local Employment, who are mandated to develop labour market information.

Institutional mechanisms could be harnessed to provide relevant and timely labour market information, including the Provincial Technical Education Skills Development Committee; the PESO, representing the local government; the Association of TVET Providers; and IAs. While there are industry fora and consultations conducted, it appears that these are not institutionalised or convened regularly.

Both DOLE and TESDA generate a lot of reports and information that can be inputted into the LMIS. There are no protocols on how all these information are brought together, validated, calibrated and translated into plans and targets. There appears to be much leeway on the part of the Provincial/District Director to make the "judgment call" on the list

of TVIs, the courses to be offered and the number of scholars. A relevant organisational issue that needs to be looked into by TESDA is the understaffing at the Provincial/District level, where there are only eleven staff which perhaps prevent them from performing their mandates of overseeing, linking and co-ordinating with relevant stakeholders and institutions, identifying priority skills needed, identifying the TVIs, evaluating the performance of TVET providers, and monitoring the graduates. One senior technical staff in the regional office mentioned that the office needs a server given the large data files they maintain but there is no budget for this.

Many ministry departments fail to effectively engage employers in skills development and utilisation

There are many programmes in DOLE and TESDA that have overlapping and duplicating aims which could be merged. For example, DOLE and TESDA have both established concurrent skills profiling and career guidance systems. Information and career guidance services are spread across DOLE and TESDA, while unemployment registries have been piloted in some regional offices of the public employment services. As these data are related and complement each other, merging their use could help inform policy making decisions. Similarly, there are potential complementarities associated with the JOBSTART programme, an initiative funded by the ADB which also aims to respond to unemployment amongst young people.

The role of the PESO is not well defined in the TWSP

It is noted that very few TWSP graduates utilise the PESO for job placement and employment facilitation. In the latest IES, it was revealed that only 2.4% or 10 080 out of 450 000 TVET graduates utilised the PESO. Moreover, TESDA established Blue Desks which functions overlap with the PESO, as it also performs career counselling, job placement and employment facilitation services. It is noted that the functions and activities of the PESO, as in the case of the Quezon City PESO, are not focused on its core functions on employment facilitation, career guidance and labour market information. It is also involved in other programmes of DOLE, which are nonetheless important, such as anti-illegal recruitment, elimination of child labour, promotion of industrial peace, promotion of social protection, promotion of clean and green environment projects, and anti-bullying. From a TESDA perspective, "*the PESOs should be more proactive in relating with TVET providers*." The 2015 Annual Report of the QC PESO included among its performance indicators the "*youth provided with bridging employment*" where TWSP was listed as a programme. However, there was no information on the number of target TWSP graduates to be assisted which may indicate a low priority given to this programme by the PESO.

Recommendations to improve the programme

DOLE and TESDA should collaborate more to ensure that TWSP scholars are given a complete package of assistance and are guaranteed decent jobs

To address the weaknesses earlier identified and to better utilise the funding for the scholarship programmes of TESDA, it may be worthy for the two agencies to collaborate to ensure that participants are given a complete package of assistance and that their participation in the programme will provide better job opportunities. The DOLE has an expansive budget to provide career guidance, counselling and lifelong learning skills to unemployed young people, which could easily be mobilised to assist TWSP students and graduates. This could also help the government maximise its investment in the TWSP and

improve the employment rate for the relevant scholars. The programme should be supported by a strong and effective monitoring and tracking system of the graduates.

A very crucial issue that needs to be resolved by DOLE and TESDA is: who should really be the target beneficiaries. As it is implemented, the TWSP has become an "omnibus" window or programme for all unemployed. It may be best to refocus the TWSP on the unemployed youth that are unskilled and really helped those "*who have been left behind*." The other beneficiaries, e.g. returning OFWs, displaced workers, the educated and skilled unemployed may be covered by the other programmes of TESDA. There may be a second and separate programme category within the TWSP that can be created to encourage IAs and establishments to undertake skills upgrading.

