



## Strengthening Local Skills Strategies

Local economies vary in terms of their historical legacy, their resources and their assets. But in the context of the knowledge economy they are perhaps most strongly differentiated by their people. There is strong variation between local economies in terms of both the skills of local people and the skills in demand by employers. Because of this, the OECD Skills Strategy recommends that national policy goals can be better achieved by allowing greater policy differentiation locally. Collaboration amongst education bodies, employers and economic-development officials can ensure that skills policy meets the needs of the economy as a whole and of different local labour markets in particular. In order to withstand external shocks such as the recent economic downturn, local economies will need to build a more skilled workforce which is more adaptable to change and better able to transfer within and between economic sectors. The OECD Local Economic and Employment Development ([LEED](#)) Programme has identified a series of principles which governments and communities can follow when developing local skills strategies. These include:

*“The local level is the level at which government policies can be effectively combined to tackle concrete issues.”*

- **Creating an adaptable skilled labour force:** Those communities that are recovering the quickest following the recent downturn are those that have a labour force that is adaptable to external trends and shocks. 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 (preschool) 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.
- **Better utilising skills in the local economy:** 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. Work 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 of skills (see more on this theme below).
- **Supporting employment progression and skills upgrading:** It is important that quality jobs 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.
- **Balancing a sector focus with support for economic diversity:** Anticipating future areas of growth should be the focus for local employment and skill strategies, although attention should be given to preserving and supporting economic diversity. There are areas of the economy which will undoubtedly grow in coming years, and for which communities would be wise to prepare their workforce, including green growth. Another expanding area in the context of the ageing population is health and social care. At the same time, economic change often happens unpredictably which means that overly-rigid strategies to meet the needs of a few particular industries are not helpful. Investing in a broad education and training curricula can engender economic diversity and help support adaptability, while generating a cross-sectoral fertilization of ideas which can be important for innovation. A process of "flexible specialisation" may be key.
- **Putting in place good local governance:** In order to work in the above policy areas - many of which are cross-sector - good local governance will be essential. 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.

*“Career ladders and career clusters can construct route-maps to better quality jobs for the low-skilled”*



# OECD Skills Strategy Spotlight

## Better Skills, Better Jobs, Better Lives

# 05

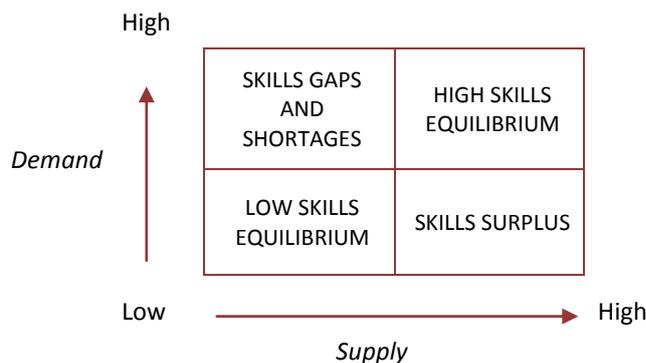
To do this they will need: *i)* Effective cross-sector strategies with a reduced set of clear priorities based on a strong local evidence base of information and data; *ii)* Flexible management of education and training policies *iii)* Broad partnerships between public and private sector actors in the field of both strategic development and delivery; *iv)* Strong leadership and capacity building at the local level; *v)* A long-term perspective.

### OECD data on skills supply and demand at the local level

The OECD LEED Programme has developed a statistical tool for better understanding the relationship between skills supply, skills utilisation and job quality at the local level (OECD territorial level 3, similar to NUTS 3 in Europe). This tool has been applied in a broad set of countries, drawing on available data to produce composite indicators of supply and demand. The results are available at [www.skills.oecd.org](http://www.skills.oecd.org). The tool proposes a typology to understand the complex relationship between skills demand and supply which exists in different regions. Regions can broadly fall into four different categories: regions experiencing a "low skills equilibrium"; regions experiencing "skills gaps and shortages"; regions experiencing a "skills surplus"; and, lastly, regions experiencing a "high skills equilibrium".

