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Putting in Place Jobs that Last: A Guide to Rebuilding Quality Employment at Local Level

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PUTTING IN PLACE JOBS THAT LAST

A Guide to Rebuilding Quality Employment at Local Level

What is the LEED Programme?

The OECD Programme on Local Economic and Employment Development (LEED) has advised government and communities since 1982 on how to respond to economic change and tackle complex problems in a fast-changing world. It draws on a comparative analysis of experience from some 50 countries in the Americas, Asia, Australasia and Europe in fostering economic growth, employment and inclusion.

The purpose of this guide

Addressed to both local practitioners and national policy makers, this guide reviews responses to the recent economic downturn and the steep rise in unemployment in OECD and non-OECD countries, before identifying key principles for returning our communities to more sustainable growth for the future.

In the coming years, a new partnership between the public and private sectors will be necessary to develop better quality jobs with possibilities for progression and greater accessibility for all. The guide reviews the most recent policy tools being trialled in OECD countries to contribute to this objective, illustrating the key messages with a variety of different case studies.

Why local?

There is strong variation between local economies in terms of the business base, the skills level of the workforce, resource and assets. The latter includes both natural resources but also the socioeconomic and physical legacies of historical development. While public policy is frequently delivered as if "one size fits all"; the economic downturn has impacted on communities in diverse ways. National governments need to award flexibility to their delivery agencies in developing a response that is appropriate to local conditions.

As local problems become more complex, a cross-sectoral response is often needed, drawing together government policies in the field of employment, skills and economic development among others. The local level is the level at which government policies can be effectively combined to tackle concrete issues. It is not just public actors that can benefit from working together in this context. It is also necessary to mobilise representatives from the social partners (trade unions and employers) and the not-for-profit sector (voluntary associations and community groups), to work in partnership together on specific issues. It is hoped that this guide will be useful both for local practitioners, and national government officials seeking to provide a better framework of support for local communities.

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Introduction

The recent economic downturn has been a shock to the global system, producing a strong policy response from OECD governments, including increased funding for active labour market policy, support for companies implementing short-time working[1], and fiscal stimulus for job creation in the public sector.

While these interventions have proved effective in helping businesses and workers to ride the crisis, their impact is expected to be of limited duration. In parallel, countries need to be laying the foundations for a more sustainable economic future. Actions are required at both the national and local levels to support a structural adjustment conducive to more and better jobs.

Drawing on over three decades of research in local employment and economic development policy the LEED Programme has identified a series of principles which should underpin government and community action in the post-downturn economic context. These include:

- creating an adaptable skilled labour force;
- better utilising skills in the local economy;
- supporting employment progression and skills upgrading;
- gearing education and training to emerging sectors, and;
- putting in place good local governance.

The downturn has highlighted the vulnerability of workers who are no longer essential to production processes due to either low skills, or "old skills". In the future, communities will need to build a more skilled workforce which is less expendable, more adaptable to change and better able to transfer within and between economic sectors. This will require investing in generic skills and life-long learning through broad-based strategies that support the attraction, integration and upgrading of talent.

However, it is not enough to just invest in the supply of skills. Employers also need to address the organisation of their workplaces so as to better harness the skills of their workers, and create more sustainable employment opportunities in the future. The economic downturn has raised awareness of both the vulnerability of modern economies, and a rising inequality in our labour markets. The long period of sustained economic growth prior to the downturn led to poor improvements in standards of living for many in OECD countries. Net wages and income have stagnated for a large proportion of the population while income inequalities have increased.

Before the crisis, many governments were aiming towards full employment. What has become obvious today is that while strong job growth helped economies to prosper, this disguised an inherent problem in the creation of relatively unproductive jobs. Such jobs kept people in employment, at least temporarily; however, they also provided relatively low salaries, creating a section of society that could be classed as the "working poor". During the recovery, a new approach to employment and skills will be

[1] Short-time working means a period during which the employer does not require the employee to be available to work the full number of hours usually worked under the contract of employment.

necessary which has much closer ties to the longer-term economic development of local communities and the competitiveness of national economies.

Those communities that are bouncing back the quickest after the downturn are those that specialise in certain economic sectors but are flexible enough to take advantage of new and emerging global market opportunities as they develop. The rising importance of green technologies, and the health and elderly care sectors, may prove valuable sources of job creation in the medium term, and education and training services will need to prepare future workers for these sectors. At the same time it will be important not to lose sight of local assets and local comparative advantage. "Flexible specialisation" will be key.

Spotting key priorities for future development is not easy when there are a plethora of local actors working on different strategies and in different partnerships at the local level. At a time when public budgets are becoming increasingly tight such fragmentation is no longer acceptable. As governments reduce spending in order to pay off their deficits it will be important to make public policy more efficient, through reducing duplication and better aligning activities locally. Many lessons exist from different OECD countries on how to make local governance more effective, and now is a good time to put these into practice. LEED research shows that it is often following a crisis that people really come together and work for a common future.

The crisis:
Responses at the local level

Background

A review of local responses to the crisis

The global economy has been going through its worst economic crisis of the past fifty years, and this has had strong impacts on employment. Data for early 2010 suggest that unemployment in OECD countries may have peaked, and the most recent projections imply that economic recovery is underway. However the recovery will not be strong enough to bring the millions of newly unemployed back to work quickly. The OECD expects 1.9% average GDP growth in the OECD area for 2010 and 2.5% for 2011. If these projections are confirmed, unemployment will decline slowly and still be significantly higher at the end of 2011 than it was before the crisis (OECD, 2010). A major concern is that this becomes a longer-term problem, with the unemployed drifting into long-term joblessness or dropping out of the labour force altogether.

In their response to the crisis, national governments have put in place a number of measures in the field of employment and training policy, including reinforcing social nets, and scaling up the resources for active labour market policies (ALMPs) aimed at helping jobseekers find work. Significant injections of capital as part of stimulus packages have led to job creation at the local level both in the public and private sectors. Work has also been undertaken directly with firms to retain vulnerable workers, for example by helping firms implement short-time working schedules. Such actions by national government have also been matched by actions to invest in employment and skills at the local level. In particular there has been a strong regional and local dimension to actions in the following areas:

Better matching services: governments have been putting in place activities to quickly match displaced people to new jobs through "one stop shops", "mobility centres" and "emergency desks" at the local level. In some countries the private sector and the unions have been strongly involved in initiatives to better facilitate "work to work" transitions.

Investment in education and training: in previous downturns much investment was aimed at helping displaced workers to re-train for employment in new and emerging sectors. Such re-training continues today, particularly in identified "problem regions", however communities are also focusing on broader schemes to upgrade skills and keep people economically active, particularly youth.

Job creation: many OECD countries have introduced stimulus packages which have had an impact in creating jobs at the local level, both in the public and private sectors. In addition, local agencies are seeking to support job creation through other routes, such as stimulating entrepreneurship and social entrepreneurship, which may be more sustainable in the long term.

Support for business to raise productivity: a number of localities and regions have put in place schemes to invest in the productivity and adaptability of local industries to ensure that they are less vulnerable to economic downturns in the future.

Building local capacities: national governments have sought to build capacities at the local level to deal with the higher numbers of active job seekers. There has also been an emphasis on increasing co-ordination at the local level to create a joint approach to rebuilding local economies.

Table 1 provides examples of different types of activity under each theme.

Table 1. Responses to the economic downturn by theme

	National schemes with a local dimension	Examples of local and regional schemes
Improved job matching	In the **Czech Republic** a set of regional outplacement services have been established, in partnership with private suppliers, for those made redundant in the industrial sector. In **Japan**, emergency employment consultation desks have been set up at the prefectural level to help people to find new jobs. In the **Netherlands**, the government has established 30 mobility centres to promote co-operation between companies, trade unions and job-finding organisations in helping displaced workers to find new employment.	In the city of **Los Angeles** (United States), community colleges are hosting WorkSource Centers which aim to connect students to jobs and further education. In **Flanders** (Belgium) a scheme called "employment premium 50+" is being adapted to encourage the recruitment of people above the age of 50 in times of crisis. Flanders is also working to create improved career development paths for older people.
Skills development	In **Austria** there has been a temporary expansion in regional training programmes for the unemployed. In **Japan,** funding for vocational training has been increased in regions with difficult employment situations. The training is being provided by vocational schools, universities, businesses and NGOs, with prefectural governments playing a leading role in planning. Free training has been put in place for displaced workers for up to 3 months. The regions are chosen on the basis of vacancy rates in the local economy. In the **Netherlands**, *Leerwerkloketten* (learning and working service desks) seek to improve the transition from education to the labour market. Thirty learning and working service desks have been created, at the same governance level as the Dutch mobility centres (see above). In **Canada**, funding has been provided for the creation of a two year Strategic Training and Transition Fund to support provincial and territorial initiatives that assist individuals to obtain employment or transition to new jobs, whether or not they are eligible for employment insurance. Target groups include the self-employed, and people who have been out of work for a long time.	Employment Region **Copenhagen & Zealand** (Denmark) have launched campaigns to promote education and vocational training for adults and especially young people (under 30 years of age). In Croatia, the city of **Vukovar** has co-operated with the Croatian Employment Service and the Regional Office Vukovar to put in place extra training for unemployed people with IT skills including: web design, graphic design, system administration and programming. **Northern Ireland** has introduced a scheme called "Skillsafe" which provides contingency plans for apprentices who have been made redundant in the economic downturn. When an apprentice has been placed on short-time working as a result of the recession, the Department of Employment and Learning fills the down-time with training and pays a training allowance to offset the loss of earnings. The Italian autonomous region of **Trento** has set up specific training programmes to maintain professional skills amongst vulnerable local workers through support to firms.

	National schemes with a local dimension	Examples of local and regional schemes
	Additional funding was provided in **Canada** to support Aboriginal skills development through opportunities-based partnerships between Aboriginal organisations, employers, the provincial/territorial government and educational institutions. The initiative has resulted in the creation of over 100 projects, supporting Aboriginal people in obtaining the necessary skills to adapt to the changing labour market environment and secure long-term jobs.	In **Flanders** (Belgium), employees who are temporarily unemployed for economic reasons have the opportunity to participate free of charge in training programmes provided by the Flanders employment service (VDAB). In addition, employees on short-time working receive a "bridging premium" and an additional premium if they use their free time for training purposes. 26 sectors have also received additional means (some EUR 10 million in total) from the Flemish government to invest in skills development. In **Vienna** (Austria), the new Vienna Labour Market Package is increasing the range of qualifications which the Vienna Employment Programme Fund traditionally offers, with a substantial proportion of the funding being earmarked for young people. In the United Kingdom, the **Welsh** Assembly Government launched ProAct for the automotive industry to provide financial support for companies seeking to train their workers during a period of short-time working.
Job creation	In November 2008, the **Australian** government announced a AUD 300 million Regional and Local Council Infrastructure Program (RLCIP) to boost local economic development and support jobs in all of Australia's 565 local council areas. In addition an AUD 50 million strategic projects fund was put in place for larger-scale community infrastructure to help deliver an additional injection of investment in communities. The latter was based on a competitive tendering process. In **Japan**, regional employment creation councils have been set up to facilitate job creation in both the private and public sector. This includes revitalising regional industries, and creating new services such as meal distribution services for the elderly and childcare services. The latter is funded through a special grant to prefectural governments totalling JPY 400 billion, the largest amount in history, aimed at supporting the creation of employment opportunities. There is also a special subsidy available to local governments that temporarily hire job leavers, for example, to carry out earthquake-proofing in schools, environment/ regional development projects (forest improvement); nursing-care and welfare services (nursing-care supports for elderly people); and education (math/science and IT education by assistant teachers).	In Ireland, **Ballyhoura** Development (a local development company) has been providing information, advice and guidance supporting unemployed individuals in enterprise and self-employment. The municipality of **Paltamo** in northeast Finland has set up a new employment agency to link unemployed people to new job opportunities emerging at the local level in the public sector. Work includes renovation and repair work, forestry work and other environment maintenance work with wages being subsidised by the Employment and Economic Development Office. In Russia, the **Kirov Region** has put in place a programme of community services to provide temporary employment, while also establishing special programmes to encourage unemployed people to start their own small (micro) business. At the same time they are supporting SMEs by providing tax incentives for small business and reducing administrative barriers. The city of **Los Angeles** (United States) has introduced a strategy to put 16 500 young people into job placements.

	National schemes with a local dimension	Examples of local and regional schemes
	In **Korea** youth internships have been introduced in both central administrative agencies and also local governments and local public companies. The government plans to increase funding for this measure in 2010 and is targeting the creation of 50 000 internships. In **Slovakia**, the government has been seeking to create more favourable conditions for social enterprises with a view to supporting the creation of regional and local employment. This includes relaxing the legislative framework for social enterprises and reimbursing wage and training costs in social enterprises which support regional and local employment. Municipalities are now able to set up social enterprises in all fields. In **Spain**, the government has put in place "Plan E" which includes a public investment fund for local co-operations with the target of creating and/or maintaining 300 000 jobs at the local level. This has supported public works in construction, industrial promotion, advanced technologies, sustainable mobility and tourism. In the **United Kingdom**, the Future Jobs Fund aims to create 150 000 additional jobs which will benefit communities and are primarily aimed at 18-24 year olds who have been out of work for nearly a year. Local organisations can bid for funding to support job creation, but generally awards are being made to partnerships led by local authorities or not-for-profit organisations. 50 000 jobs are specifically being targeted in unemployment hotspots and around 10 000 are aimed to be green jobs. In **Canada**, a Government of Canada initiative called "Canada Summer Jobs" provides funding to help employers create summer job opportunities for students. It is designed to focus on local priorities, while achieving tangible results for both students and their communities.	In the Belgian region of **Wallonia**, a new scheme has been set up to encourage unemployed people to set up as "auto entrepreneurs", allowing people to continue to access benefits and receive free guidance while establishing their business. Subsidised jobs have also been created for youths in SMEs. The **Flemish** government in Belgium has invested EUR 7 million to create a Social Investment Fund to reinforce the social economy sector. A recovery plan has also been developed in this sector which provides temporary subsidies in order to save jobs and delivers 150 000 training hours to build relevant competencies. In addition, a sector specific manual entitled "Alternatives to Dismissal" (*Alternatieven voor Ontslag*) is being developed to advise sheltered workplaces with economic problems on how to avoid redundancies.

	National schemes with a local dimension	Examples of local and regional schemes
Raising productivity and promoting innovation	**Canada**'s Economic Action Plan provides support for resource-dependent communities to diversify and transition through the Community Adjustment Fund. Regional development agencies are the delivery agents for this fund. In **Spain**, an integrated plan has been drawn up with the social partners and regional governments for the automobile industry, in order to preserve existing jobs by driving competitiveness in the sector through training and innovation, amongst other things.	In **Flanders** (Belgium) a sectoral and sub-regional approach has been taken to active restructuring policies, for example European funding has been used to promote restructuring in the Flemish textile sector. The city of **London** (United Kingdom), has introduced a new GBP 1.3 million Manufacturing Advisory Service. This delivers technical advice to enable companies to improve productivity and profitability by adopting and implementing new technologies, methods and processes and by investing in skills development and training. The city of **Milan** (Italy) has launched a Programme for Innovation supporting innovative research and development projects in ICT, fashion, energy and food sectors, undertaken by SMEs set up by young entrepreneurs. The programme is financed by the council in partnership with the chamber of commerce, city universities, national research council and Assolombarda (Province of Milan Firms Association). Elsewhere in Italy, in **Trento,** the province has increased investment in overall system productivity and competitiveness (ICT investments, energy efficiency, lowering administrative burden for SMEs, providing more efficient new funds for industrial research). In **Québec** (Canada), technical assistance is being provided to companies as part of the regional *Pacte pour l'emploi plus* to help them better manage human resources and become more adaptable to change.
Building local capacities	The **Australian** government has appointed Local Employment Co-ordinators in selected regions to support communities hardest hit by the global recession and help drive local responses to unemployment. Priority regions are decided on the basis of unemployment rates, industrial base, education levels, numbers of those registered for benefits and historical experiences in previous downturns. In **Hungary,** in order to reinforce active labour market programmes, the second phase of decentralised projects (projects implemented by the regional labour centres, co-financed by the European Social Fund) was launched ahead of its original schedule.	

	National schemes with a local dimension	Examples of local and regional schemes
	In **Ireland** FÁS Employment Services together with Local Employment Services have put in place measures to increase capacity to deal with the increased number of unemployed seeking job search assistance. In **Poland**, new legislation has introduced special programmes to better adapt the services of the public employment service (PES) to the needs of local labour markets. Poland has opened some of the services of the PES to the employed (*e.g.* postgraduate studies, training loans, on-the-job training) and developed special programmes which allow local offices more discretion in supporting vulnerable groups in the labour market with individually designed services and on-the-job training for adults, associated with certified qualifications.	