Strengthen the Labour Market Information System (LMIS)

The TWSP must be supported by a labour market information system that provides relevant and timely signals and information on industry trends and employment opportunities, as well as reliable estimates on the demand for TVET services, ideally at the provincial/district level. The various stakeholders and duty-bearers should be identified. Clear accountabilities should be established. Several institutional mechanisms that are already in place need to be co-ordinated and orchestrated and existing databases can be connected. For example, the TVIs should be well connected with employment facilitation and placement offices.

There is the new law on PESO that mandates the creation of PESOs in all local government units and technical assistance to be provided by DOLE. PESOs are envisioned to be transformed into a "*modern public employment service intermediary and provides multi-dimensional employment facilitation services*". They will be provided permanent, career fulltime staff and operating budget from the Internal Revenue Allotment of the LGUs. Given these developments, there are prospects to rationalise and improve the generation of labour market information at the provincial/district level. As the PESO is an organic unit of Local Governments, it will have opportunities to access information that are vital or critical to the LMIS. The PESO should be the first in the field to get labour market signals of new industries and companies being set-up or of companies expanding their operations in the province/district level through their business permit offices and other appropriate offices. For example, IBPAP has already identified in its roadmap the "Ten New Wave Cities," the new IT-BPM Hubs where the prospects for growth of the sector are good and there is a projected need for skilled IT workers. The PESOs in these cities should have already geared up and prepared a plan for this eventuality. Likewise, inasmuch as SEIPI has already forecast 7 000 jobs, the PESOs should have actively linked with SEIPI.

Corollary to this is the need to put in place systematic and continuing capacity development programmes for the PESO, DOLE and TESDA, especially on how they can work together and the technical trainings needed to ensure a working and effective LMIS, including standards and manuals of operations. The BLE, with assistance from the ILO, has already developed a PESO Starter Kit: Guide to Understanding the Public Employment Service Office, which is already a good start. DOLE should continue recognising best performing PESOs.

Undertake a programme review of the TWSP and improve programme planning, design implementation, monitoring and evaluation

A programme review of the TWSP should be undertaken to address the various issues and concerns raised on administrative problems and system inefficiencies, and review the

relevance and viability of existing policies. For example, some of these policy concerns would be on the need to provide a penalty clause for failure to meet employment commitments; on defining and determining the period of time for the subsidy; on establishing the appropriate employment rate, i.e. should this be uniform (60%) or will it vary across sectors; and on how IAs and establishments can partner in the effective delivery of the training programme, from recruitment to placement.

As suggested by COA, there is a need to formulate and evolve assessment tools to measure the extent to which identified skills shortages have been addressed. For example, while PSPE mentions that there appears to be no shortage for plumbers, this is belied by information from a representative from the Philippine Constructors Association that there are shortages, not only of plumbers, but, also of other construction skills being felt by construction industries. He cited that for their construction projects in Iloilo, plumbers and other construction workers have to be hired from Manila and Cebu. Another example, in 2006-09, there were 18 700 baristas trained and this course continues to be offered to this day. How many more baristas will be needed by the tourism sector?

There is no policy on the length or the period of time establishments are entitled to scholarship grants as well as limits on the grant amount. For example, one company has been enjoying the grant since 2006 or for nine years now. It trains for its sister company, which is a service company, and supplies graduates to its client agencies. SEIPI is supported with 7 000 scholarships in 2015. Even with a minimum cost of PHP 5 000 per participant, the amount involved of 35 million pesos (USD 75 000) is substantial. For how long should this scholarship grant continue for the semi-conductor industry? Big establishments (e.g. Makati Development Corporation) are also accessing TWSP. This issue has an implication on the government subsidising skills-development where the company may already be in a position to provide for this expense. Again, there is an equity issue as there can be other companies, most specifically small and medium scale industries, which are also deserving and needing of help. A policy which will address these concerns should be promulgated by TESDA.

