



# Job Creation and Local Economic Development 2016

POLICY HIGHLIGHTS



# Preface

Few issues facing our societies today are as pressing as the challenge of rising inequalities, which is why the OECD launched its Inclusive Growth Initiative in 2012. *Job Creation and Local Economic Development 2016* is a major contribution to this work. While inequalities are a national and international concern, their effects can often be best seen locally. Within cities and towns, neighbourhoods are too often segregated by income, which in turn reinforces disparities related to health, education and employment. We are also seeing increasing divides between communities, as highly skilled workers and the employers who seek them are drawn to well-off cities and districts, while other places are left behind. Policy-makers can make a positive difference by addressing these inequalities.

It is no coincidence that this publication is being released as part of the Second Meeting of OECD Champion Mayors for Inclusive Growth in Paris. The OECD launched the Champion Mayors for Inclusive Growth Initiative in March 2016, in partnership with the Ford Foundation. The Initiative provides mayors with a unique platform in the global debate on inequality, enabling them to share their perspectives and experiences with national governments and other key stakeholders. To date, 50 mayors from across this world have joined this coalition.

This publication provides critical insights on how these local leaders can pursue an inclusive growth agenda, and what national leaders can do to support them. Some local leaders will use this publication to better understand how to tackle inequalities within their towns, cities and communities – for example, using entrepreneurship as a tool to engage young people disconnected from the labour market. Others will benefit from the advice it provides on how to decrease inequalities between communities – for example, by seizing the cross-cutting tools of local development to break out of low skills traps and forge progress for all. But it's not just local leaders who will benefit. This publication will also help national leaders understand how the policies and programmes they put in place can facilitate or inhibit economic development at the local level. I hope all leaders, at local and national level, will seize the analysis, guidance and data provided by *Job Creation and Local Economic Development 2016* to help them bolster their policies for inclusive growth.



Lamia Kamal-Chaoui

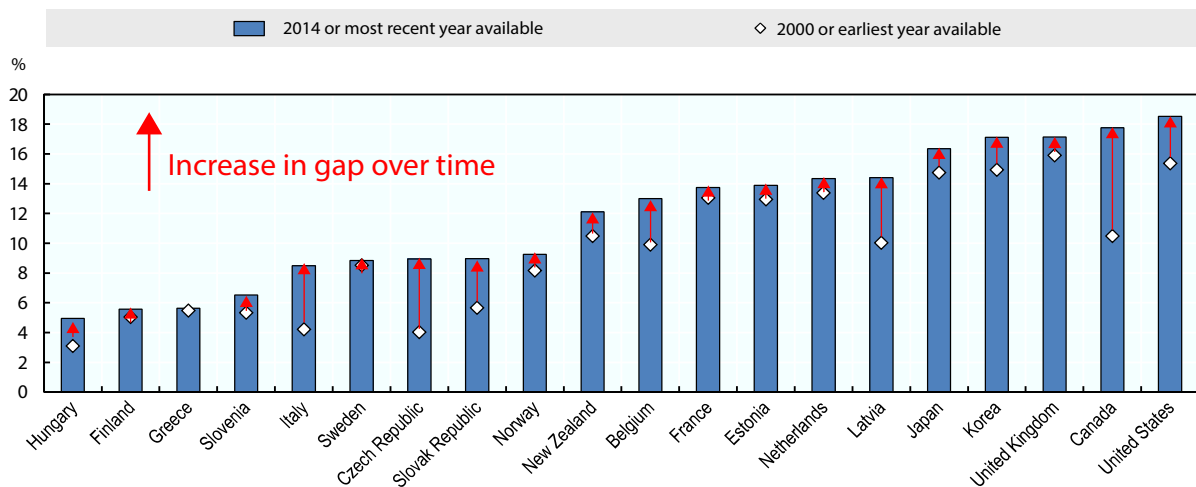
Director, Centre for Entrepreneurship,  
SMEs, Local Development,  
and Tourism, OECD

## WILL SOME LOCAL AREAS GET LEFT BEHIND IN THE GLOBAL MARKETPLACE FOR SKILLS AND JOBS?

In an increasingly globalised labour market, the competition for highly skilled workers and the employers who seek them has intensified, both within and between countries. While most OECD countries have enjoyed an increase in educational attainment over the past 15 years, not all local areas have benefited equally. In fact, in OECD countries with data available, the local areas that were already leading the pack in terms of education levels have pulled even further ahead. This has led to widening gaps between leading and trailing local places. In places such as Canada, Finland, France, Italy, Japan, Latvia, Norway, the Slovak Republic, Slovenia, and the United Kingdom there has also been a growing divide in the distribution of medium- to high-skilled jobs.