Source: The information for this table was compiled from a number of sources including a questionnaire to OECD countries conducted by the OECD Secretariat (ELS) and the European Commission in January and May 2009, a questionnaire circulated by the OECD LEED Forum of Partnerships and Local Governance, and the OECD publication, "Recession, Recovery and Reinvestment: The Role of Local Economic Leadership in a Global Crisis" (Clark, 2009).

Emerging issues

While some of the above local initiatives have had difficulties in implementation (particularly attempts to support training for those in short-time working, where employer buy-in has sometimes been slow), others have helped local communities to mitigate the worst effects of the crisis. Job matching schemes can be valuable if they prevent people from falling into unemployment by facilitating work-to-work transitions, for example. The mobility centres in the Netherlands have received strong support from social partners, enabling them to effectively place people into new jobs in the same locality. Many of the people who have been recently made unemployed are not "traditional" job seekers, and will not be experienced in using the Public Employment Services. For such groups, new developments in the field of virtual Internet-based job-matching tools may also be particularly useful.

Investment in education and training is a good means of maintaining labour market attachment for vulnerable groups whilst building greater resilience to labour market change in the future. Indeed the OECD argues that it is advisable to shift from a "work-first" approach to active labour market policy to a "train-first" approach for those at high risk of long-term unemployment in the context of the downturn (OECD, 2009a). The focus by local and regional policy makers on youth *e.g.* through expanding apprenticeship schemes, is also particularly justified. As in previous economic downturns, those already disadvantaged in the labour market – youth, the low skilled, immigrants, ethnic minorities and those in temporary or atypical jobs – are bearing most of the brunt of the job losses. However losing a job can have a particular impact on youth as long unemployment spells upon completion of secondary education can have a severe effect on employment prospects over the lifetime, creating a "cohort" effect (OECD, 2009a).

Other "at risk" groups appear to be less targeted by locally-based initiatives to date, which is a concern. While local job employment agencies may find it best to use their limited resources to help the "easier to reach" in order to get people back into employment quickly, they cannot afford to neglect harder-to-reach groups who are likely to lose skills and motivation through longer-term unemployment. Given the context of the ageing population, it is particularly vital for the resurgence of local economies that older workers are not encouraged to leave the labour market through early retirement. In addition, unemployed immigrants may leave communities if they are not helped to regain appropriate employment, meaning that skills and talents will be lost and there could be increased risks of skills shortages in the future.

Job creation schemes at the local level in the public sector can provide a useful, temporary backstop which helps preserve labour market attachment during recession, but OECD research on the longer-term success of such measures is not very encouraging (OECD, 2009a) so they need to be time-limited. Investment in entrepreneurship, productivity and innovation at the local level is perhaps more sustainable in the longer term, particularly as investing in new production processes and mechanisms for work organisation can improve the quality of employment on offer for local people. In addition, it is interesting to note the increased support being given in countries such as Slovakia and Belgium to the social enterprise sector - social economy organisations have the capacity not only to create jobs but also to provide local services at a time when public sector resources may be dwindling. Social economy organisations can also play an important role in fostering social inclusion. These organisations frequently work with target groups who are particularly likely to be forced into economic inactivity during a crisis, providing an efficient delivery vehicle for public policy targeting these groups (Noya, 2009).

Finally, building capacities at the local level will obviously be important to create a more efficient and better co-ordinated response at local level. In particular local agencies will need greater flexibility both to deal with new types of client and to participate in more strategic responses to the crisis, investing in new job creation and upskilling local workers for the future (Giguère and Froy, 2009). LEED research with local stakeholders in a number of OECD regions in 2008 led to the development of a set of Barcelona Principles which strongly argued the case for pro-active and collaborative leadership at the local level (Clark, 2009). The type of longer-term strategic investment required to support economic recovery and growth is the subject of the remainder of this guide.

Box 1. The Barcelona Principles

1. Provide pro-active and collaborative leadership at the local level: "Don't over-react, but respond with purpose".
2. Make the case for continued public investment and public services and the taxes and other sources of investment required: "Make the case for investment".
3. In the long term, build local economic strategies which align with long-term drivers and identify future sources of jobs, enterprise, and innovation: "Robust long-term economic strategy".
4. In the short-term, focus on retaining productive people, business, incomes, jobs, and investment projects: "Purposeful short-term action is needed".
5. Build the tools and approaches to attract and retain investment over the long term: "Investment attraction and readiness".
6. Build genuine long-term relationships with the private sector, trade unions, and other key partners: "Relationships matter and need increased attention".
7. Take steps to ensure the sustainability and productivity of public works, infrastructure, and major developments/events: "Effective public works and major investments".
8. Local leaders should act purposefully to support their citizens in the face of increased hardship: "Stay close to the people".
9. Local economies have benefitted and should continue to benefit from being open and attractive to international populations and capital: "Stay open to the World".
10. Communicate and align with national and other, higher tiers, of government: "Build National-Local Alliances".

Source: Clark, 2009

The recovery:
Building more and better jobs

1 Building a skilled and adaptable labour pool

The downturn has highlighted the fact that some local labour markets are more adaptable than others in response to external trends and shocks. In order for all our communities to be more adaptable, it is important that tomorrow's workforce is equipped with **high-level generic skills**, so that individuals can transfer between sectors, and innovate in response to changing markets. This requires strong investment in early years and school-age education. At the same time local people need to be able to access local employment and training systems throughout their working lives to adapt to new and emerging skills requirements through **flexible systems of "life-long learning"**.

Building a skilled and adaptable labour pool will not be simple in the future, as our communities become increasingly vulnerable to demographic change and rising mobility. **Joined-up local skills strategies** which balance different objectives and join up education and training systems into a responsive and clear road map for people to build their skills and contribute more to their local economies will be key.

Those communities that are recovering the quickest following the recent down-turn are those that have a labour force that is adaptable to external trends and shocks. Cities are particularly well placed in this respect, given that they host a wide range of economic sectors and so are less vulnerable to collapse in any particular sector. Cities also attract highly-skilled people who are more likely to be able to adapt to new economic opportunities as they arise.

However, all localities can work towards making their labour force more flexible and adaptable to change. The need to increase adaptability is one reason why governments have introduced more flexible labour market regulations in recent years. However, adaptability needs to be considered at a number of different levels (Simmonds, 2009). National governments set the legal framework for employers and trade unions but adaptability happens at the level of local communities. Employers and other stakeholders have to be empowered and incentivised to innovate and introduce change. The more adaptable a local economy the more likely it is to recover and grow.

There are a number of ways that governments can encourage local economies to be more adaptable, however the skill levels and employability of the workforce is a key driver. The local labour pool is now one of a region's most important assets – in terms of ideas, innovations, talents, skills, specialisations, culture, methods and approaches to work (OECD, 2005; Giguère, 2008).

Box 2. The danger in having low skills in today's knowledge economy

The recent economic downturn has shown more than ever the vulnerability of low-skilled workers, who have been more prone to lose their jobs as they become "expendable" to local employers. Even before the economic downturn low-skilled people faced a significant risk of either being unemployed or stuck in low-quality, low-paid work. On average in OECD countries, 85% of people who had achieved a tertiary education qualification were in employment in 2006. By contrast, only 58% of people without even an upper secondary qualification had jobs (OECD, 2008a). A study in the United States (Eberts, 2004), showed that the median weekly earnings of college-educated workers were 73% higher than those of high school-educated workers, and the gap was even larger for those who dropped out of high school.

Producing greater adaptability requires a dual approach by local public agencies: firstly they need to ensure that workers have a good stock of higher-level generic skills (the ability to analyse, problem-solve, communicate well, be creative) through early years (pre-school) and school age education, and secondly they need to invest in flexible systems of training where people can learn more specialist skills throughout their working lives.

Investing in generic skills

Generic skills are increasing in demand in today's "knowledge-based economy". Florida (2003) has argued for the rising importance of the "creative class", people who are able to problem-solve and innovate across a broad range of disciplines. New technologies such as the internet encourage greater circulation of information, increasing the need for higher-skilled people to analyse this information and transform it into valuable knowledge. However, it is not just those at the top of the employment ladder who need these skills. Increasingly those involved in "routine work" (*e.g.* salespeople) can bring benefits to firms by being able to problem-solve and feedback information from their communication with customers. It is increasingly understood that in order to promote productivity there is a need for incremental innovation - learning by doing - across the workplace.

In the manufacturing sector, for example, competitiveness in many OECD countries now relies on the added-value gained from being able to rapidly customise products to markets and to innovate to meet new market niches (see the Lower Rio Grande Valley example in Box 10). The financial journalist Diane Coyle (2001) has pointed to the collapsing boundary between services and manufacturing. While the services sector has long valued communication skills and the ability to adapt to customer needs, comparative advantage in manufacturing is increasingly found in good design, creativity and the ability to customise products to reflect consumer preference. Possessing generic skills allows workers to contribute towards new innovation and creativity, whilst also being less dependent on their technical skills for future employment.

Good generic skills are learnt early in life, so investing in school-age education is obviously of principle importance. However, not all children benefit equally from education. Children from disadvantaged backgrounds, or those with language barriers, may need extra support in learning. Early year's education can be a significant boost for children that do not benefit from high levels of parental investment in education, and/or risk having language barriers when they enter mainstream education.

While it is more difficult to learn generic skills later on in life, investment in higher-level generic skills can also benefit individuals through post-secondary education (including vocational training); for example, additional courses in communication, leadership, entrepreneurship and management.

Flexible education and training systems for life-long learning

At the same time people need to be able to access employment and training systems throughout their working lives to build more specialised skills and respond to changing skills demands. The OECD (1996) points out that it is no longer feasible within today's constantly changing economy to survive with a "front-end" model of education and skills formation - learning must instead be a lifelong process. Despite the term "life-long learning", which is now well-known across OECD countries, it is still rare to find comprehensive systems of life-long learning in practice, particularly those that are well embedded within local economies.

In practical terms, life-long learning means opening up education and training systems to new target groups (working adults, older people) and ensuring that it is accessible to those with other demands on their time (*e.g.* heavy workloads and family responsibilities). Employed people require training which is both intensive, adaptable to employer needs (when provided in working hours) or available outside working hours. Older people may need specially tailored training which takes into account that their school-age education was acquired in a different economic and technological era (see Box 3).

Box 3. Targeted Initiative for Older Workers (TIOW), Canada

The Targeted Initiative for Older Workers (TIOW) in Canada is a specific example of a training initiative targeting an older population. Additional funding provided by the Government of Canada under the Economic Action Plan supports older workers, in a large number of affected communities across the country, to participate in employment activities such as learning assessments and skills training to help them to find employment. In the community of Sooke, in the province of British Columbia, the Prime Time Workers project has targeted 20 workers from forestry and fishing. This 10 week project includes a five week classroom component with employment assistance activities including: return-to-work action plans, individual and/or group counselling, portfolio development, career planning using aptitude, interest and value assessments, résumé writing and job search techniques, and labour market information.

Employability improvement activities include computer literacy, nine essential workplace skills, specific skills training (WHMIS, Foodsafe, Building Service Worker), assessment for employment, preparing for change, communication skills and problem solving, teamwork building, group decision-making, co-operation and planning, and mentoring where appropriate. This is followed by 5 weeks of employer-based work experience with on-site monitoring and follow-up.

Source: HRSDC, Canada.

Low-skilled adults are generally less likely to access training, and this situation is often exacerbated for individuals who lack contact with local labour markets through long-term, and sometimes multi-generational, unemployment. Many communities are faced with the need to respond to a "stagnation of participation" in education and training amongst the lower skilled. Part of the problem appears to be that disadvantaged groups have become disillusioned with a schooling system which they perceive to have failed them, meaning that a new approach to training and education is needed. Local agencies are increasingly experimenting with new types of learning opportunities, which can be accessed from home and from a variety of different colleges and outreach settings. See Box 4 for an example of an outreach project targeted towards lower-skilled residents in Aboriginal communities in Canada, in the context of the construction of local affordable housing.

Box 4. Supporting skills development for Aboriginal peoples, Canada

The Bridges and Foundations For Aboriginal Development is a project funded through the Government of Canada's ASEP program. It supports major economic opportunities identified in the residential construction industry in Saskatoon and its surrounding communities - including Band housing in First Nation's communities. The focus is on meaningful employment as part of local affordable housing construction that provides skills and experience to foster long-term careers for local residents. The project, a partnership between stakeholders in the construction industry, the provincial government, Aboriginal organisations and the federal government, was created to maximise the benefits for Aboriginal participants in the residential construction industry. The investment will provide 600 Aboriginal people with the skills and training they need to participate in economic opportunities and provide at least 400 participants with long-term jobs in the construction industry.

Source: HRSDC, Canada.

Music, sport and cultural activities are seen as a useful way of creating learning opportunities without being seen as being specifically "training based". In addition, "practice firms" and work experience placements can be a good opportunity to learn new skills outside of a traditional educational environment. "The Third Way in Vocational Training initiative" in Brandenberg, for example, had to be particularly flexible when adapting training to the needs of people who had dropped out of high school (see Box 5).

Box 5. "The Third Way in Vocational Training Initiative" in North Rhine-Westphalia, Germany

Low retention rates are a particular problem in Germany, with a growing number of youths without, or with poor, school qualifications failing to complete vocational training courses and acquire recognised qualifications. A scheme in North Rhine-Westphalia has been working to offer this target group a more flexible vocational training scheme developed in collaboration with local colleges. Approximately 800 youth are involved in the pilot. Under the scheme, all youths who withdraw from their training are enabled to re-enter the learning process within a period of up to five years and to acquire a recognised certificate for the competencies gained successfully up to that point. The "Third Way in Vocational Training Initiative" has worked with local colleges to adapt their traditional vocational training courses into a series of flexible modules. The initiative has identified that it is necessary to work continuously in very small groups in order to achieve noticeable learning progress. Integration in higher performing groups within vocational colleges usually ends in failure after a short while. Work experience in companies has proven to be particularly successful - the youths very often experience acceptance of their role and knowledge, which strengthens and motivates them.

Source: Froy *et al.*, 2009

One issue which affects unemployed people in many OECD localities is the lack of longer-term training available which will significantly improve employment outcomes. The Public Employment Service (PES) often funds relatively short, low-intensive courses which do not produce long-term sustainable outcomes. In the United States, for example, Osterman (2005) analysed data on the returns from training for dislocated (redundant) workers to show that short-term training leads to small or non-existent gains in employment position and salary level whereas more substantial long-term training does seem to improve the earnings of dislocated workers to an important degree. This is reflected in the outcomes for those attending community colleges in the US in the 1980s and late 1990s. For those that have attended a community college for a year or more there is substantial benefit, particularly if they go on to achieve an associate degree (which will increase earnings by 14%), however most people do not manage to stay long enough to reap these benefits and for these people the return is close to zero. Greater collaboration is needed between employment agencies and education bodies to ensure meaningful skills-upgrading for unemployed people, with new mechanisms for funding more resource-intensive training.

The role of the private sector in providing training to their own staff cannot be underestimated, even if all firms can not contribute to skills development in the same way. Large firms are well equipped to upgrade the skills of their labour force through formal training plans and organisational training platforms but small and medium enterprises (SMEs) participate poorly in training, and therefore require support from the public sector in establishing customised training which works across different workplaces, and in facilitating other forms of knowledge-sharing (OECD, 2006a, 2008b).

Skills in the context of mobility and demographic change

Creating and maintaining a skilled workforce is further complicated by the context of demographic change. An ageing population threatens to produce shortages of both labour and skills. When people

retire their skills and experience are not so easy to replace. A further factor leading to the increasing complexity of human resources issues is rising mobility. International immigration has more than tripled in OECD countries over the last twenty years (OECD, 2007). While sending regions across the developing world are building strategies to cope with the loss of skills to emigration, receiving regions are investing significant resources in ensuring that the skills brought by newcomers are recognised and adapted to their new context.

