

Skills for competitiveness: anticipating change

Learning from the OECD LEED Programme

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The promotional slogan of the state of Maryland's Workforce Investment Board (GWIB) is 'Workforce Development is Economic Development'. The sentiment behind this, that economic development should increasingly focus as much on human resources and skills as on infrastructure and inward investment - is apparent in all OECD countries. On the other side of the world, in Australia, the primary goal of the regional development agency in Griffiths, New South Wales, is now 'building workforce skills and education', followed by 'taking a proactive regional approach to meeting infrastructure needs' and 'implementing regional sustainability/growth management'.

The increasing priority given to human resource development is understandable given that skills are more and more in demand within the knowledge economy. In OECD countries, 84 per cent of people who have achieved a tertiary education qualification are in employment. By contrast, only 56 per cent of people without even an upper secondary qualification have jobs (OECD, 2006a).

Today's knowledge economy is also characterised by rapid skills obsolescence. As business needs evolve at the local level, demands are placed on vocational education and training systems to develop their curricula, but such systems (many of which are relatively centralised in OECD countries) find it difficult to adapt fast enough. At the same time, many localities are experiencing problems due to an aging population, such as shortages of both labour and skills: when people retire they also take their skills and experience with them.

A further factor leading to the increasing importance, but also increasing complexity, of human resources is-

issues is rising mobility. Legal international immigration has more than tripled in OECD countries over the last twenty years. When people move, they take their skills and competences with them. This has an important impact, not only on the localities that they leave behind (which may suffer due to a 'brain drain' or loss of skills) but also on the localities in which they arrive, which have to consider how to adapt the skills brought by migrants to their local labour market. At the same time, the people who do not move, particularly those at the lower end of the skills ladder, may find themselves in competition for jobs with newly arrived populations that are willing to accept poorer employment conditions as they make sacrifices on the road to becoming integrated in a new country.

This problem is exacerbated because local employment and training services fail to recognise the skills and competencies brought by new arrivals, who therefore remain in low-skilled employment. Unless local policy makers take a longer-term view and ensure that both local workers, youth and unemployed, and new immigrants have sufficient opportunity to maximise their potential, the positive economic impact of mobility may be offset by social tensions and a general waste of human talent.

In some localities, employers are themselves pushing for change, in the best cases working together to offer customised training at the local level relevant to their industries. However, in many OECD countries, employers take a back seat. Globally, the most productive jobs are becoming those that are the most knowledge-intensive. However employers can also gain a competitive advantage through keeping skills levels, and therefore sala-

Box 1 - The OECD LEED Programme

LEED is a Co-operative Action Programme dedicated to the identification, analysis and dissemination of innovations in local economic and employment development. Since 1982, the LEED Programme has been providing a vital contribution to local development, defining rationale for new policies, improving local practices and pushing further the frontier of knowledge in this area. Member countries, non-members and international organisations increasingly look to LEED for practical policy guidance.

The LEED Programme offers participants a uniquely active approach by providing: i) continuous monitoring and assessment of current local development practices and the diffusion of related findings; ii) analysis of initiatives, strategies and partnerships between government, business and civil society with the aim of complementing public policy and supporting local economic and social development; iii) elaboration of common methodologies and analytical frameworks for carrying out reviews and studies; and iv) a critical link both between sub-national institutions, and between the OECD and sub-national bodies.

Currently 35 members are represented in the LEED Directing Committee: 31 countries and 4 international organisations. LEED draws on the additional resources and expertise of a Partners' Club of more than 100 members. A decentralised unit, the OECD LEED Trento Centre for Local Development, pursues a mission of capacity building for local development in Central, Eastern and South-Eastern Europe. An OECD LEED Forum on Partnerships and Local Governance serves as a platform for the exchange of experience between partnerships managers at local level in 53 countries.

ries, to a minimum. The phenomenon known as the 'low skilled equilibrium' - where low skills supply is matched by low skills demand - can affect not only localities but whole countries. Frequently, local policy makers become diverted to 'fire-fighting' to fill local labour shortages, without an eye to 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.

These competing demands and concerns present a major challenge to local players seeking to develop lo-

cal skill strategies and invest in their future labour force. With limited resources, local players need to establish priorities to ensure that concerted local action can have a real impact on the labour market. However, what should the local priorities be? The attraction and integration of new talent? The retention of existing skilled workers? The education and training of future generations of young people in the needs of the local labour market? The integration of disadvantaged groups who are currently outside the labour force? Or 'up-skilling' the current labour force and working with employers to move towards more knowledge-intensive forms of production? While national policy will have a role to play, much of the responsibility for a number of these actions will fall squarely on the shoulders of local and regional players.