By providing a stricter policy on employment commitments which may include penalties, establishments and TVIs shall be made more accountable. The rise of employment rate of TWSP graduates to 70% should already indicate the need to revise the current requirement of 60% employment rate.

Technical Assistance Programme for IAs/IBs

As early as 2004, TESDA has identified four sectors (health, tourism, ICT and agri-fishery) as priority for the development of Industry Boards. With PSPE, SEIPI and IBPAP as "role models" of IAs engaged in skills development, DOLE and TESDA should promote, encourage and assist in the creation of Industry Associations, which can become effective mechanisms to ensure direct participation of employers and workers in the design and implementation of skills development programmes. There may be a need to formulate a technical assistance programme for TESDA and IAs that will include the crafting of policies that will encourage and expand industry participation, skills upgrade, as well as the financing arrangements. The TWSP can continue to be utilised for this purpose.

An IBPAP representative commented that they have had no opportunities yet to discuss with TESDA regarding the IA evolving and becoming an Industry Board, as envisioned by law. On the Training Development Fund, one IBPAP Executive said, "*this is like a placement fee, as companies who recruit graduates will pay the fee*." She added that if it is the

company undertaking the training and employment of the graduates, it is not clear why it should pay a training fee. According to the IBPAP representative, the fund that has been collected so far is still with the association. TESDA should clarify the mechanics of the utilisation of the Training Development Fund.

There should be initiatives to increase awareness on the part of employers, especially in small and medium scale industries on schemes for employers' participation in skills development through Industry Associations. The other agencies of DOLE like the National Wages and Productivity Commission, which are helping small and medium scale industries, may be tapped for this purpose. The relevant government agencies can be tapped to help these IAs formulate their Industry Road Maps, as was undertaken by DTI for SEIPI and DOST for IBPAP. For example, the Department of Agriculture should be tapped in helping the agri-fishery industry as a priority sector.

Consider other forms of assistance to employers other than scholarship grants.

Some examples of other forms of assistance have been suggested by the IAs. PSPE mentioned allowing the use of idle government buildings for their training. SEIPI raised the possibility of providing incentives for companies that allow their experts to have time-off when they are involved in the crafting of TRs, as well as in their necessary revisions, given rapid changes in technology and work processes. There is a need to build a pool of trainers in critical industries with projected skills shortages and provide incentives to encourage them to stay in the country.

Potential Transferability

This study showed the viability and benefits of the TWSP. It improved the employability of the unskilled, poor and unemployed youth in the Philippines. Through the programme, establishments were encouraged to participate in skills development and utilisation. Moreover, several establishments within an IA also collaborated to address their skills need. And this arrangement provided learnings and insights towards expanding the role of IAs and IBs in skills development. The programme also increased training capacities of TVIs. The programme produced Training Regulations which were intended to improve the quality and standards of skills training. There were weaknesses that were identified which can be attributed to the large-scale operations of the programme and the inefficiencies and inadequacies of the administrative and support mechanisms. There were also governance issues related to better transparency in the selection of TVIs and the involvement of the political leaders.

There is scope and potentials to further expand the programme and improve its impact. The programme needs to be redesigned and refocused towards better targeting and selection of the beneficiaries, capacitating and strengthening the roles of key stakeholders, most especially the PESO in generating LMI, tightening the criteria for the scholarship grants and improving monitoring and performance evaluation. It is worthy to consider implementing the programme at the lowest political and administrative unit of the community, e.g., the barangay, where accountabilities may be better identified and the support and commitment of the community leaders and constituents are harnessed.

The TESDA and the DOLE should leverage the programme to encourage establishments and industries to engage in skills upgrading in the context of the on-going integration of the economies of the ASEAN and the rapid changes in technology and work processes. It is also important to mainstream the programme in small and medium scale industries in the country.

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