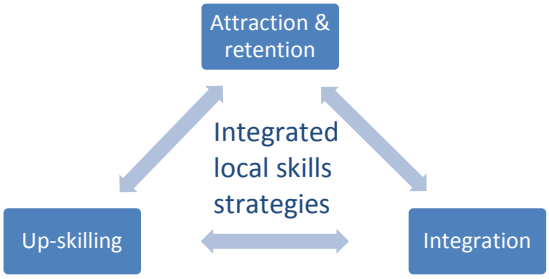
Before the economic downturn, many communities were actively seeking new talent to fill skills shortages, so much so that they were starting to compete to make themselves more attractive to newcomers. As the theorist Ewers says, "when specific skills are lacking, the easiest way to improve the knowledge base is to import one" (Ewers, 2007). Given that in the long term demographic trends are likely to last, it is probable that migration will continue to be seen as a useful means of building a successful local labour pool when the recovery kicks in. Even now, immigrants can do much to refuel the return to growth, bringing with them international connections, a tendency towards innovation and entrepreneurship, and a willingness to work hard in difficult conditions before they become properly established in the labour market.

However, it is essential that support for immigration is accompanied by strong systems to integrate newcomers. Many immigrants to OECD countries remain unemployed or overqualified for the work that they do. Adapting skills to new labour markets is a resource intensive process, and governments need to ensure that communities experiencing immigration (particularly those for whom this is a relatively new phenomena) have adequate funding on this task. Local agencies need to put in place tools and instruments for recognising qualifications and skills gained overseas and providing specialised language instruction (see OECD, 2006b; Froy *et al.*, 2009). In addition, it is important that local policy makers do not prioritise immigration to the extent of neglecting indigenous populations that are disadvantaged in the labour market. This includes the children of immigrants, and in some cases, their children's children, who continue to have poor labour market outcomes. Ensuring that the workforce development system is open to all local people will be vital in order to avoid the development of a two-speed economy involving the "skills rich" and the "skills poor".

Developing balanced local skills strategies

Given the diverse set of factors which influence skills levels, policy makers are increasingly seeing the value of investing in broad local skills strategies, involving a variety of different local partners. A review of local practice in OECD countries (Froy *et al.*, 2009) shows that in addition to investing in school age education, such strategies often focus on three main types of action: attracting and retaining talent; integrating disadvantaged groups into the workforce development system; and upgrading the skills of the low qualified (see Figure 1).

Figure 1. Developing balanced local skill strategies



Source: Froy *et al.*, 2009

Table 2 outlines some key instruments and tools that localities are using to implement these strategic objectives.

The case of Shanghai in China (see Box 6) is an example of a local economy managing to bring these different strategic priorities together through a balanced approach. However, there are many factors, including short-termism and a lack of resources, which prevent communities from dealing with more intractable skills problems, such as a low-skilled workforce, or the concentration of people without basic skills in certain neighbourhoods. Developing a strong skills strategy may therefore require providing incentives for local actors to work towards longer-term objectives.

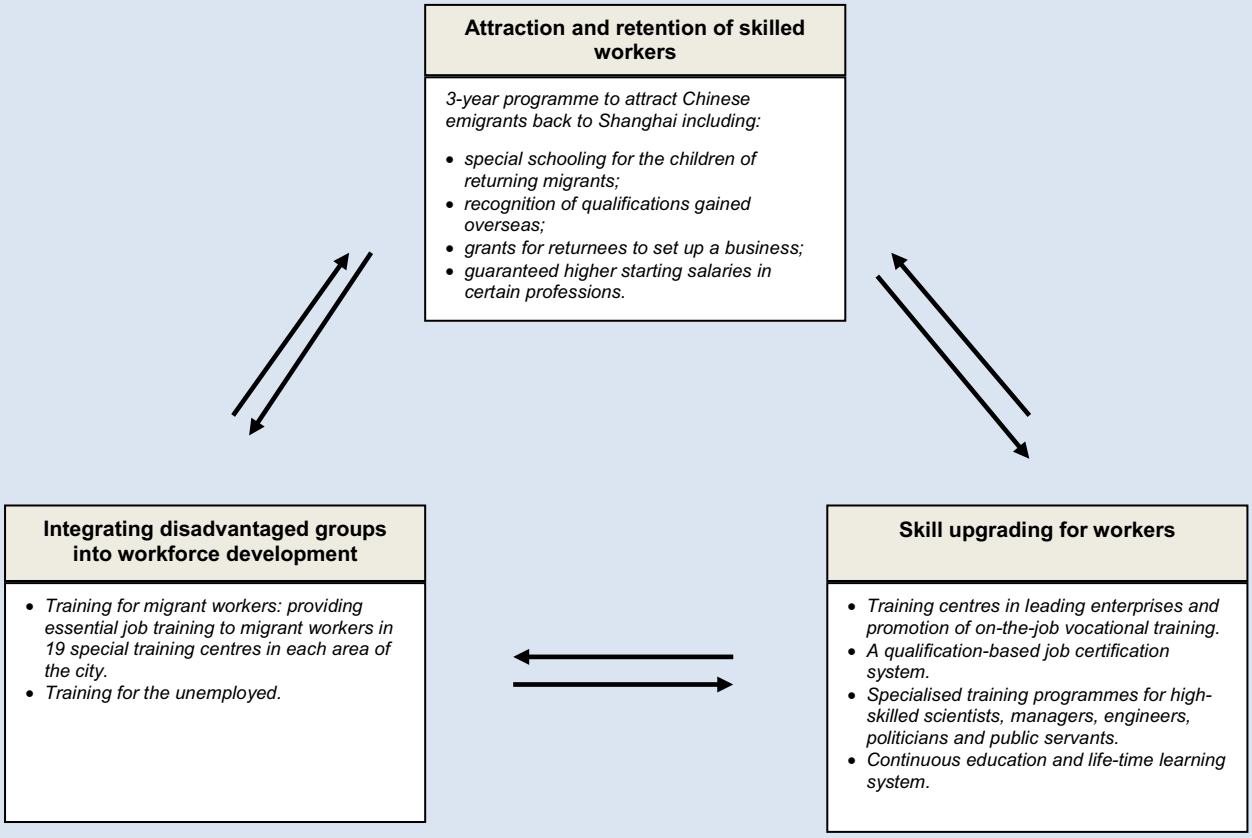
It is also important that policy makers have an accurate understanding of the skills supply and demand in their local labour force – what is known as the local "skills ecology". Such information is difficult to collect, and even more difficult to analyse effectively. Once priorities have been set, local players need to have the power to influence policy in fields as diverse as education and training, employment, economic development, social development and entrepreneurship – something which is difficult to achieve in more centralised countries. Some flexibility will need to be granted by central government to their local level branches for holistic skills strategies to be implemented successfully.

Table 2. Objectives and actions within balanced local skills strategies

STRATEGIC OBJECTIVE	ACTION
Attracting talent	Invest in local quality of life, architecture, cultural development and effective city planning.
	Promote cosmopolitanism and diversity.
	Develop universities and training institutions. Encourage university graduates to stay in the area (careers advice etc.) and develop post-graduate courses.
	Market localities, regions, local sectors, and clusters to attract new labour.
	Provide incentives for returning migrants, *e.g.* recognition of overseas qualifications, grants to set up new businesses.
Integrating disadvantaged groups	Set up outreach training centres/IT kiosks, market education and training opportunities for hard to reach audiences, improve early years education provision.
	Establish alternative forms of learning, *e.g.* practice firms, work experience, mentoring, culture, sport and music schemes.
	Set up support mechanisms to improve retention during training courses, apprenticeships and employment.
	Provide adult career advice and develop better linkages between basic skills courses and higher level training.
	Provide specific support for immigrants, ethnic minorities, Aboriginal populations (*e.g.* anti-discrimination, recognition of qualifications, skills audits, language training).
	Provide adult basic skills training (*e.g.* literacy and numeracy).
Up-skilling those in employment	Customise training for local employers.
	Developing career clusters and career ladders (see Section 3).
	Establish business-run training centres, encourage major industries to provide training on their premises which is open to other firms, including SMEs.
	Set up centres of excellence for particular sectors.
	Encourage businesses to provide career planning and mentoring for new starts.
	Set up partnerships to share innovation and promote technology transfer, and management training on different aspects of work organisation.

Box 6. Shanghai Highland of Talent Initiative, China.

The Shanghai Highland of Talent Initiative is a good example of a balanced bottom-up city wide skills strategy. The municipal government launched its first skills development initiative in 1995 to develop Shanghai into a "highland of talent" in mainland China. However, effective efforts to implement a concerted strategy did not occur until the municipality launched a detailed "action framework" in 2004. The action framework defined ten priorities to be addressed between 2004 and 2010 based around the attraction of high-skilled Chinese returnee emigrants; specialised training programmes to train high-skilled scientists, managers, engineers, politicians and public servants; and wider programmes to reform the vocational training system and upskill Shanghai's labour force. In 2006, these were further consolidated down to five key tasks, with priority given to training migrant workers and rural surplus labour arriving in Shanghai. Training is now delivered on the basis of an annually reviewed "Talent Development Catalogue" which lists skills in demand. The outcome of such a balanced and targeted approach has been encouraging. The portion of highly skilled workers as a percent of Shanghai's total skilled workers increased to 14.98% by 2005, compared with 6.2% in 2002, and 9.4% in 2003.



Source: Froy *et al.*, 2009

Recommendations for national policy makers	Recommendations for local policy makers and practitioners
Invest in information and data: the availability of information and data is a key issue which is holding back local policy makers from taking a proactive approach to tackling skills issues at the local level. National governments have a responsibility to ensure that disaggregated data is available for as many dimensions of the skills issue as possible. **Provide flexibility at the local level in the management of education and skills policy**: it is only when public actors can really influence their own services and delivery arrangements that they can participate effectively in strategy development at the local level. Education policy makers are often a "missing link" at the regional and local levels, which prevents long-term approaches to skills issues locally.	**Develop a balanced approach:** it is essential that a balanced approach is taken to skills issues, so that actions to attract or retain talent are developed in tandem with actions to build a responsive education and training system, integrate disadvantaged groups into the labour force, and up-skill those already in employment. **Support the development of generic skills:** invest in education which provides strong generic skills, both in the academic and vocational education streams. Some disadvantaged groups may require extra support through early-years education and better adapted schooling. **Join up delivery**: it is essential that local education and training is well connected in coherent systems which offer clear route maps into good quality employment. Education and employment agencies need to work together to ensure meaningful skills upgrading for unemployed people.

2 Better utilising skills and improving the quality of local jobs

In response to the economic downturn, many local communities are currently placing an emphasis on increasing the quantity of jobs available locally. However in the longer term, a greater focus on the quality of local jobs is also needed. Employers need to better utilise the human resources available to them, raising job satisfaction and incomes at the same time as boosting local productivity.

Local agencies can contribute to this process by using a number of different policy instruments, such as incentives for employers to invest in new technology and the promotion of more effective forms of work organisation. Working with intermediaries is particularly important here, as is developing joined up strategies and governance mechanisms that encourage a focus on both the supply and demand for skills.

To counteract rising unemployment there is currently a drive towards job creation support measures at the local level in OECD countries. Temporary jobs in the public sector, for example, are being seen as important means of maintaining labour market attachment until the downturn is over. However, in the longer term it will be important to create real and sustainable jobs, not just any jobs. Public sector actors also need to concentrate on the quality of jobs available in the labour market.

What has become obvious today is that while national economies prospered in recent years through strong job growth, this disguised an inherent problem in the large scale creation of relatively unproductive jobs. Such jobs kept people in employment. However, they have also had a number of adverse effects – they provided relatively low paid employment, creating a section of society that could be classed as the "working poor". Fitzgerald (2006) identifies how "work that could be defined as professional or paraprofessional, with skills, salaries and career trajectories to match, has been broken down to be performed instead by low-wage, high-turnover employees". At the same time, the easy availability of employment has discouraged people from investing in their own long-term education and training, causing youth to leave education and training early, and take up employment. This may have produced financial benefits in the short-term, but in the long-term, career prospects and overall incomes are likely to be negatively affected by such choices. The "work first" attitude has also penetrated public institutions, with the public employment service often quickly matching clients to available jobs, as opposed to helping them invest in their human resources and skills and move towards more sustainable long-term careers.

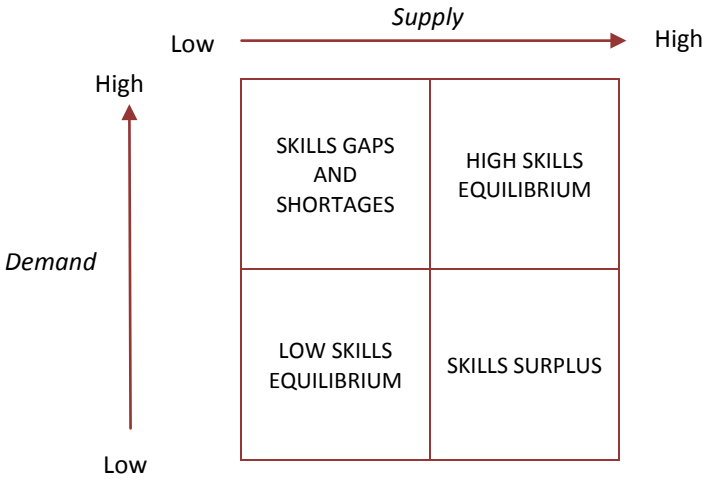
Now is the time for people, particularly young people, to invest more in their education. At the same time, to build more sustainable local economies, local employment agencies need to work with employers to ensure that they make full use of the talents and skills available locally. By improving both productivity and skills levels, employers will maximise the utilisation of the local pool of talent and improve job opportunities, at the same time as improving the competitiveness of the local economy. While the private sector may have been reluctant to work with public agencies on issues of productivity and work organisation before the economic downturn, there is now more willingness to work in partnership to bolster the strength of local industries. Even before the slowdown, research by the LEED Programme showed that businesses would be eager for more support in maximising productivity. In a poll conducted by the LEED Programme amongst American Chamber of Commerce executives in 2008,

68.3% felt that workforce development agencies should have some role in helping businesses to tackle productivity issues, with 28.6% indicating that they should have a strong role.

Rural areas and the low skills equilibrium

Tackling these issues is particularly important in certain OECD communities and regions, particularly more isolated rural areas. The labour market analyst Anne Green (see Green *et al*., 2003) proposes a useful typology to understand the complex relationship between skills and supply which exists in different regions. According to this typology, regions can broadly fall into four different categories: regions experiencing a "low skills equilibrium";[2] regions experiencing "skills gaps and shortages"; regions experiencing a "skills surplus"; and, lastly, regions experiencing a "high skills equilibrium" (see Figure 2).

Figure 2. Moving from a low to high skills equilibrium



Source: Froy *et al.*, 2009 (adapted from Green *et al*, 2003).

In the context of demographic change and mobility, many communities found themselves experiencing skills gaps and shortages before the downturn (the top left hand corner of the diagram). However, in some regions a low supply of skills is matched by a low demand for skills amongst local employers - the low-skills equilibrium. Not all businesses and not all communities progress as fast as others in terms of adopting new technologies and adapting to changing markets. Coyle (2001) identifies a lag time of roughly 50 years between the development of new technologies and the ability of societies and economies to fully take advantage of the potential they offer to improve productivity. In the meantime, employers can also achieve competitive advantage through keeping skills levels, and therefore salaries, at a minimum.

Where such employers become concentrated in a particular region, a vicious circle can develop as it does not pay individuals to remain in education if local companies are not seeking higher-level skills. At the same time, managers will be reluctant to raise their level of productivity and better utilise skills if there is a lack of well-educated workers within their locality. This presents a difficult situation for policy makers. Improving the supply of skills locally is risky, as unless simultaneous attempts are made to improve demand, this may produce a skills surplus (the bottom right hand corner of the diagram), with

[2] See the glossary at the back of this publication for a definition of this and other terms.

trained people leaving the area at a young age to seek better quality employment opportunities elsewhere. In such cases, local policy makers often become diverted towards "fire-fighting" to fill labour shortages, as opposed to skills shortages. Labour shortages occur when vacancies remain unfilled either due to a sheer lack of local people to fill them, or because people are not attracted by the pay, wage and job contract provisions or working conditions of the positions. These labour shortages are often resolved through recourse to immigration, meaning that policy makers do not have an eye on the longer-term strategic need to improve the quality and knowledge intensity of the employment on offer and to increase the attractiveness of the labour market to residents and newcomers alike.

This highlights the fact that while helping employers fill vacancies is important in the context of the downturn, in the longer-term, it may not always be the best way to help the economy develop. Sometimes, if there is no supply for a given labour demand it is a signal that the method of production of the good or service is unsustainable and that the job is in fact not viable in the longer-term. When public employment agencies "fire-fight" to fill such vacancies they are subsidising business activity in a way that leads to poor efficiency in the use of public resources (particularly as such placement often leads to poor job retention and labour market "churning") while also contributing to low productivity.