**Geographical gaps in post-secondary education levels, sub-regions, 2000 and 2014**  
Percentage point difference between leading and trailing sub-regions



Source: OECD calculations based on data provided by national statistical offices

This growing polarisation is a major constraint on achieving inclusive growth nationally. And if these inequalities become entrenched, a vicious cycle may emerge. Some local areas may find themselves stuck in local economies characterised by low value-added activities and low quality jobs, where neither employers nor workers are incentivised to upgrade skills or move to higher value-added activities. On the other hand, those places that enjoy a combination of a highly skilled workforce and ambitious employers – typically urban areas – may pull even further ahead. Even in these places, however, disadvantaged populations may find themselves lacking the skills or connections to take advantage of the quality jobs on offer.

## UNLEASHING JOB CREATION AND LOCAL ECONOMIC DEVELOPMENT

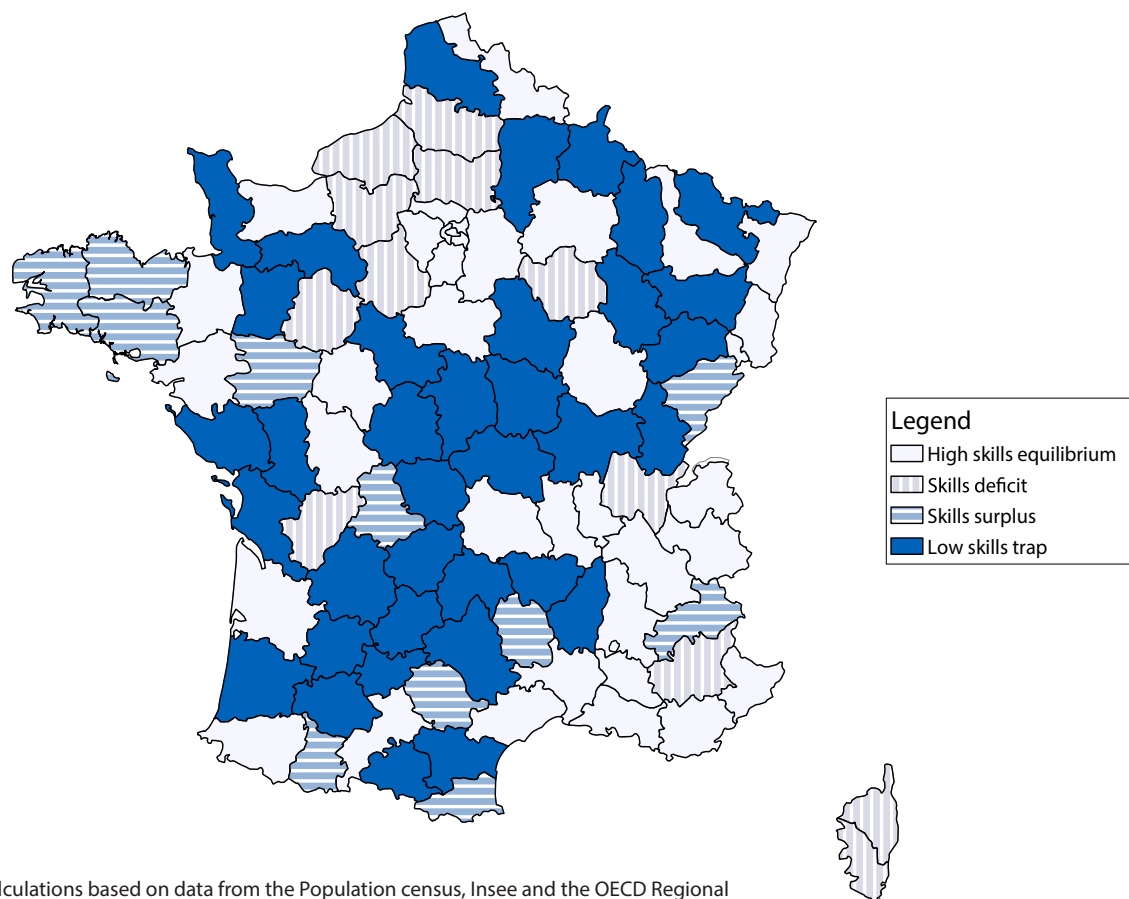
Avoiding this fate will require concentrated action from both local and national actors. This edition of *Job Creation and Local Economic Development* provides practical guidance so stakeholders at all levels can use skills, SME and entrepreneurship policies to help all local areas reach their full potential. This is key to making inclusive growth a reality at the national and local levels.