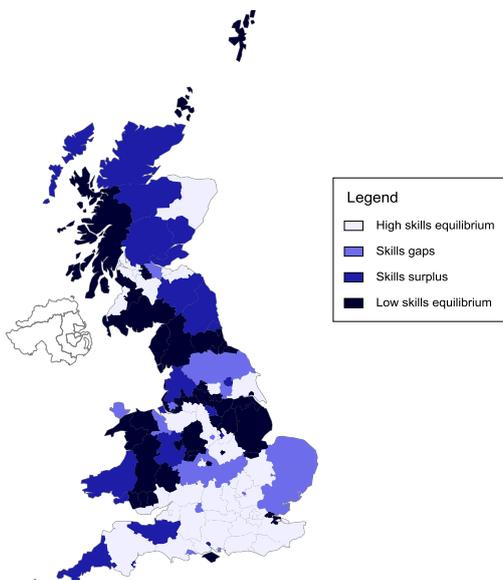
*"Local partnerships are needed between business and policy makers to ensure that skills policies are embedded in economic development"*

### Moving from a low to high skills equilibrium



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

### Skills demand and supply balance UK TL 3 regions, 2011



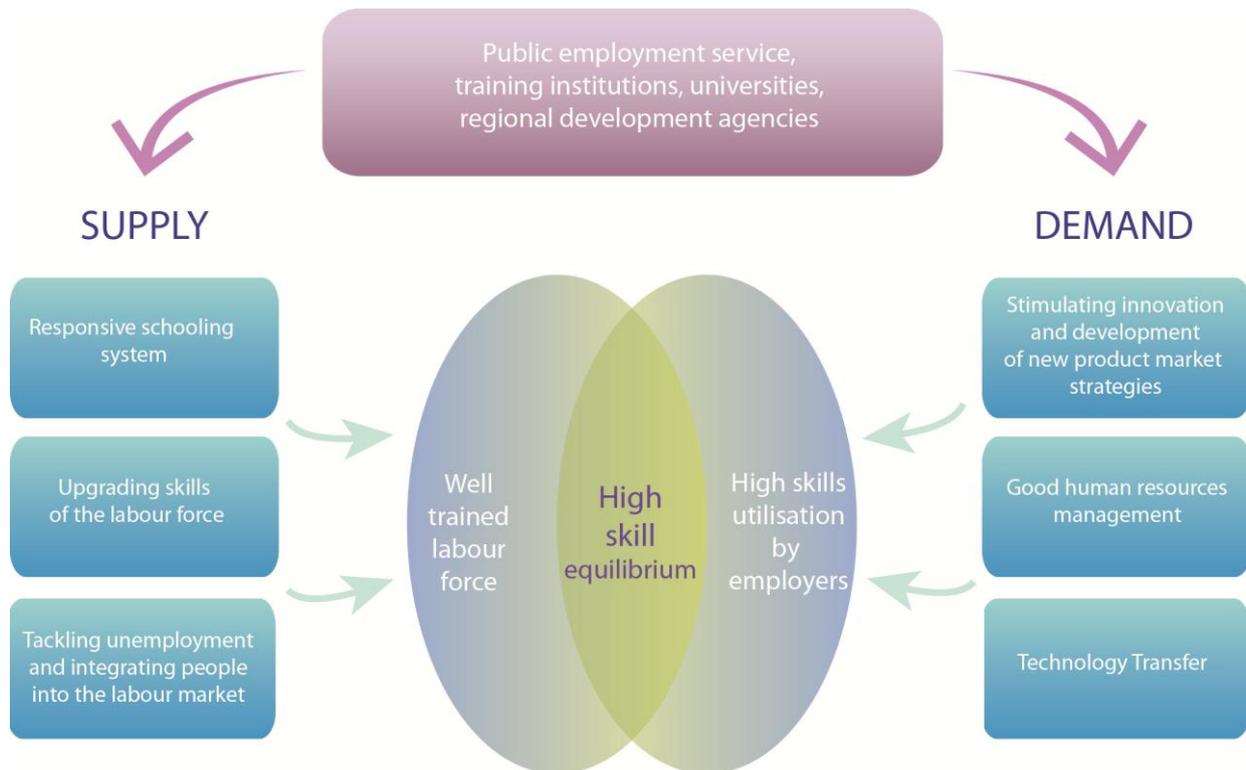
In the context of demographic change and mobility, many communities find themselves experiencing skills gaps and shortages (the top left-hand corner of the diagram). However, in some regions a low supply of skills is matched by a low demand for skills amongst local employers - the low-skills equilibrium. In these regions employers can also achieve competitive advantage through keeping the skills levels and therefore salaries, at a minimum.