How to build better quality employment and high skills utilisation

OECD research has identified a number of tools which can be used to address problems of low-skilled equilibrium and improve skills utilisation. Some of these are listed in Box 7:

Box 7. Tools to raise the quality of local jobs and improve skills utilisation

Guidance, facilitation and training

Support technology transfer: facilitating investment in new technology by employers, setting up partnerships for the sharing of innovation and new technologies.

Provide technical assistance to improve working conditions and work organisation: this may mean the re-professionalisation of front-line positions in some sectors and a reduction in dependence on temporary staff, while in others it may mean applying lean manufacturing techniques. Providing staff with enough time to pass on skills and learning is also important.

Encourage participation in training for both managers and workers: better trained managers are likely to create more productive working environments for their staff. At the same time, companies need to be encouraged to make training and other skills development opportunities available to their employees.

Finance and procurement

Ensure the availability of patient capital: in order to invest fully in their staff and upgrade their production processes, companies need long-term investment security. The availability of local "patient capital" (*i.e.* funds invested for medium or long term, generally for 5 to 10 years) will be important for this.

Develop a quality-driven supply chain: public procurement can also be used to help local firms think longer term and therefore invest in increased productivity. This can include, for example, longer contracting periods. In addition government contracts can require a certain level of working conditions, and a certain level of commitment to training.

Support social enterprise: given that social enterprises can avoid some of the short-term pressures associated with satisfying private shareholders, they can in some cases take a longer-term perspective to developing and training their staff.

Box 7. (continued)

Influencing broader public policies

Remove local disincentives to a focus on quality in the public sector: this may include changing incentive structures for local employment agencies so that they concentrate on the quality and not just the quantity of job-matches.

Ensure that skills policies are embedded in economic development policies: local partnerships are needed between business and policy makers in the sphere of economic development, education and employment, in order to ensure that skills policies are understood in the context of broader economic development.

Work in partnership

Work with intermediaries: brokers and intermediary bodies can be particularly useful when working with employers on productivity issues, particularly as this is not a traditional domain for public policy.

Work with unions: unions are natural partners in improving the quality of employment at the local level. Not only are unions increasingly involved in co-ordinating training for their members, but they also have an interest to see that work organisation and employment conditions improve for skilled staff. They are a useful intermediary between the public sector and business.

It can be difficult for the public sector to advise business on productivity issues, and in many countries there is a "credibility" gap which needs to be filled before policy makers can successfully get involved in this area. While the public sector is very familiar with some of the themes under discussion – in particular the management of human resources –for more technical issues it often does well to work with intermediaries. In South East Lincolnshire, for example, a local university campus led the development of a new Food Industry Technical Training Partnership which has been instrumental in up-skilling local workers and raising local productivity through sharing innovation and promoting technology transfer. While the partnership provides formal training to people working within local industry, it is perhaps the informal exchange of experience and knowledge which has been most useful in encouraging employers to "raise their game" and increase their productivity.

Box 8. The Food Industry Technical Training Partnership in South East Lincolnshire

The Holbeach campus of the University of Lincolnshire in the United Kingdom has been at the forefront of improving productivity in local industries and hence improving the quality of local job opportunities (Green, submitted). South East Lincolnshire shows particular problems associated with the low-skill equilibrium. Before the economic downturn, unemployment was not an issue for the region and there was no overall shortage of jobs. However, productivity had been low and falling and academically able young people were leaving the area for careers elsewhere in the United Kingdom. The local economic development and skills strategy identified a preponderance of low-skill, low-value employment and a lack of opportunity for progression as the key local economic development issue. A key area for public policy was therefore to promote a step change in the local economy, increasing the local demand for skills, and hence increasing the attractiveness of the local economy to talent.

In response, the University of Lincoln set up a specialist campus for the food manufacturing sector, developed from a partnership between Lincolnshire County Council and regional stakeholders. It has become a Centre of Vocational Excellence (CoVE) and has National Skills Academy status for Food and Drink. The campus offers "state of the art" training and educational resources, including part-time and distance learning programmes to students who are working in the food sector. At the same time, strong links have been established with employers, who exchange the latest technological developments and research/innovation through a "Food Industry Technical Training Partnership".

Box 8. (continued)

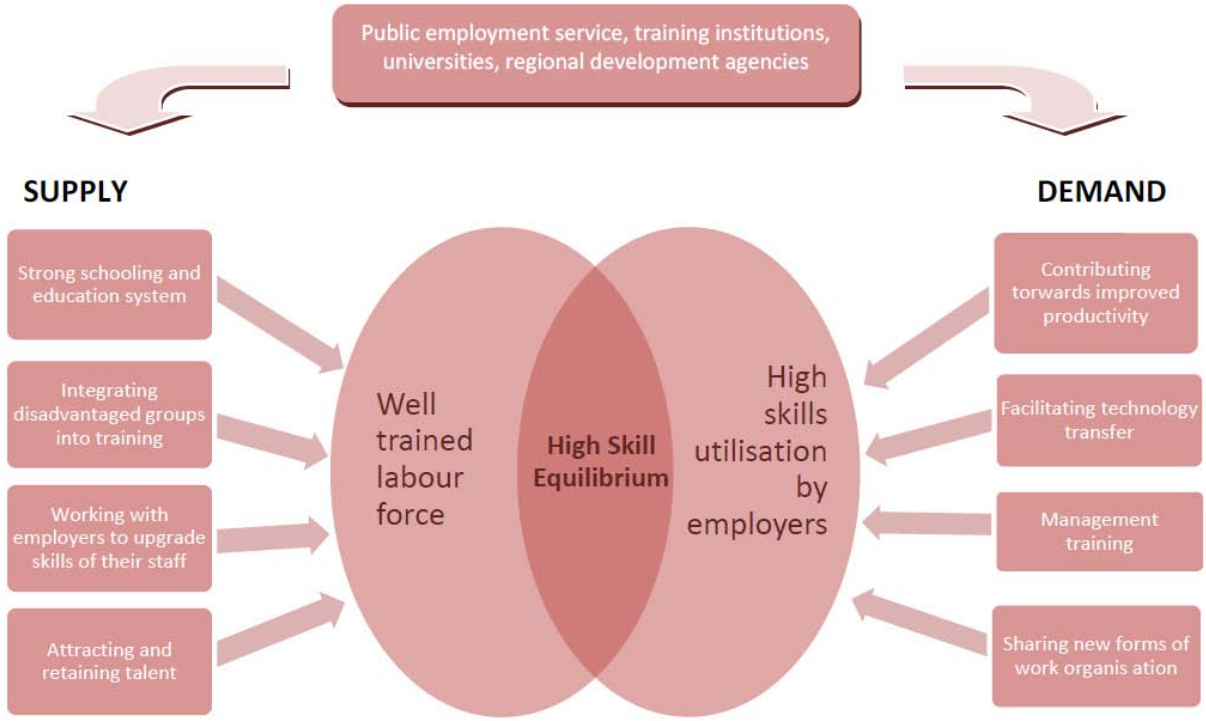
One group that has particularly benefitted from the rise in the demand for skilled positions in the region is the local immigrant population. The training alliance identified the local immigrant population as a latent and untapped local skills resource, given that many are working below their skills and qualifications levels in seasonal work within the agricultural sector. Just under a third of all participants in the alliance's courses are immigrants, and in addition in 2005/6 the Holbeach campus delivered twenty-six English as a Second Language (ESOL) courses for fourteen different companies in the food sector. There were 356 enrolments over this period, with a retention rate of 68%.

Source: Froy *et al.*, 2009

Integrated strategies that address supply and demand

Ultimately local policy makers will benefit from ensuring that local skills strategies address both the supply and demand for skills (see Figure 3).

Figure 3. Balancing strategic priorities on the supply and demand of skills



Source: OECD, 2008d.

The Australian skills ecosystem approach provides a useful model for policy makers seeking to build such integrated approaches. These pilots, which began following a review of vocational training policy in 2001 (Buchanan, *et al.*), focus not only on how skills can be developed, but also how they can be deployed. In the skills ecosystem model, skills shortages are seen to be as much about work organisation and turnover as about problems with the supply of skilled people from education and training institutions. Rather than responding automatically to labour shortages by creating new training courses,

policy makers first assess the causes of those shortages. The question is always asked - is there a skills shortage because of a lack of training, or is it rather that local jobs are unattractive and therefore cannot retain staff? Three core features define the approach:

- Recruitment and retention problems are not defined as "skill shortages", but rather treated as problems involving the structure of jobs on offer, and therefore often defined as a shortage of decent jobs.
- The response involves groups of employers accepting joint responsibility for overcoming the problem.
- The crucial factor behind successful innovation is the existence of highly competent brokers or facilitators capable of dealing with issues of business development and not just the development of the workforce.

An example of a pilot action in New South Wales can be found in Box 9. Since the introduction of the scheme, several Australian states have developed their own schemes; Queensland has now developed 60 ecosystem projects.

Box 9. Skills ecosystem pilot in the racing industry in New South Wales

The thoroughbred racing industry is a vital component of the New South Wales economy (Australia). It is one of the largest employers in the state, employing over 45 000 people and contributing approximately AUD 1 billion a year to the state's gross domestic product. A skills ecosystem pilot project run by the racing industry in rural New South Wales set out to tackle a chronic shortage of trackwork riders. Trackwork riders provide a service to horse trainers by exercising their horses, in line with specific instructions, to bring the horses up to required fitness and preparedness levels.

Rather than working with the vocational education training system to increase the number of certificate II and III trained riders, the solution to this shortage required changing the nature of the job. Traditionally, trackwork riders have operated as contractors on "piece rates", paid by horse owners or trainers for only part of the day. This pilot enabled the parties involved to create a situation in which the trackwork rider is now engaged by the local racing club. This enables the worker to earn a living wage, and gives the club and trainers a reliable source of labour, which in turn attracts more training business for the club.

Source: Buchanan *et al.* (2005)

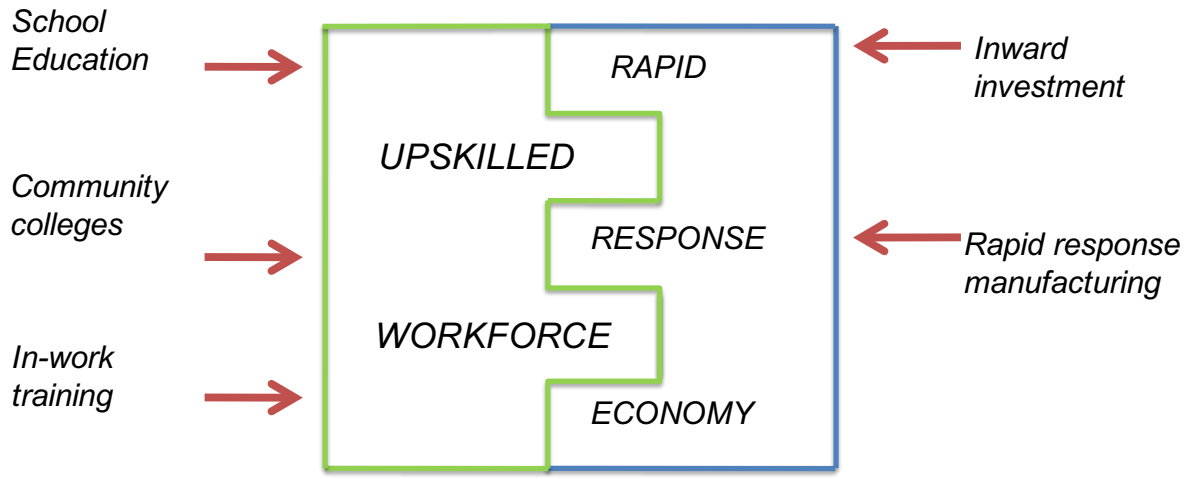
In France, a strategy for the more proactive management of employment and skills at local level (*Gestion Prévisionnelle des Emplois et des Compétences Territoriales* - GPEC) was launched in 2008, following a national inter-sectoral agreement. The strategy also envisages a strong link between: i) firm-level business plans; ii) local community socio-economic strategies; and iii) the career plans of local individuals. The strategy seeks to act in the longer term to improve both the skills levels of the local population and work organisation within firms. Particular attention is placed on those sectors which are considered critical to the local economy (those that are growing and will be in particular need of skills, and/or those which are expected to see important numbers of people going into retirement).

Integrated boards and partnerships

To develop an integrated approach, it can also be useful to set up partnerships and boards at the local level which have both a supply- and demand-side dimension. In the United States, the Workforce Investment Boards (WIB) have played a strong role in creating more integrated strategies to address employment and skills within broader economic development strategies locally since 1998. There are 650 WIBs across the US, at state and local level, and they are strongly business-led, being both chaired by business and having a majority of business members. There are also designated seats for representatives from labour unions and local educational institutions, with economic development officials sitting on the boards in many states.

While performance of the boards varies, in some areas they have developed strong integrated strategies which bridge across employment, skills and economic development. In the Lower Rio Grande Valley in Texas, for example, local stakeholders developed a vision of the region as a "rapid response manufacturing centre", taking advantage of a growing manufacturing centre over the border in Mexico, to customise products quickly for the US market (see Figure 4 and Box 10). Twenty years ago, McAllen suffered from 20% unemployment in an economy that depended primarily on the agriculture and retail sectors. As a result of a strongly skill-based approach to economic development and co-ordinated working across geographical boundaries, the region has attracted 500 employers and nearly 100 000 jobs.

Figure 4. An integrated approach to turning around the Lower Rio Grande Valley in Texas



Source: Froy and Giguère, 2010

Box 10. The case of the Lower Rio Grande Valley, Texas

The Lower Rio Grande Valley region centred around McAllen, Texas illustrates how one region can develop an effective integrated strategy for economic development involving all local stakeholders. In the 1980s, McAllen suffered from 20% unemployment within an agricultural- and retail-dependent economy. The region's economic development strategy was primarily reactive, and there was uncertainty about the growing number of *maquiladoras* (manufacturing plants) operating in nearby Mexico, and of the implications for the region's economy.

The Greater McAllen Alliance, the regional marketing and recruitment entity, and the McAllen Economic Development Corporation (MEDC) led an effort to build a vision for the region's economic growth, taking advantage of available assets. Achieving the vision has been highly dependent on strong but relatively informal collaboration across economic development, education, and workforce development leaders and organisations, based on agreement around a shared vision for the region's economic future. Collaboration also went across national borders to include a strong partnership with the city of Reynosa in Mexico. The strategy sought to take advantage of the region's geographic location, relatively close to Mexico's ports on the Pacific Ocean and equidistant between the U.S. east and west coasts. The region is also a Foreign Trade Zone (FTZ), or "free port" (under U.S. laws and NAFTA provisions).

Recognising the demands of manufacturers and their clients for increasingly short product life cycles, the region positioned itself as a "rapid response manufacturing centre" that could use existing companies and suppliers to move from product design to market in ever-shorter time frames. As the region progressed with its strategy, it became increasingly apparent that technical education constituted an important part of the solution. The region's leadership collaborated to spur the creation of a college to meet immediate employer needs. In 1993, they opened South Texas College, a comprehensive community college that has grown from 1 000 to more than 17 000 students. The college provides customised training and Continuing Education Units (CEUs) to upgrade skills of current employees and prepare new employees. The institution has implemented a Skills Credential Certificate for their customised training programme, providing employees with portable skills. In addition, the college and other educational institutions in the region have worked with the Lower Rio Grande Valley Workforce Development Board to document gaps in the availability and use of customised training funds. Together they advocated successfully for increased appropriations for the state level Skills Development Fund, and for increased flexibility in using local Workforce Development Funds through a waiver from the Federal Department of Labor.

The region has focused not only on adult education, but also on the performance of the region's elementary and secondary schools, which had been disappointing. To promote a willingness to change, school and community leaders decided to openly share the schools' performance indicators with the public. Driven by economic development needs, they agreed to talk about the dropout rates, the numbers of students in developmental and remedial studies, and other potentially embarrassing data. A College Readiness Summit was held which formulated a "Call to Action Plan" for the region and an Academic Leadership Alliance. This alliance has helped schools to develop linkages between school curriculum and important clusters in the region's economy.

The Workforce Development Board (called Workforce Solutions) has also been a leading player in the region's economic development agenda, commissioning a Regional Industry Cluster Analysis and establishing an Office of Business Services to focus on employer needs. Workforce Solutions launched pilot One Stop centres to provide intensive services to employers and basic skills assistance for job seekers. A Skills Solutions team has also been set up to invest in individual training accounts (ITAs) in 26 target occupations which offer growth potential and a minimum wage. Because Texas obtained a waiver from the U.S. Department of Labor allowing local Workforce Development Boards to use formula funds for more flexible purposes like incumbent worker training, the Board created a "local activity account" using USD 1 million of its local funding to broaden eligibility for and access to training.