Policies that work in one place may be ineffective – or even counterproductive – in others. Careful attention must be paid to tailoring policies to specific local contexts, seizing the opportunities that exist and mediating the challenges. To aid policymakers in understanding how and where to tailor policies, this publication provides new local level data for 36 OECD and key partner countries.

These country profiles consider trends in employment creation, employment rates, and skills supply and demand to help both local and national policymakers design and deliver policies in a meaningful way (see map for new local skills data provided).



## New data on skill supply and demand in French sub-regions, 2012



Source: OECD calculations based on data from the Population census, Insee and the OECD Regional Statistics (database), <http://dx.doi.org/10.1787/6b288ab8-en>.

## HOW TO TAILOR VOCATIONAL EDUCATION AND TRAINING TO LOCAL NEEDS

Countries across the OECD are increasingly looking to reform and reinvigorate vocational education and training (VET) as a means to improve youth employment outcomes, prepare workers for the labour markets of the future, and ensure employers are able to find the workers with the skills they need. While improving the quality, coherence and relevance of VET at the national level is critical, overlooking how VET does – or does not – align with local labour market demands would be a serious misstep. Throughout the process of reform, a balance must be struck between responding to pressing employer needs while also ensuring that VET delivery is part of an overall strategy of moving local economies to high value-added activities and quality job creation.

As VET systems vary widely across OECD countries, there is a wide array of tools available to policy makers to strike this balance between local tailoring and national coherence, ranging from setting aside time within curricula for local concerns to modularising programme content and delivery (see box). Regardless of what specific tools are used, national and local actors must keep a number of overarching principles in mind.





### **Policies can be designed in a number of ways to allow for local tailoring of VET**

Countries across the OECD have pursued a variety of methods of embedding local flexibility into VET systems whilst maintaining alignment with national policy goals. To adapt course offerings to local demands, some countries have chosen to develop a national 'menu' of vocational programmes where local stakeholders can choose the courses most appropriate to the community's needs (Poland, Sweden and the Czech Republic). Other countries have enabled local stakeholders to determine which occupations and sectors vocational programmes cover locally, provided that specific national criteria are met (United States and Austria). Others have used more market-driven mechanisms for some of their VET programmes, that allow individuals and employers more say in determining provision at the local level (Australia). There are also a number of mechanisms that can be used to tailor course content within programmes, such as setting aside specific 'local' time within course curricula (Italy and Slovenia), using modular approaches (Sweden and Portugal), and creating national curriculum frameworks that are adapted locally (Austria and Ireland). Each of these tools have their own trade-offs, which must be managed carefully.

#### **WHAT CAN NATIONAL ACTORS DO?**

- Design VET frameworks that incorporate local flexibility while retaining national coherence.
- Build the capacities needed to make VET systems more agile locally. Training and capacity-building for VET teachers, trainers and institutions as well as promoting sharing between VET stakeholders can all help.
- Strengthen mechanisms to inform decision-making, including improving the collection of local labour market information and skills forecasting information.

#### **WHAT CAN LOCAL ACTORS DO?**

- Deliver VET programmes that help move local economies to higher skilled and value-added production.
- Encourage VET teachers and trainers to maintain contact with local employers and industries to keep their skills and knowledge up-to-date.
- Consider both short-term labour market needs as well as long-term local economic development strategies in making decisions about delivery.