Using this conceptual framework as a guide, the LEED Programme has classified regions into the above four quadrants using available data, and plotted how this has changed over time. The map above shows local economies in the United Kingdom, for example, in 2011. While many regions in the South and South East are in a state of 'high skills equilibrium', others, particularly in the North, Scotland and Wales are in a relative 'low skills equilibrium'.



### What can governments do to help regions escape a low-skills equilibrium?

In order to address problems of low-skills equilibrium, local skills strategies need to focus on both skills supply and skills demand (see below).



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### What policy tools are available?

Tools to raise the quality of local jobs and improve skills utilisation include:

**Providing technical assistance and management training** to improve working conditions and work organisation: better trained managers are likely to create more productive working environments for their staff. This may include ensuring that staff can use their discretion to problem-solve and ‘learn while doing’.

**Help enterprises to raise their game through upgrading product market strategies:** firms can be encouraged to exploit new markets which provide higher returns for better quality products that can be passed onto workers. At the regional level, developing new ‘quality brands’ can help local firms to collaboratively access such markets.

**Working with intermediaries:** brokers and intermediary bodies can be particularly useful when working with employers on productivity issues, particularly as this is not a domain for public policy. Also unions are natural partners in improving the quality of employment at the local level as they are increasingly involved in co-ordinating training for their members, have an interest to see that work organisation and employment conditions improve for skilled staff.



An example of an area that has raised both the supply and demand for skills locally is the Riviera del Brenta in Italy.

### **A joined-up strategy to move to higher value-added production in the Riviera del Brenta, Italy**

In the Riviera del Brenta industrial district in northern Italy, firms in the footwear sector have pooled their investment in training while also collectively upgrading product-market strategies in order to compete in high-quality international markets. Not far from Venice, the region traditionally hosted cottage-based industries that mainly employed low-skilled, blue-collar workers. However, the area has now become a global centre for the production of high-quality ladies' footwear (supplying to Giorgio Armani, Louis Vuitton, Chanel, Prada, and Christian Dior) by developing an international brand through the local employers association, ACRIB.

The population of high-skilled workers in design, R&D, management and marketing has been steadily growing in the region over the past two decades. Before the 1993-1994 repositioning, almost all workers in shoe manufacturing were blue-collar workers; today, some 40% of workers are blue-collar, while 50% are designers and 10% are commercial staff. Close co-operation with local unions ensured that improvements in productivity were accompanied by wage increases and improved working conditions, particularly in health and safety.

The privately-run local polytechnic, Politecnico Calzaturiero, employs firm managers to train local workers and jobseekers after hours, while also offering management training, and investing in research, innovation and technology transfer. The polytechnic thus invests in skills supply while also optimising skills use by developing new products and improving human-resource management. The fact that firms are members of ACRIB means that they are less concerned about pooling training, technology and new innovations, and more aware that investment in local human capital will not only improve prospects for individual firms, but also for the global brand as a whole.

### **For further reading**

- OECD (2013), *Skills development and training in SMEs*, OECD Publishing, Paris
- OECD (2012), *Skills for competitiveness: a synthesis report*, OECD LEED Working Paper 2012/09
- OECD (2010), *Putting in Place Jobs that Last*, OECD LEED Working Paper 2010/13, Paris
- OECD (2010), *Breaking out of policy silos: doing more with less*, OECD Publishing, Paris
- OECD (2009), *Designing Local Skills Strategies*, OECD Publishing, Paris

### **To find out more**

OECD is a recognised source of comparative skills data and policy analysis and is working to develop methodologies to better analyse skills demand and supply of countries, including in the area of ICT skills. The OECD Skills Strategy sets out a coherent framework for developing national and local skills strategies based on three pillars: developing relevant skills, activating the supply of skills and the effective use of skills. The OECD Survey of Adult Skills (PIAAC), to be published on 8 October 2013, will provide unique comparative data on the skills of adults in literacy, numeracy and problem solving in technology-rich environments.

• OECD Local Economic and Employment Development Programme	<a href="http://oecd.org/cfe/leed">oecd.org/cfe/leed</a>
• OECD Skills Strategy	<a href="http://Skills.oecd.org">Skills.oecd.org</a>
• OECD Forum on Partnerships and Local Development	<a href="http://oecd.org/cfe/leed/forumpartnerships.html">oecd.org/cfe/leed/forumpartnerships.html</a>

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