Overall, the regional strategy has been responsible for helping to attract more than 500 employers and nearly 100 000 jobs to the region. Between 30-50 companies are recruited to Reynosa each year. Although there are certainly pockets of economic distress, there has been tremendous progress since the early 1990s, with unemployment declining in Hidalgo County from 24.1% to 7.7% and in Starr County from 40.3% to 10.7%.

Source: Troppe *et al.*, 2007; Froy and Giguère, 2010

Recommendations for national policy makers	Recommendations for local policy makers and practitioners
Remove local disincentives to a focus on quality and sustainability in the labour market: this may include changing incentive structures for local employment agencies so that they concentrate on the quality and not just the quantity of job-matches. **Establish policy instruments to help local actors address skills utilisation issues at the local and regional level:** this is particularly important in regions experiencing low-skills equilibrium. **Establish area-based partnerships at the sub-regional level:** rather than creating either "supply-led" or "demand-led" partnerships it will be important to develop boards that take a balanced approach to employment and economic development locally.	**Establish joined-up strategies that link supply and demand approaches to skills and employment,** particularly in areas facing low-skilled equilibrium**;** **Support technology transfer and provide technical assistance to improve human resource management and work organisation:** this is particularly important in sectors experiencing high staff turnover due to low wages and poor working conditions. **Encourage participation in training for both managers and workers:** better trained managers are likely to create more productive working environments for their staff. **Work with unions and intermediaries:** not only are unions increasingly involved in co-ordinating training for their members, they also have an interest to see that work organisation and employment conditions improve for skilled staff. Other intermediaries (*e.g.* colleges, consultants) can also help in the development of "business-friendly" initiatives and in brokering deals with the private sector. **Develop a quality-driven supply chain, ensure the circulation of patient capital and support social enterprise**: public procurement can be used to help local firms think longer term and therefore invest in skills upgrading and utilisation. Supplying patient capital and supporting social enterprise can also increase the local availability of quality jobs.

3 Employment progression and careers definition

Quality jobs are important, but it is also important that they are accessible to all local people. In order that communities do not develop a divide between well-paid "skill-haves" and poorly paid "skill have-nots", employers need to offer progression opportunities for lower-skilled workers so that they can move up into better skilled jobs over the course of their lifetime. The problem is that employers are now particularly unlikely to invest in the training of low-skilled staff, and internal career ladders are becoming more and more fragmented.

In some communities, public institutions have been working together with employers to re-create traditional career ladders externally. Career ladders and career clusters offer a useful way of bringing together employment agencies, careers advisors, education and training bodies and industrial consortia to construct route-maps to training and employment for the low-skilled. They also help to make the labour market more transparent which facilitates supply and demand matching.

Working with employers on skills utilisation is important, but it is also vital that employers are encouraged to provide up-skilling opportunities to their staff so that lower-skilled workers can progress over time and access better job opportunities. Analysis has shown (*e.g.* OECD, 2006a) that employers are particularly unlikely to invest in the training of low-skilled staff – particularly as lower-skilled people are increasingly employed on a temporary basis, with it being unusual now for such workers to gain a "career for life". Many jobs are temporary, and it can be difficult to see how one job may lead to another higher up within the job hierarchy.

New models for employment progression

A new "career pathways approach" which has been developed in the United States in recent years offers a mechanism for overcoming such barriers. In cities like New York, public institutions have been working together to re-create traditional career ladders externally. For example, customised training courses are linked together to form "career pathways initiatives" for low-paid workers, often jointly funded by the private and public sectors (see Froy *et al.*, 2009). The main components of the career ladder approach include defining appropriate training with industrial consortia and colleges; adapting training to the needs of working adults; linking training to career transitions, from entry-level to higher-level workers; and disseminating information through adult-orientated careers advice. Box 11 provides more detail on each of these various steps.

Box 11. Developing a career ladder approach

Stage 1. Gap analysis: target industries and jobs that will support individual advancement and growth

- Analyse current and projected supply and demand for labour in region, identifying industries offering jobs with family-supporting wages and opportunities for advancement.
- Assess the strengths and weaknesses of existing education and workforce development services for the target sectors, and identify gaps where needs are currently unmet.
- Consider the return on potential public investments.

Box 11. (continued)

Stage 2. Career pathways planning: form a partnership to develop a career pathways plan

- Organise partners, including education and training providers and workforce, economic development and social service entities, to develop the plan.
- Involve employers in mapping the structure of the jobs, job requirements and advancement pathways in the target industry sector(s).
- Rethink partner programmes and services to support career entry and advancement in the target sector(s).
- Identify costs, and develop a funding strategy.
- Develop a stakeholder engagement and communications plan to build broad-based support for the career pathways vision and goals.

Stage 3. Implementation: co-ordinate the work of the partners

- Establish memoranda of understanding (MOU) specifying the roles, commitments and contributions of each partner, including employers.
- Co-ordinate the work of the partners, including programme development, marketing and recruitment, delivery of programmes and support services, job development and outcomes tracking.

Stage 4. Continuous improvement: evaluate and continuously improve career pathways programmes and services

- Conduct regular in-process reviews of programme performance.
- Track the employment and further education outcomes of participants at each level.
- Make adjustments based on evidence of programme effectiveness and impacts.
- Regularly re-evaluate the mission, vision and goals.

Stage 5. Expansion: expand the pathways process to involve other partners, populations of participants and sectors

- Apply the pathways model to additional populations or geographic areas, expanding the partnership to include other organisations as needed.
- Replicate the pathways process in other industry sectors of importance to the local economy.

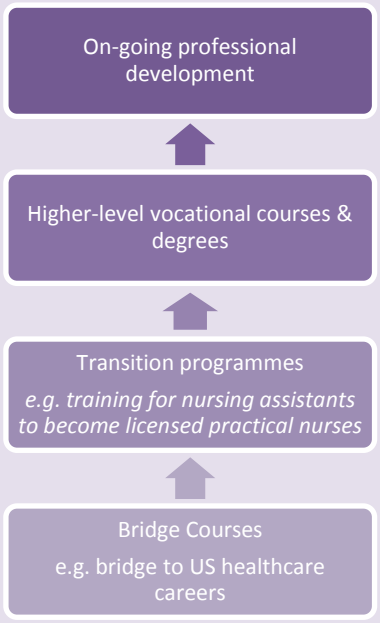
Source: Jenkins and Spence (2006)

The City University of New York has worked with partners such as the 1199SEIU union for health care workers, to establish career pathways in three main sectors – health, retail and tourism (see Box 12).

Box 12. Career ladders in retail, health and tourism in New York City

Many people in New York City, particularly immigrants, are concentrated in low-paid work in retail, health and tourism. There are numerous barriers to attending college for immigrant and other low-wage working adults. Conflicts with work and family life made traditional community college attendance a major challenge for low-wage working parents in particular. Likewise, low-wage workers with basic skills deficits and language barriers often require additional courses to support their transition into postsecondary studies.

In response, the City University of New York (CUNY) has worked with partners such as the 1199SEIU union for health care workers, to establish career pathways in the three sectors. LaGuardia Community College, for example, has developed a multi-level career pathway programme in the area of health, supported by multiple public and private funding sources. The pathway has a series of different stages (see figure below). Firstly, in order to address barriers to entry for the low-skilled, the college offers preparatory/bridge' programmes which blend reading, writing and critical thinking instruction in a healthcare context. Each is tailored to a different type of target group. For example the Bridge to US Healthcare Careers is targeted to immigrants with medical credentials or sector experience abroad, who have language barriers.



At this level, the college also offers "transition programmes" that are more targeted programmes to help incumbent workers already trained for certain occupations move to next step job opportunities. The CNA to LPN programme, for example, is a college preparatory programme that helps incumbent Certified Nurse Assistants to train to be Licensed Practical Nurses. The next level along the pathway includes preparation for higher-level vocational or degree programmes. Finally, for qualified workers, the college offers continuing education for professional development purposes. As one college Dean pointed out:

> *The trick in all of this is creating the collaboration, the most difficult part. The partner is the union or the hospital … then you have the academic department and more often than not an academic department is rigid in its approach to its subject matter, and then you have the potential student. Each one has very different demands and needs. And then you have continuing education which is really charged with building the bridges between the three constituencies to make it work. Michael Paull, Dean of Adult and Continuing Education at Lehman College (2008).*

Source: Froy *et al.*, 2009.

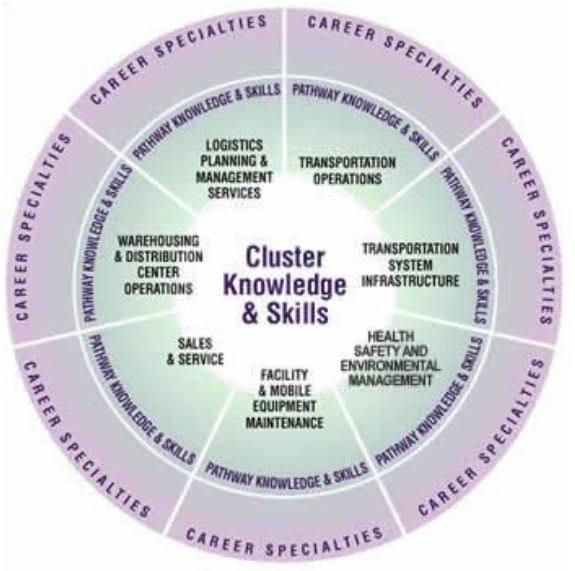
Each of these sectors presented skills shortages while employing a significant number of low-paid workers, many of them immigrants. Developing the schemes has been resource intensive and stakeholders from New York have had trouble bringing them to scale - it is clear that current efforts cannot serve the full demand that exists in the labour market and among the underemployed. A more strategic city-level approach, involving a broader group of organisations, may be necessary to really have an impact on the working poor in a city. Career ladders schemes also need strong employer buy-in and the active involvement of local colleges and local industry consortia in order to design job profiles and training courses which meet the needs of industry and are flexible to the needs of workers.

Developing career clusters

While career ladders can support progression in individual industries and sectors, it is also helpful to build horizontal links across sectors to create "careers clusters" at a local level. This approach recognises that the generic skills which make people employable in today's economy go across many different sectors, and with the right technical training people can progress by moving horizontally as well as vertically.

At the federal level in the United States the Department of Education has created a Career clusters initiative (see Figure 5), which has been adopted by many states and regions, and customised to their local labour market needs. A career cluster is a grouping of occupations and broad industries based on commonalities. Job profiles are mapped across an entire industry so learners and workers can see how different careers interact and rely on one another. Within each career cluster, there are anywhere between two to seven career pathways from secondary school to college, graduate schools, and the workplace. They enable low-skilled low-income workers to make connections to future goals, providing motivation for working harder and enrolling in a series of related courses. The network of clusters is overseen by the National Association of State Directors of Career and Technical Education (vocational training) and delivered through a partnership approach involving state, schools, educators, employers, industry groups, and other stakeholders who have worked together to create curriculum guidelines, academic and technical standards, assessments, and professional development materials for the clusters.

Figure 5. United States Career Cluster Model



The diagram to the left shows a career cluster in the transport industry. Each cluster is broken down into a series of career specialties, in this case, system infrastructure, sales & service and warehousing/distribution. For each career area, different job profiles are mapped and training is developed with local industries and colleges which allows people to transfer from one job to the next. As well as making the labour market more transparent it also helps guide adults as they construct their own personal career ladder.

Source: *www.careerclusters.org*

Independently of this federal initiative, the city of Chicago has long since developed a cluster approach to training needs in the manufacturing industry called the Manufacturing Skills Program (MSP) (see Box 13). This project has been operating since 1991 and combines a strong focus on the training needs of the local manufacturing sector (particularly metalwork, woodwork and electronics industries) with an awareness of the local community who need training in this sector: primarily immigrants and other disadvantaged workers who fall into low-paid employment while trying to make ends meet for their families. The Jane Addams Resource Corporation (JARC) feel that those undertaking "traditional" training courses tend to be offered a choice of vocational, literacy and numeracy skills which are either very generic or designed without significant local business input. This means that they are rarely provided with a genuine career development path. By working with employers on occupational profiling and developing skill standards for different jobs, JARC has helped companies create internal job ladders, benefiting workers regardless of whether they participate in the training programmes, because they subsequently have a clear path towards advancement within the firm. In addition, the organisation's interventions have helped firms to employ their human resource assets more effectively. The Manufacturing Skills Programme (MSP) aims to create a virtuous circle of industrial competitiveness, retention and growth while implementing more efficient procedures that lead to greater stability and job retention in the Chicago area.

Box 13. The Jane Addams Resource Corporations Manufacturing Skills Programme (USA)

The Manufacturing Skills Programme (MSP) was set up in Chicago in 1991 in response to a decade of industrial decline. It is implemented by the Jane Addams Resource Corporation (JARC, *www.jane-addams.org*), a non-profit community development organisation. The MSP's main concern is to render local companies in the manufacturing sector more productive by equipping their workers with essential skills to improve their employment prospects. A cluster-based approach is taken to training - even basic skills courses are geared towards specific industrial occupations. All courses are delivered in local firms or in JARC's own 3 500 square foot Technical Training Centre for the Metalworking Trades. Course instructors master the languages of target populations within the community.

In terms of budget, JARC accesses state and city funds in addition to foundations such as the Aspen Institute, the Hitachi Foundation, United Way, the Polk Brothers Foundation, and individual contributors. A variety of companies in the metalworking and related sectors, as well as in the banking sector help fund the initiative. Since the start of the programme, over 900 individuals from 100 companies have taken classes through the MSP (out of a local employer base of roughly 200 businesses employing 5 000 workers). The programme has been found to have an 80% attendance rate and 97% completion rate, while participants experienced an increase in total yearly earnings after completing the programme (estimated at between 5 and 15%).

Source: OECD (2006a, 2008c)

Linking clusters to the work of the public employment service

A sector/cluster approach is useful not just to link people to training, but also to help in matching people to jobs. In New York, a transportation centre has been established in the Workforce1 Centre in Queens, which supports access to jobs in this sector by the unemployed, while also working with employers to improve retention and progression of low-income workers and improve work organisation (see Box 14). The centre provides a particularly professional environment for job seekers to learn about and access a strong local industry sector.

Box 14. Workforce1 NYC Transportation Centre

In 2008, New York City launched the Workforce1 NYC Transportation Centre, which was initially funded by Mayor Michael Bloomberg's Centre for Economic Opportunity.

The goals of the centre are to:

- help make transportation companies more competitive by building expertise on how to respond to workforce needs.;
- connect low-income workers to good jobs with career advancement opportunities within the sector; and
- catalyse systems of change within the transportation industry by working collaboratively to identify and address barriers that impact employers and low-wage workers.

On the basis of an analysis of labour market data, the centre chose to focus specifically on four subsectors: air transportation, truck transportation, passenger and ground transit, and air support transportation. Within these subsectors, the centre works closely with companies to assess their hiring and training needs and to develop customised solutions to meet those needs. For example, many companies have expressed a need for supervisory training to both retain workers and provide advancement opportunities for staff, which the centre now delivers. The centre has also found that having a deeper engagement with employers has enabled the centre to maintain and exceed performance expectations despite challenging economic times. By having their "fingers on the pulse" of employer demand, staff have been able to connect recently dislocated workers with other similar opportunities, while also screening new entrants into the sector.

As of April 2009, the Transportation Centre has made a total of 869 placements and promotions. A total of 664 individuals have been placed in jobs. In addition, a total of 205 individuals have received promotions and 75% of those individuals have received a 10% or more increase in wages. Two hundred and thirty nine individuals have enrolled in training. Additionally, over 80 transportation companies in NYC have been served by the Transportation Centre.

Source: *www.nyc.gov*

In Flanders, Belgium, the public employment service (VDAB: Flemish Service for Employment and Vocational Training) has been working directly with the city of Antwerp to support employment access and progression within key areas of the local economy, namely the tertiary sector, construction, logistics, industry, the hotel, restaurant and catering sectors, and creative industries. By bringing together education, labour market and sectoral partners, it was felt that local employment bottlenecks could be approached in a comprehensive manner, while also supporting access to career progression by lower-skilled people. It was recognised early on that a targeted sectoral approach required a sound knowledge of the local labour market. An effort has therefore been made to produce a well-founded analysis of supply and demand for each sector (see Box 15).