Their task is not an easy one. In order to make the right decisions, and effectively balance interventions, policy makers need to have a detailed understanding of the skills supply and demand in their local labour force - what is known as the local 'skills ecology'¹. They also need to have some foresight as to the likely industrial sectors and types of employment opportunities which will dominate in years to come. 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 education and training policy (which, as noted above, is often managed nationally) and effective ways of working in partnership, given that skills are a cross-cutting issue faced by policy makers in fields as diverse as education and training, employment, economic development, social development and entrepreneurship.

In order to work effectively in partnership to tackle skills issues, local players need to have sufficient authority within their own policy sector to actively influence the delivery of services. This is not always the case. For example, decentralisation reforms in labour market policy have helped decision-making to occur closer to the 'reality on the ground', but there is still some way to go before local employment service staff have the autonomy to make a significant contribution to broader local

¹ We refer here to 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.

Box 2 - Local skills strategies in Michigan, United States and Shanghai, China

Two strategic approaches from two very different countries – the United States and China – provide a valuable demonstration of how overarching local skill strategies can effectively balance a number of different strategic elements to produce sustainable change.

Michigan Skills Alliances: In 2004, the Governor of Michigan embarked on a state-wide project to improve the efficiency of local workforce development and educational systems in meeting businesses needs. 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 a charitable foundation, the state offered one-year start-up grants totaling over \$1 million for the initial development of 13 'regional skills alliances' across the state. All the skills alliances have involved a business led approach, with strategic aims and objective being developed locally in consultation with local employers. In each case these objectives have been targeted on a particular sector of importance for the local economy. Nine of the regions chose health care, with manufacturing, utilities, construction, nano-technology being other foci. Work with these local sectors has included attracting new talent into the labour force, developing internal 'career ladders', organising flexible and modular training for workers, addressing barriers to work amongst disadvantaged groups and mentoring.

Shanghai Highland of Talent Initiative: The Shanghai Highland of Talent Initiative is a good example of a bottom-up city wide skills strategy. The municipal government launched its first skills development initiative in 1995 to develop Shanghai as 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 returnee high skilled Chinese émigrés; 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 additional priority being 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 listed skills in demand. The outcome of such a balanced and targeted approach has been encouraging. The portion of highly skilled workers as per cent of Shanghai's total skill workers increased to 14.98 per cent by 2005, compared with 6.2 per cent in 2002, and 9.4 per cent in 2003.

strategic goals. By providing greater flexibility, national authorities can make it possible for local players to work together on the complex and cross-cutting skills issues which affect their particular community, to innovate as necessary and to adapt policies to local needs.

The LEED Programme (see Box 1 above) has been looking at cases of localities (in the Americas, Asia, Australasia and Europe) that have developed a joined-up strategic approach to such issues. The study - 'Designing Local Skill Strategies' - explores localities which have developed area based skill strategies such as the High Talent Initiative in Shanghai China, and the Regional Skills Alliances in Michigan (see Box 2 below), while also looking at innovative responses to particular issues, such as attracting new talent and upgrading the skills of local workers.

Initial findings of the study show that, in order to be effective at the local level, skills strategies need to concentrate on **five strategic emerging issues**:

- **Access to relevant information and data.** Local actors need to understand and correctly define the local 'skills ecology' to develop the appropriate tools required for evidence based skills strategies. In those localities struggling with a lack of disaggregated data, partnerships with regional and national actors are essential in mapping local supply and demand structure and understanding how it fits within the wider economic fabric.
- **Balanced and long term strategies.** A review of local practice in OECD countries shows that, when developing strategies to improve the skills base, localities should strike the right balance between attracting talent, integrating disadvantaged groups into the workforce development system and upgrading the skills of the low qualified (see Figure 1, below). This may require providing incentives for local actors to work towards longer term objectives and invest in a sustainable productivity growth.
- **Joined up approach to skills issues.** In labour markets characterised by rapid turnover and skills obsolescence, joining up disparate education and training systems locally is crucial to helping people to build on their learning over time and to deal with the multifaceted nature of skills development strategies.

- **Public and private interface between local labour supply and demand.** In order to produce real change in local labour markets, skills strategies need to build a strong relationship between the supply and demand sides, which requires close working between public sector actors and employers. While the private sector can be an invaluable partner in implementing effective strategies to address immediate skills needs, governmental actors can play a crucial role in encouraging employers' work towards long term goals while taking care of the inclusion of disadvantaged groups.
- **Look to the future and anticipate change.** The success of local skills strategies also depends on the private and public sectors' capability of foreseeing future growth and skills demands. On the one hand, skills strategies need to be subject to regular review and adjustment as economies and industries evolve,

while on the other hand the promotion of 'flexible specializations' contribute to equipping the labour force with a broad range of skills and competencies, essential to absorb unpredictable local shocks.



Figure 1. Developing balanced local skill strategies

The research is being developed into a good practice manual, in addition to capacity-building seminars at our Trento Centre. An interim report is available now from the OECD secretariat (for more information, please contact: Elisa.Campestrin@oecd.org).