Box 15. Sectoral initiatives to meeting skills demands in Antwerp, Flanders, Belgium

Identifying the situation - skills needs analysis for the tertiary sector

To develop training and employment in the tertiary sector in Antwerp, a skills analysis was first developed in co-operation with labour market and education partners under the guidance of a non-profit research and consultancy bureau (WES). Available quantitative data was reviewed and a qualitative survey conducted with local companies. Through the qualitative research it was found that satisfaction with skills levels was fairly low in the tertiary sector for almost all types of skills, and this was true across all sub-sectors. Companies identified that new entrants to the labour market lacked occupationally specific skills and French language skills (service sector workers are expected to be fluent in both French and Flemish). In addition, they were felt to show insufficient flexibility. Following the surveys, partners came together in a workshop to perform a SWOT analysis of the sector, as a basis for planning a strategic response to addressing skills needs.

Raising skills levels in the construction sector

The city of Antwerp has also developed a joint approach in the construction sector, called *Talentenwerf* (literally translated as "talent building site"). This is a partnership between the VDAB, the city of Antwerp, the Antwerp Education Council and the *Fonds voor Vakopleiding in de Bouw/FVB* (Fund for Professional Training in the Building Industry). The organisations gathered staff and knowhow under one roof to produce a "one-stop-shop" for construction companies, their workers, jobseekers and local schools. Large infrastructural works planned in the city will require thousands of extra construction workers, despite the economic downturn. Apart from matching supply and demand much attention is devoted to the development of innovative training programmes with the highest possible participation from companies. A temporary training infrastructure is also provided on building sites so as to bring training and education closer to industry. The *Talentenwerf* is run by staff from each of the different partner organisations, with the process being jointly steered by a co-ordinator, a management committee and a policy working group.

Source: Department of Work & Social Economy, Flanders.

In France, following the economic downturn, the Employment and Training Centre of Mulhouse (MEF Mulhouse) established a regional dialogue to facilitate the transfer of skills from precarious sectors to those which have a more promising future in the region (see Box 16). A four month period of consultation took place with relevant local and regional actors to define a common strategy for employment and skills development which would make local career pathways more sustainable.

Box 16. The Employment and Training Centre of Mulhouse (Maison de l'emploi et de la Formation, MEF), France.

The MEF Mulhouse serves a territory made up of 38 communes and about 270 000 inhabitants, with the city of Mulhouse itself having a population of around 120 000 people, within a larger travel-to-work area (*bassin d'emploi*). MEF Mulhouse has recently been working with partners on labour market issues covering a much wider territory within south Alsace, however, bringing together four labour market areas comprising 240 communes and around 460 000 inhabitants.

South Alsace has a working population of 129 000 (35% in the service industry, 28% in business, 9% in construction and 28% in manufacturing). Since 2003, 8 000 manufacturing jobs have been lost in the automobile, chemical, food processing and machine construction/electronics industries in the region. MEF has worked with partners on a "horizontal approach" (*demarche transversale*) to better support the transition of workers to more stable career paths within emerging sectors.

Box 16. (continued)

The origins of the project

The mission of the MEF was established in legislation in February 2008, following the reform of the public employment service. To begin with, the focus was on the emergence of new jobs, particularly in the construction industry, where a number of local building firms came together to form a new "low carbon" sustainable construction cluster.

MEF Mulhouse undertook a number of related studies, including an analysis of the shifting labour market within the region to better identify the local destruction and creation of jobs. A study on the impact of the car industry in the region was carried out to examine not only the local importance of the sector and its travel to work area, and but also the transferable skills possessed by its workers. Following a wave of redundancies, the textile sector and the CFDT union also asked the MEF to redouble its efforts in tackling unemployment in the sector, through facilitating a transfer of skills to other sectors.

The approach

In response, MEF has sought to open dialogue within the region by creating a platform for communication and exchange on industrial change, employment and skills. A four month period of consultation took place with relevant local and regional actors in order to analyse the principle challenges facing the region, including economic change, the recognition and valorisation of the skills possessed by local people, and the need to define a common strategy for employment development which would make local career pathways more sustainable.

Fifteen objectives were developed and shared by the different actors, around four themes: research and analysis, co-operation with companies, training and communication. Specific objectives included anticipating the future needs of businesses arriving in the region, better matching skills to future demand, and making people more aware of potential areas of future employment growth.

Specific examples of the work carried out

- A joint advertising campaign and information service was launched to better inform employees, business owners and human resources personnel on the adult and professional training programmes available in the region.
- A series of studies were carried out to help to identify those sectors which were precarious and those which were likely to have a greater future in the region.
- A website was set up to enable professionals and businesses to better understand the horizontal career paths which could allow people to pass from declining to emerging sectors.

Recommendations for national policy makers

Support flexibility in education and training institutions so that local actors are able to provide courses that are modular and adaptable to the needs of working adults and participate within career cluster type initiatives.

Work with industrial consortia and sector bodies to map job skill requirements within particular sectors and make the labour market more transparent.

Establish a career cluster or career ladder framework for use and adaption at the local level by mapping career clusters and engaging national sector organisations and training providers in a career cluster approach; thereby assisting local actors to build partnerships for employment progression to suit their own local labour markets.

Recommendations for local policy makers and practitioners

Establish a career cluster or career ladder framework which links up jobs into a coherent system and provides a basis for adult careers advice, and the co-ordination of local education and training. Ideally this work needs to be done through a partnership approach.

Work with local training and education providers to develop modular flexible training to help workers move from one career to another.

Develop sector or cluster-based job matching services within the public employment service which provide a professional environment for both unemployed and employed people to plan and access careers.

4 Fostering and anticipating new areas of growth

Anticipating future areas of growth should also be a key focus for local employment and skill strategies. The downturn has hit all sectors of the economy and few sectors have been exempt from job losses. At the same time, there are areas of the economy which will undoubtedly grow in coming years, and for which communities would be wise to prepare their workforce.

In the context of climate change, the economic opportunities offered by the green sector may be considerable in the future. Another expanding area in the context of the ageing population is health and social care. Outside of these key sectors, spotting new opportunities will be a continual process, and attention needs to be paid to both external trends and local comparative advantage. A process of "flexible specialisation" will be key.

When the LEED Programme was established at the beginning of the 1980s, many OECD countries were facing structural problems in their economies due to a declining manufacturing sector. At that time, the services sector was growing in importance, and a primary aim of many local initiatives was to re-train people in skills relevant to the service sector, such as IT and customer services. This time around, the downturn has hit all sectors of the economy, with service jobs in retail and tourism being hit early on as consumers tightened their purse strings. It is not so easy to find sectors which have been exempt from job losses.

At the national and international levels, efforts are being made to predict where new jobs are likely to be concentrated in the future. In Europe, the European Commission and CEDEFOP are working to forecast the jobs which will be available in 2020 (see Box 17). Such forecasting is also happening at the local level, although it is difficult to make accurate predictions with any certainty. At the same time, there are areas of the economy which will undoubtedly grow in the coming years, and for which communities would be wise to prepare their workforce. In the following section we look at two areas in particular which are likely to grow: green jobs and health/social care.

Box 17. New Skills for New Jobs

The European Commission's new scheme "New Skills for New Jobs" aims to:

- Establish a regular, systematic assessment of long-term supply and demand in EU labour markets until 2020, broken down by sectors, occupations, qualification levels and countries. Updated projections will be published every two years starting in 2010, along with ad-hoc early-warnings of potential labour market imbalances.
- Increase EU methodological, analytical and mutual learning capacities for skills and jobs anticipation.
- Increase EU capacity for assessing the employment effects of a transition to a low-carbon economy.

A first assessment predicts that by 2020 almost three quarters of jobs in the EU 25 will be in services, and that there will be increasing skills requirements at all levels of the labour market, including "transferable" or "generic" skills such as communication, problem solving and analytical skills.

Source: European Commission DG Employment & Social Affairs

Green jobs

In view of climate change, the need for all countries to move, and move rapidly, towards a "sustainable, low-carbon economy" is now a broadly accepted target for the world (UNEP, 2008; OECD, 2009b). Today, green industries are growing contributors to wealth on a global scale, and the economic opportunities offered by the green sector can be simply illustrated by the projections for its growth. The core of this economy, the environmental goods and services sector, was estimated to be worth USD 548 billion globally in 2004 and it is projected to increase to USD 600 billion by 2010 and just under USD 800 billion by 2015 (Selwyn and Leverett, 2006). However, the employment records of these sectors vary from one country to another. To take just one example, the green economy as a whole employs 1.5 million people in Germany, compared to 400 000 in the UK (TUC, 2009). This uneven distribution reflects the fact that there is a real potential to further develop the green economy in many countries.

At the local level, the expansion of greener activities has proven to be a lever for job creation and economic growth in the long-term. The example of the Silicon Valley in the United States is illustrative. The region accounts for 31% of all clean tech investment in the United States and 55% in California. Despite the economic downturn, the Silicon Valley has witnessed 23% growth since 2005. Job growth since 2005 has been strongest in green building (424%), transportation (140%), and advanced materials (54%). Moreover, venture capital investment in the Silicon Valley totalled nearly USD 1.9 billion in 2008, an increase of 94% over 2007 (Joint Venture Silicon Valley Network, 2009).

As enterprises transform their business activities to reduce their climate impact, the profile of their employees and providers will be adjusted. Some implications for key economic sectors are included in more detail in Box 18.

Box. 18. Key sectors for the emergence of green jobs

Construction: climate change is creating a demand for new building techniques and materials, especially those related to greater thermal efficiency in the finished building and the use of materials that create fewer carbon emissions in their production.

Energy and heating: the UN Environment Programme estimates that the market for clean energy technology could be worth USD 1.9 trillion by 2020.[3] However governments will need to play a role for a while yet in stimulating markets for such technologies through the application of fiscal policy or direct financial assistance.

Agriculture: agricultural employment has yet to adapt to the need to provide more locally-produced products and to respond to the growing desire of many environmentally-sensitive consumers for lower-impact supplies.

Transport: the consumption of fossil fuels by the transport industry is one of the main sources of greenhouse gas emissions. At the local level in many countries, national and local policies are already moving towards the encouragement of greater public transport usage – by the development of higher subsidies for bus usage, the creation of cycle routes, and disincentives via parking charges for the use of private motor transport for short journeys. Such moves also have the capacity to change employment patterns locally – shifting jobs from garages (for car maintenance) to bicycle shops, for example, or from automobile manufactures to the public transport sector and the production of buses and trains.

3 *Global Trends in Sustainable Energy Investment 2008*, UNEP 2008.

Box 18. (continued)

Tourism: on an international scale, air transport remains a key user of carbon fuels and by common consent offers few immediate alternatives in terms of fuel. On the other hand, experience in recent years has shown that real airfares are tending to rise. These trends will tend to favour more localised tourism – domestic tourism included – that will have a direct impact on employment.

Recycling industries: greater understanding of the need to recycle waste is already evident. At the local level, there must be growing opportunities for the further development of recycling industries that have a negligible transport-related carbon footprint and can also bring direct and immediate local benefits. For example, local recycling centres can produce raw materials for energy production from incinerated waste, organic compost for the agricultural sector and raw materials for industrial processes, such as for the pulp, paper and metal products industries.

Source: Todd (2008), OECD (2009b)

Managing change

As the green economy continues to expand, skills shortages may occur, ranging from low-skill, entry level positions (*e.g.* machinists) to high-skill higher-paid jobs (*e.g.* engineers). However, while some sectors will gain from the transition to green technologies, others may experience job losses (or job shifts). This will particularly affect areas where employment is concentrated in oil extraction and refining, the power sector, and in energy-intensive industries like paper, steel, aluminium, and cement. At the local level, retraining, skill-building, income support and social protections policies will be needed to assist in this transition. The involvement of trade unions will be important to this process. The "Just Transition" strategy developed by the labour movement outlines the six basic principles to help communities manage the changes (see Box 19).

Box 19. The "Just Transition" strategy

1. **Make green opportunities real:** major investments are needed to develop long-term sustainable industrial policies, aimed at retaining and creating decent and "green"/sustainable jobs, and "greening" workplaces.
2. **A sound starting point:** research and early assessment of social and employment impacts are crucial for better preparing change. There is a need for better understanding the concrete impacts of climate policy on communities.
3. **Come & talk:** local and regional governments have to consult with and encourage institutionalised formal involvement of trade unions, employers, communities, and all groups which need to be part of the transformation.
4. **You train the workers, the future gets closer:** changes on the ground require workers to be trained in clean processes and technologies; this is key for absorbing and developing new technologies and for realising the potential of green investments. Educational leave for workers to acquire new skills might be needed.
5. **It is also about protection:** vulnerability may be a source of reluctance to support change. Social protection schemes, including active labour market policies (social security including social insurance and public employment guarantee schemes, job creating public works programmes for the unemployed and working poor, income maintenance, and job placement services, among others) are key for ensuring justice in the transition.

Box 19. (continued)

6. **One size does not fit all:** each region and community at risk requires its economic diversification plan. A "free-market adaptation" will only lead to suffering and opposition to climate measures. While there is a need for national regulation on climate change protection, there is also a need for adapting those to the regional and local context, maintaining environmental integrity, but also ensuring fair options for sectors and workers affected.

Source: Trade Union Advisory Committee to the OECD, *www.tuac.org*.

Defining the sector

As green growth is a relatively new area for policy, many localities are starting by mapping the extent of green jobs in the existing labour market and the current utilisation of "green skills". The state of Michigan in the United States, whose automobile industry has been particularly badly affected by the downturn, has launched an initiative to better define the nature of green jobs and their importance to the state. A three-pronged methodology was used, including an employers' survey to uncover the current number of Michigan green jobs and employers' expectations of future employment levels, difficulty in hiring qualified workers, and green occupations requiring green skills and employee training. The findings were then analysed in the context of labour market information and economic intelligence to understand industry and occupational trends. Finally a qualitative approach involved using focus groups to enhance the understanding of green-related workforce issues. The research helped to define Michigan's green economy as industries that provide products or services related to five core areas:

- Agriculture and natural resource conservation.
- Clean transportation and fuels.
- Increased energy efficiency.
- Pollution prevention or environmental cleanup.
- Renewable energy production.

The survey identified over 109 000 total private sector green jobs in Michigan – 96 767 direct and 12 300 support jobs. Today this represents 3.4% of Michigan's total private sector employment but the growth potential is estimated to be very high. Renewable energy production, which today is the smallest green sector, may be the fastest growing. At the same time, the clean transportation and fuels area accounts for the largest number of the state's green jobs (roughly 40 000). In order to provide additional skills training, Michigan has established an Academy for Green Mobility (see Box 20). This is a partnership between government, automotive manufacturing industry employers and education and training providers to help prepare individuals to move quickly from jobs on traditional gasoline-based vehicles to advanced propulsion vehicles that use green technologies and applications.

Examples of local initiatives to launch and bolster the green jobs sector include the following:

Box 20. Some examples of local green job strategies

The **London Development Agency (LDA)** has established a Low Carbon Skills Forum to help drive the transition of London to a low-carbon economy. In particular the LDA and the Mayor of London are keen to enable workless Londoners to benefit from the transition to a low-carbon economy. To facilitate this, a pan-London Retrofit Employer Accord Pilot (REAP) programme has been set up to create 200 sustainable employment outcomes for unemployed Londoners. REAP is intended to open up employment and training opportunities associated with existing LDA buildings' energy efficiency programmes currently being delivered through local authorities and registered social landlords. Work areas include cavity wall insulation, loft insulation, fitting solar panels, double-glazing and draught exclusion.

Los Angeles Apollo Alliance, United States. Since 2006, the L.A. Apollo Alliance is working to shape green workforce and economic development strategies. With the support of city officials, including the mayor, the city council and the local councillor, the Alliance was instrumental in encouraging the city to invest in water and energy retrofits while establishing a Green Career Ladder Training Program to connect low-income residents to job opportunities created by the investment. In 2007, a Task Force was established to identify workforce needs, finance mechanisms for the retrofit work and funding for the training programme which began in 2008. The L.A Apollo Alliance includes community-based organisations, labour unions and environmental groups. It is convened and led by SCOPE – a community-based organisation in South Los Angeles (*www.scopela.org*).

The Richmond Program, United States. This programme provides low cost and free solar system installation to low-income homeowners while training low-income residents from the community to do the work. The Richmond Program has three key partners: Solar Richmond (NGO), Solar BUILD (a state-funded programme) and GRID Alternatives (NGO). In 2007, a total of 32 Richmond residents completed the new special training programme: an eight-week construction skills training programme with an additional two-week solar skills module. By the end of that year, all but five programme graduates had been hired by local solar and construction firms. In 2008, green building techniques were incorporated in the programme. Solar Richmond co-ordinates regular training programmes and facilitate job placement for graduates (*www.solarrichmond.org*).

The Michigan Academy for Green Mobility, United States. The Michigan Department of Energy, Labor & Economic Growth has partnered with Michigan Technological University, Wayne State University and automotive manufacturing employers to establish the Michigan Academy for Green Mobility. The Academy is offered under the Governor's No Worker Left Behind, which plans to train 100 000 citizens in three years for jobs in high demand occupations and emerging industries. By reorganising and augmenting federal funds currently used for workforce development, NWLB provides up to two years of free tuition at any Michigan community college, university, or other approved training programme for qualifying participants. A focus is on advanced propulsion technologies, diesel and hybrid vehicles. The training is designed to be targeted, short term, and flexible.

Blue Mountains Business Advantage (BMBA), New South Wales, Australia. This programme establishes an accredited "brand" or label that identifies businesses that have participated in a sustainable business practices course. The "brand" is owned by Blue Mountains Tourism Limited and administered by the regional chamber of commerce and assisted by the Blue Mountains City Council. Businesses that wish to be accredited attend a one day training workshop that covers issues such as developing the business case for sustainability, implementing the triple bottom line, developing a strategic approach and reporting using indicators. Accredited organisations receive a licence to use the brand logo for their own marketing and receive further training and information on effectively using the brand. Accredited organisations receive profiling on the BMBA website, are listed in a brand partner's directory, and are licensed to use the label in the promotion of their activities and interests (Potts, 2007).

Health and social care

The state of Michigan has put in place sectoral strategies in the field of health, which is also growing as an employment sector in the context of the ageing population. In 2004, when the Governor of Michigan launched a new "Regional Skills Alliance" (MiRSA) scheme, nine out of the 13 initial regional skills alliances chose to focus on the health care sector. The regional skills alliance programme is intended to improve the efficiency of local workforce development and educational systems in meeting businesses' needs. For many years, Michigan has invested in an extensive and renowned post-secondary educational system, and in partnership with the federal government it has developed a comprehensive workforce system. However, there has been increasing concern that these two systems are not collaborating sufficiently to meet the needs of Michigan's business community. Recognising that local labour markets have their own specific needs and that local entities best understand them, the state turned to local stakeholders to form partnerships to identify skills needs, develop the strategies to address the needs, and carry out proposed activities. With the financial assistance of Charles Stewart Mott Foundation (a charitable foundation based in Michigan), the state offered one-year start-up grants totalling over USD 1 million for the initial development of the alliances. In addition to those alliances focusing on health sector, others focused on manufacturing and bio-technology. The alliances were convened by workforce boards, a labour organisation, post-secondary training programmes, and a community-based organisation.

For example, the Northeast Michigan Healthcare Workforce Alliance encompasses an eleven-county area in the upper northeast corner of the Lower Peninsula. Due to a 10% decline in manufacturing in the three years prior to the initiative, the unemployment rate had reached 11%. Many of the skilled workers who could find jobs elsewhere had left, leaving other industries concerned about maintaining a quality workforce. The alliance took a three-pronged approach to address this issue. The first addressed the immediate workforce needs of the healthcare industry by working closely with local educational institutions and others located downstate to offer training. Being a sparsely populated rural area, workers must travel long distances to find proper training, and the MiRSA partners attempted to co-ordinate and align curricula so that individuals can take courses at nearby institutions instead of travelling to institutions located hours away. MiRSA partners put together a directory of community college and university programme offerings in northern Michigan for the healthcare professions. The Alliance also developed a career ladder programme for entry-level nursing-related occupations. The second prong developed a future workforce. Specifically, the MiRSA sought to increase the awareness of middle and high school students about the wide array of available healthcare professions through a series of summer health exploration camps and supportive marketing material. The third prong focused on better integrating hard-to-reach groups into the labour force, providing support for workers with retention problems through assistance with transportation and drugs counselling.

In the context of the ageing population, communities are also realising that the social care sector will be a major employer in the future. While the health care is generally relatively well structured in terms of organisational hierarchies and labour representation, the social care sector is rather different. Traditionally, jobs have been low paid and often temporary in nature, leading to skills shortages. There is a strong gender bias, with an important concentration of women working in the sector. The pay and conditions do not always reflect the emotional and communication skills required to deliver good quality care services in this sector, and there have been calls to raise job quality as a means of attracting new people into the sector in the future.

For example in Queensland, Australia one of the skills ecosystem projects (see the previous section) has focused on the elderly care sector: the "Queensland Aged Care Skills Formation Strategy". This is a state government initiative bringing together government, industry and registered training organisations (RTOs) to address skills shortages. The skills shortages have been identified as being rooted in a lack of career development opportunities in the sector, a lack of established support and development mechanisms and the fact that the skills and knowledge of workers were not being utilised to their optimum potential extent. The strategy focused on education and training, workforce management, job design, industry image and industrial relations. In particular the roles for health assistants were redesigned and training and career pathways were developed which were consistent across the spectrum of care (QCS&H ITC, 2006).

In France, a scheme to increase the quality of jobs in care to the elderly has been one part of a wider scheme to ensure that elderly people can stay in their local rural regions (see Box 21). The scheme is an example of the way in which social enterprise and social innovation can respond to local service gaps and support social inclusion while also creating local job and training opportunities.

Box 21. Creating attractive jobs and training opportunities in rural France

Assisted living facilities for the elderly are sparse in rural France; this is particularly true in the 6 000 local authorities with between 700 and 3 000 inhabitants. For people who have spent their entire life in the countryside, it can be traumatic to be re-located elsewhere in their old age. To deal with this, the Bordeaux-based architect and urban planner Philippe Loubens created the Villa Family concept that allows the elderly to continue living in their own village close to relatives and friends, carrying on their lives in a family-setting. This new living concept has triggered a demand for skilled labour and created new jobs in rural areas. The first Villa Family house was opened in 1990 in the region of Creuse, which has the highest number of elderly people in France.

Two young French entrepreneurs decided to develop the concept further. The company *Ages et Vie* asked local authorities to donate a plot of land for a house for a symbolic price of EUR 1. *Ages et Vie* sought out a private investor who was willing to finance the construction of the house. When an *Ages et Vie* house is created, a special housing association is set up, comprised of the mayor, the local general practitioner, the elderly and/or their families. The association acts as the employer of "hosts" who offer care for the people in the house. Hosts are usually graduates in the field of social work or have professional experience in gerontology or as a nursing auxiliary. Upskilling for the hosts is financed through the housing association, with specific training programmes (*e.g.* on pain management) being subsidised by the regional agency. In total, the costs are significantly lower than that of a conventional senior citizen's home. Currently there are eight *Ages et Vie* houses within a radius of 100 km around the City of Besançon and about 15-20 Villa Family houses in the East of France.

Source: Froy *et al.*, 2009

Elsewhere in France, a network has been established to help to convert temporary and part-time jobs in sectors such as personal care into longer-term better quality employment. The AMETIS network asks local employers (private and public sector) to provide an indication of their future labour needs, and on this basis they amalgamate the expected work on offer to provide workers with full-time permanent contracts, managed by local branches of the network. For AMETIS, this "consolidation" of activities not only improves the quality of local jobs but also helps local employers to meet skills gaps and shortages. The project has been piloted in Nantes/Saint-Nazaire, Touraine, Mulhouse and the Province-Alps- Côte d'Azur region, and is expected to be implemented more widely.

Wider support for innovation and flexible specialisation

Outside of these key sectors there will be many different avenues for growth and development in the coming years. Spotting new opportunities is a continual process, and the fostering of a local entrepreneurial culture with robust support for new and emerging firms has been shown to aid the process of growth and re-growth. Building a knowledge base and regularly collecting local labour market information can also play a crucial role in identifying emerging employment sectors and training needs.

It is important for communities to focus investment on areas in which they will have a comparative advantage. Local policy makers should ideally seek to promote "flexible specialisation" - concentrating on certain sectors, but evolving these in response to market needs. Plastics Valley in Oyonnax (see Box 22) is a good example of a region that has grown a cottage industry into a diverse and highly responsive manufacturing sector, despite economic setbacks and changing markets.

Box 22. Plastics Valley, Oyonnax

Oyonnax in France provides a good example of a place that has constantly adapted and evolved to meet the challenges of economic change. The town is located in a valley in the region of Ain, close to Lyon. Traditionally, the valley was the centre of cottage-based production of combs. But in the beginning of the 19th century it grew to become a major manufacturing centre for combs, taking advantage of technical advances in the field of plastics. After the Second World War, the region diversified into a broader centre for the plastics industry, becoming known as the "plastics valley". Oyonnax continues to be a leader in plastics manufacturing research and innovation, becoming home to the *Pôle européen de plasturgie* (PEP) in 1989. Now there are over 1 500 companies which are responsible for all stages of the plastic industry including: design, mould production, machinery manufacture, polymer processing, finishing, decoration, recycling.

Skills and employment have been at the heart of the long-term success of the valley. Specialist skills in the plastics sector have been sourced locally through the creation of the *Ecole Supérieure de Plasturgie*, which trains future plastics manufacturing engineers. This ensures that industries in the area can recruit suitable persons to fill the project manager and technical supervisory positions necessary across the whole plastics sector. Not only are increasingly specialised engineers required, but also skilled technicians to operate machinery, monitor processes, and undertake other production tasks that have become more sophisticated. The development of the Lycée Arbez Carme has helped train local people in the skills required to work in the production side of the plastics sector. In addition to the engineers and technicians, industries in the valley also need a lower-skilled workforce to undertake more general tasks in the production process. Typically, this workforce has been provided by immigrants into the area, and the Oyonnax valley has a culturally rich workforce. However skill shortages have persisted, and business in the plastics valley has collaborated with organisations such as the ANPE (the French national employment agency, now *Pôle Emploi*), to develop training schemes in basic skills for the local labour force. One such scheme, named *Action de développement des compétences* (ADC) was founded on an agreement between industrial partners.

Source: European Commission, 2004.

Recommendations for national policy makers

Define the green jobs sector: where are the current areas of high carbon impact and wastage? How are job profiles likely to change, what sectors will grow, what sectors will shrink?

Provide guidance to the local level on likely future training needs in emerging sectors.

Ensure that national schemes to respond to broader trends (*e.g.* climate change and the ageing population) are geared so that they support the development of good quality jobs and training opportunities.

Support flexibility in the vocational education and training system so that local actors can adapt training to emerging growth areas.

Recommendations for local policy makers and practitioners

Map existing green jobs and green skills in the local economy in order to establish priority areas for support and to target skills development. Identify how job profiles are likely to change, what sectors will grow and shrink.

Support the development of quality jobs in emerging sectors – particularly in areas of public service such as the healthcare sector. This may require redefining job roles at the same time as upgrading the skills of the low-qualified.

Develop an economy based on flexible specialisation: assess and build on local assets but continually monitor how these can best be exploited and industry diversified in the context of ongoing global change.

5 Good local governance

In order to work in the above policy areas - many of which are cross-sector - good local governance will be essential. In the context of the economic downturn, policy silos and fragmented short-term policy interventions have become luxuries that our economies can no longer afford. In order to rebuild growth in the recovery, local communities will need forceful leadership and strong local governance mechanisms that integrate different policy strands towards a common objective. To do this they will need:

- Effective cross-sector strategies with a reduced set of clear priorities based on a strong local evidence base of information and data.
- Broad partnerships between public and private sector actors in the field of both strategic development and delivery.
- Strong leadership and capacity building at the local level.
- Building of social capital and the development of high trust societies.
- A long-term perspective.

Of course, implementing effective policy interventions at a time when public budgets are being cut is going to be challenging. OECD governments are starting to pay back significant deficits incurred through their stimulus packages. Cuts are being felt at the local level, and every initiative implemented will now need to be carefully justified. In such a context it is particularly important that funding is not dissipated and fragmented but brought together to achieve concrete local priorities. Governments intervene in a myriad of ways at the local level, but rarely are these interventions co-ordinated effectively. National policies can make a great deal of difference in re-building economically viable and sustainable communities. But they will have a limited impact if policies are fragmented, services are duplicated, gaps missed, and agencies do not communicate with each other about what they are trying to achieve.

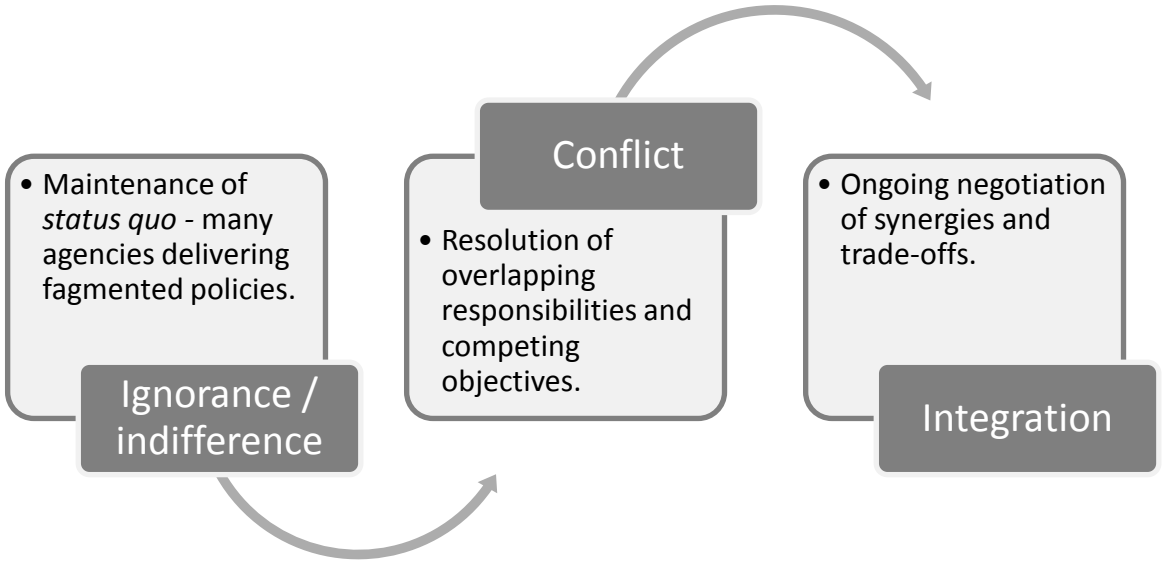
Improving policy integration improves efficiency, while also bringing about better outcomes locally. It is widely acknowledged that efforts to co-ordinate employment policies with economic development strategies and social inclusion initiatives bring significant benefits. The economic downturn risks creating long-term social problems if unemployment levels remain high, particularly in communities which already have entrenched difficulties such as multi-generational unemployment, social exclusion and high crime rates. Such areas require significant investment in multiple areas — housing, training, local transport — to be turned around. At the same time, harnessing economic opportunities in a knowledge-based economy (such as improving productivity, gearing towards new markets) requires simultaneous investment in infrastructure, skills, research and innovation.

Reducing fragmentation, improving policy alignment

Better aligning local policies and eliminating duplication and waste is not an easy process, however. Agreeing on a common set of priorities and actions requires negotiating trade-offs, synergies and

necessary sacrifices, which is challenging at the local level, particularly when local agencies do not have complete decision-making power over their actions (Giguère and Froy, 2009; Froy and Giguère, 2010). It can imply a degree of conflict between local agencies which many local actors would find uncomfortable (see the Figure 6). Even if the will to make sacrifices and work towards a limited set of local priorities is there, a lack of flexibility in determining organisational targets means that many institutions, especially public or quasi-public, are likely to give priority to their own targets instead of those that are set collectively. The problem is accentuated because local strategies, and the mechanisms set out for their delivery, are not always legally binding. In many cases, partners feel free to participate in collective strategic planning but not necessarily obliged to translate the agreements into concrete action.

Figure 6. From indifference to integration at the local level



Source: Froy and Giguère, 2010.

An OECD LEED study on the degree of local integration between economic development, skills and employment policies in 11 countries (Froy and Giguère, 2010) identified a number of recommendations for better aligning policies, presented in the following section.

Building a strong local evidence base

In order to build a strategic approach that is relevant to local conditions it is essential to have a strong evidence base on local labour market issues. In response to the economic downturn some cities, such as Liverpool and Paris, are attempting to improve their oversight of labour market issues. However, information and data is not only useful as a means of gathering information on the delivery of programmes; when it is used well it can also galvanise local actors into a common agenda for action. In the case of the Lower Rio Grande Valley (see Box 10) a key role for local leaders was to use data and information to ensure that all stakeholders fully realised the severity of the local situation. A major local data survey was commissioned, and the involved partners come together every two years to review their performance against an agreed set of indicators.

In New Zealand (Froy and Giguère, 2010), the emphasis is not just on collecting statistics but on the need for "an authentic blend of wide-ranging local knowledge with robust statistical analysis". Local actors recognised the need for local data that was ideally:

- owned or commissioned by a credible partnership of relevant regional actors;
- reliable as a result of using advanced and robust analytical methods;
- disaggregated at least to city council and district level;
- informed by regional long-term economic development strategic plan;
- updated regularly; and
- in a form useful for guiding decisions of all stakeholders.

Designing effective strategies

To a large extent local strategies can be evaluated on whether they focus on "pressing and unique issues" which affect a locality. However, in many cases local strategies consist of long "wish lists" of potential actions with a weak connection to local issues, and a lack of concrete means for their implementation. Effectively this allows local actors to pay lip service to the strategic aims but continue implementing their own policies without regard to others. To really help communities recover from the downturn, LEED identifies that strategies will need to be based on:

- a sound understanding of the local context;
- a real discussion of the trade offs and synergies between different policy interventions to respond to threats and opportunities in the longer term; and
- a clear understanding of the real competences of local actors.

Building partnerships

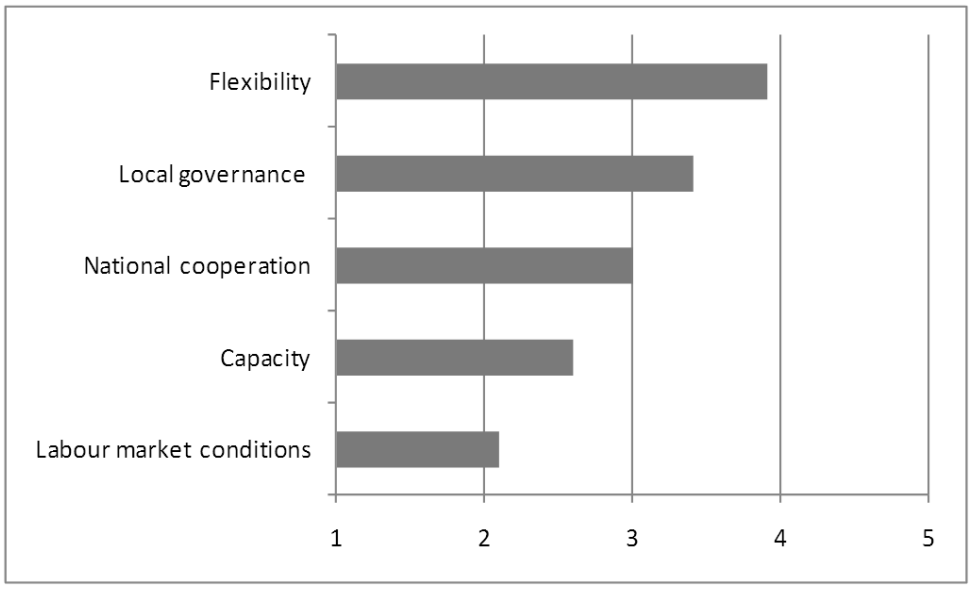
Partnerships will be key to recovery. They are becoming increasingly common in OECD countries as a governance tool to link up policies at the local level, connect local actors with other governance levels, stimulate initiatives, increase effectiveness and efficiency in the use of resources and enhance policy outcomes. At the local level they traditionally involve a wide variety of actors from the public, private and not-for-profit sectors, with the exact composition of players depending on their thematic focus. Partnerships have traditionally attempted to work within the existing policy framework, tailoring programmes to local needs. However, more and more partnerships across the OECD are now seeking to play a broader role, influencing the development of policy itself. Partnerships are thus endeavouring to become an integral part of both policy design and delivery, at different governance levels.

This is important, as area-based partnerships do not always have considerable success if they are not accompanied by other policy measures. The OECD Study on Local Partnerships (2001, 2004) made clear that the establishment of area-based partnerships is not a sufficient condition for policy co-ordination. Partnerships have, on average, a marginal impact on the capacity for services to join forces and take an integrated approach to local problems. Problems include poor accountability relationships that limit inter-organisational commitment and strict performance management requirements in mainstream policy that encourage individual agencies and organisations to take a narrow approach to policy implementation.

Flexibility in the design of policy

To be in a position to have an impact on local governance, partnerships need to be accompanied by mechanisms to increase flexibility in the policy management framework (OECD, 2003, 2005; Giguère and Froy 2009; Froy and Giguère, 2010). In many OECD countries policies are highly centralised, with decision-making in the fields of employment and skills often managed by central government. This means that local partnership working and local strategies can be largely meaningless, if participants are not able to influence the implementation of mainstream programmes and policies in any locality. In a comparison of factors that can influence policy integration in the eleven countries studied by LEED (see Figure 7) it was apparent that policy flexibility was the most important factor influencing local policy integration.

Figure 7. Factors of local policy integration



Note 1: This chart illustrates the average ranking allocated to each element by eleven country experts on the basis of country research (interviews and roundtables).
Note 2: Where 5 is the highest ranking given, and 1 is the lowest.

Source: Froy and Giguère, 2010

The achievement of local flexibility does not necessarily mean that governments need to politically decentralise – indeed flexibility at the local agency level is sometimes higher in centralised systems. Governments just need to give sufficient latitude when allocating responsibilities in the fields of (see Giguère and Froy, 2009):

- designing policies and programmes;
- managing budgets ;
- setting performance targets;
- deciding on eligibility; and
- outsourcing services.

Allocating more flexibility requires that local actors take more responsibility, and to do this capacity needs to be built and alternative forms of accountability created. In particular, horizontal forms of accountability can be used which allow local actors to be mutually responsible for each other's actions, such as local boards, partnerships and scrutiny panels.

Building skills and capacities

In order for local actors to take forward the complex set of policies that are needed to boost growth at the local level they need to have the analytical and technical capacities to do so, not to mention the manpower. A "chicken and egg" situation appears to exist in relation to capacities at the local level. National governments fear that local capacities are low and are reluctant to offer new responsibility and hence new resources. However, without gaining responsibility and a degree of control over policy implementation, local actors often have little opportunity to build their competences.

Key areas where communities need to build their capacities include:

- Creativity and problem solving skills (for tackling the wide variety of unique issues that arise at the local level).
- Analytical skills (for understanding local economic and social data).
- Strategic skills (for establishing key priorities and concrete means of achieving them).
- Leadership skills (for bringing together a wide variety of partners to achieve joint objectives).
- Partnership skills (for understanding and reconciling the objectives of actors from different organisational backgrounds on a day to day basis).

It is not just community organisations which need to have their capacities built but also local branches of government agencies. In many OECD countries, the public employment service would also benefit from having their skills boosted in the above areas, in order to provide a more co-ordinated response to rising unemployment locally.

As identified in the Barcelona Principles (see Box 1), local entrepreneurial leaders are often the drivers behind successful local community development and in the context of the economic downturn, support needs to be given to those that are not afraid to take a certain amount of risk to succeed. One way to address the trade-off between flexibility, responsibility and capacity is to award flexibility incrementally. The United States "waiver" system has been successful in granting greater flexibility, for example, to local Workforce Investment Boards that are experimenting with new activities and have a proven capacity to deliver (see Box 10). The Department of Labor allows certain provisions of the law to be waived to support additional flexibility in implementing innovative workforce strategies and initiatives. This can be seen as an efficient way of building capacities whilst also promoting innovation and awarding flexibility to those most able to make good use of it.

Developing trust-based economies

Social capital and trust networks at the local level are also of critical importance. Problems do not just get solved with grand strategies, but also through knowing the right people to achieve what you want to get done on a day to day basis. Developing a strong network of informal relationships may be key to helping communities to grow and develop in the longer term. In this respect formal partnerships between

agency heads may not be as important as the many lower level contacts which they allow to build up between officials who are actually implementing day to day policy – as long as these officials have the flexibility to adapt their policies within the framework of a "local problem solving mentality".

Evidence shows that building links between local organisations and agencies is also valuable in its own right as a way of building valuable social capital (see Putnam *et al.*, 1993). Local social networks support the spread of innovation and ideas, increasingly important in the context of the knowledge economy (Coyle, 2001). Those areas with the most dense social capital networks are increasingly the most successful in today's globalised economy. Social capital can also save money and increase efficiency. Research on successful local economies shows that where there is an ethos of trust, transaction costs can be reduced in ways that can offset the opportunity costs associated with complex activities – people can rely on others doing what they say they will do. The burden of risk can also be spread in ways that induces experimentation. "Added together, these trust-based behaviours can go on to foster higher levels of intellectual interaction and experimentation and the ethos of combined and shared learning that is essential for success" (European Commission, 2004).

Recommendations for national policy makers	Recommendations for local policy makers and practitioners
Build capacities while awarding responsibility: in order for local actors to effectively tackle local problems, local agencies need to be trusted to actively solve problems in partnership with other actors. They need to build capacities through "learning by doing".	**Ensure clear prioritisation**: local strategies must be made more concise and more realistic based on an assessment of local strengths, weaknesses, threats and opportunities, and a realistic idea of the capacity of local stakeholders to produce real change.
Encourage entrepreneurial approaches: a more sensible approach to risk management at the local level is required, with more tolerance for local actors to take risks and develop innovative approaches.	**Support informal relationships between different policy actors**: building mutual trust between actors is crucial in order for local agencies to reduce transaction costs and galvanise support on new initiatives when needed.
Increase horizontal accountability: in order to reduce micro-management by national policy makers, horizontal forms of mutual accountability (through boards, partnerships) can be an important supplement to vertical performance management. Setting cross-sector targets and working methods at the national level can also support local policy integration.	**Ensure clarity on roles and responsibilities**: a first step in developing a coherent local approach is to map the competences and actions of local actors in any given locality.
Locally disaggregated information and data is essential: joint and integrating planning requires locally relevant data and expertise which can support the establishment of common strategic objectives for a community.	**Support co-operation around sectors and clusters** as a mechanism for generating joined-up working locally which also involves employers.
	Build trust-based economies: dense social capital networks can be instrumental in stimulating the sharing of knowledge and innovation required to encourage the return of growth in communities.

Conclusions

Building the recovery from the "bottom-up" will require actions on many different fronts. In particular, local policy makers will need to move from short-term bridging responses to the crisis, to longer-term strategies for sustainable employment. Crucial to these strategies will be the development of a stronger and more adaptable skills and labour pool that will better withstand economic shocks.

As the policy agenda of OECD countries moves from job preservation to new job creation, labour market policy makers will need to collaborate with a broad set of actors – not only employers, but also unions, economic development agencies, colleges and business support providers. Much of this collaboration will need to happen at the level of relatively homogenous local labour markets.

Public resources need to be used wisely in the delivery of joined up local approaches that are innovative but effective, minimising duplication and building up relationships based on trust and mutual accountability. Producing better policy alignment will be important for both achieving better job outcomes, and also maintaining or reducing current levels of public expenditure.

It is important that communities do not get back to "business as usual" after the crisis, but use the current situation as an opportunity to build a better partnership with employers to better utilise skills and build meaningful career ladders that support progression for the lower-skilled. Communities also need to anticipate future skills demands, while ensuring that they build on their own comparative advantages and are adaptable to change.

To help government and communities in this process, the OECD LEED Programme is leading activities which contribute both to bringing the frontiers of knowledge forward, and developing the capacities of policy makers to design and implement innovative policy initiatives. This guide has provided a set of key principles for action, summarising findings from recent cross-country comparative projects. The LEED Programme is continuing its research through a number of international projects to build on these findings. Annex 1 summarises the capacity development activities which are organised as a complement to LEED's policy guidance.

ANNEX 1: CAPACITY DEVELOPMENT ACTIVITIES BY THE OECD LEED PROGRAMME

The OECD LEED Forum on Partnerships and Local Governance

The OECD LEED Forum on Partnerships and Local Governance was established in September 2004 with the support of the European Commission and the Austrian Federal Ministry of Economy and Labour. The Forum builds on the expertise and the networks developed by the OECD Study on Local Partnerships and serves as a platform for the exchange of experience between partnerships worldwide. Today the Forum has 2 400 members in 53 countries. All institutions and organisations involved in the management of area-based partnerships may become members of the Forum. The Forum seeks to optimise the contribution of partnership and other forms of governance to local economic and employment development and the effectiveness of policies. It pursues the following objectives:

- Improving the dissemination capacity of the partnership experience in designing and implementing local development strategies, stimulating learning between partnerships and facilitating the transfer of expertise and exchange of experiences within and between OECD and non-OECD countries.
- Creating synergies between partnership programmes of different countries and supporting the development of cross-border partnership co-operation.
- Assessing and developing co-operation models between partnerships, clusters and local innovative systems.
- Advising and supporting the LEED Directing Committee, partnership organisations and other stakeholders on the ways to promote an integrated approach and improve the co-ordination between labour market, education, economic and social policies at local and regional level.

The Forum meets annually in Vienna, Austria in February, bringing partnerships from many OECD and non-OECD countries together to discuss key themes of interest, informed by the ongoing research of the LEED Programme.

Trento Capacity Building Seminars

The LEED Programme has a centre in Trento whose mission is to build capacity in local development in OECD and non-OECD countries, with a special focus on Central, East and Southeast Europe. Capacity building seminars are organised to share knowledge in a way which maximises the relevance of policy recommendations and their application to real-life examples. Seminars range from one day single-themed events through to five-day, multi-themed sessions. The themes reflect current issues in addition to emerging findings from LEED studies. Events are frequently held as part of wider activities (such as peer review projects). All seminars include a mix of theoretical and practical presentations and interactive workshops.

Employment and Skills Strategies in Southeast Asia (ESSSA)

The initiative on Employment and Skills Strategies in South East Asia (ESSSA) facilitates the exchange of experience between OECD and Southeast Asian countries on employment and skills development. Regular meetings and capacity building sessions are organised in the region, addressed to both policy makers and practitioners. Surveys and research are carried out, and an exchange platform is available online. The initiative is jointly led with the ILO and ASEAN.

To receive regular information on LEED activities and publications register for the LEED Flash at cfe@oecd.org or see the LEED Programme website: *www.oecd.org/cfe/leed*.

GLOSSARY

Generic skills: generic skills are those that apply across different jobs and occupations. They are sometimes known as core skills, key competences, transferable skills and employability skills. They can include basic skills such as literacy and numeracy, people-related skills and conceptual/thinking skills. In today's economy, generic skills are becoming particularly important, as more and more workers need to communicate with a significant number of different people in their working lives, innovate and problem-solve, and deal with non-routine processes.

Knowledge-based economy: the knowledge-based economy refers to the fact that know-how and expertise are today becoming as critical to many economic sectors as other resources (land, technology or raw materials for example). This process is driven in part by the development of new technologies (known as "skill-biased technological change"), which permit the rapid circulation of information, while at the same time replacing more manual tasks with automated processes.

Life-long learning: the continual acquisition of knowledge and skills throughout somebody's life. The OECD (1996) points out that it is no longer feasible within today's constantly changing economy to survive with a "front-end" model of education and skill formation just for young people - learning must instead be a lifelong process.

Low-skills equilibrium: a situation where a low-skills level within the local population is matched by a low demand for skills by local employers. This is a particular problem facing rural areas where companies may survive at a low level of productivity which does not require the strong utilisation of skills. A vicious circle can develop as it does not pay individuals to remain in education if local companies are not seeking higher-level skills. Likewise, managers will be reluctant to raise their level of productivity and better utilise skills if there is a lack of well-educated workers within their locality. The term was first coined in the United Kingdom by Finegold and Soskice (1988).

Skills ecology: the diverse set of skills issues which affect any particular locality, including skills demand within particular economic sectors, the concentration of skills within the current workforce, variations in skills supply between different areas and neighbourhoods etc.

Skills gap: a situation where members of an existing workforce are found to lack the skills required to perform their roles effectively.

Skills shortage: a situation where a vacancy cannot be filled because of a lack of applicants with the required levels and types of skills to fill it. This can be distinguished from a "labour shortage" where a post cannot be filled for other reasons – *e.g.* because of a lack of applicants overall, or because other factors, *e.g.* pay structure and conditions – deter people from taking jobs.

Skills upgrading (or upskilling): workforce development initiatives that specifically target incumbent workers, *i.e.* the existing workforce. The aim is often to promote employment sustainability and career progression for low-paid workers while better meeting industry needs.

Technical skills: operational capabilities necessary to perform certain job specifications.

Vocational training: vocational education prepares participants for direct entry into a specific occupation, industry or trade.

Workforce development: activities which increase the capacity of individuals to participate in, and contribute effectively to, employment, either through training or other forms of public assistance.

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