## LOCAL ACTIONS CAN MAKE APPRENTICESHIPS WORK

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Within VET, increasing attention is being paid to strengthening apprenticeships and other work-based training opportunities. Countries with well-developed apprenticeship systems, such as Australia, Austria and Germany, tended to weather the crisis better in terms of the impact on youth employment. At the local level, apprenticeships are widely considered an effective method of addressing local skills mismatch, improving local labour market outcomes while also up-skilling the local labour force. However, individuals and employers, particularly small and medium-sized enterprises, face a range of barriers to participation in the apprenticeship system.

Encouraging engagement from the diverse range of stakeholders at the local level, including employers, young people, civil society and government actors, can help to expand the role of apprenticeships in local labour markets.

### **Apprenticeships and work-based learning can be a means of integrating disadvantaged groups into the labour market**

Apprenticeships and work-based learning can also be a tool for integrating disadvantaged populations such as migrants and refugees into the local economy. Work-based training opportunities are particularly useful due to their focus on practical competences and are an important first step to deepen attachment to local communities and labour markets. As employers who give priority to their social mission, social enterprises can play an important role in offering programmes that combine theoretical learning and on-the-job training to disadvantaged and low-skilled individuals who face multiple barriers to entering and succeeding in the labour market. Some employers are also taking a leadership role, such as Siemens, which established a programme in 2015 to facilitate the practical integration of refugees through internship and on-the-job skills development opportunities in Germany.



## WHAT CAN NATIONAL ACTORS DO?

- Develop a strong national apprenticeship framework that protects quality while incorporating incentives for stakeholder engagement.
- Ensure that VET institutions have the ability and capacity to offer flexible, modular and responsive delivery of work-based training.

## WHAT CAN LOCAL ACTORS DO?

- Use local public sector leadership to encourage partnerships between employers and education providers and promote the benefits of apprenticeships to employers.
- Boost employer engagement in apprenticeships through both “soft” mechanisms such as employer leadership awards, and measures with more “teeth”, such as social clauses in procurement to induce employers to offer apprenticeships.
- Ensure apprenticeship programmes work for a broader range of employers, for example by using SME networks to facilitate apprenticeships in SMEs.
- Use apprenticeships and work-based training as a tool to promote labour market inclusion for disadvantaged populations.

## MAKING SME AND ENTREPRENEURSHIP POLICIES MORE EFFECTIVE AT THE LOCAL LEVEL

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Small and medium-sized enterprises (SMEs) are major drivers of economic activity and job creation, and account for up to 95% of firms in countries across the OECD. In many local communities, SMEs play a principal role in supporting local employment and promoting economic growth. Entrepreneurs and self-employed people are also fundamental to the development of dynamic, innovative and diversified local economies. However, support and services for SMEs and entrepreneurs often go underutilised at the local level.

Governments invest significant resources in policies and programmes to support SMEs and entrepreneurship, but with this increased attention has come increased complexity in policy design and delivery. Responsibilities for entrepreneurship and SME policies are often spread across ministerial portfolios and administered simultaneously by governments at the local, regional, national and often supranational levels. This fragmentation can result in duplication or gaps, creating inefficiencies and preventing SMEs and entrepreneurs from accessing the range of supports on offer. Both national and local actors can play a key role in reducing the risk, and improving the delivery of SME and entrepreneurship policy at the local level.





## A number of tools can be used to harmonise the design and delivery of SME and entrepreneurship policies

Across the countries studied, a number of tools were used to harmonise the design and delivery of SME and entrepreneurship policies both within and between levels of government, including:

- Written agreements between local, regional and national stakeholders.
- National strategies to ensure goal alignment.
- Development of statutory co-ordination bodies.
- Use of co-funding arrangements.
- Use of local intermediary organisations.
- Co-location of services in a single facility.

### WHAT CAN NATIONAL ACTORS DO?

- Formalise co-ordination mechanisms between national and sub-national stakeholders through written agreements, national strategies and statutory bodies.
- Use co-funding arrangements to improve co-ordination, ensuring that procedures do not impose undue burdens on local actors with less capacity.

### WHAT CAN LOCAL ACTORS DO?

- Organise programme delivery to capitalise on existing capacities, including through the use of local intermediaries and potentially co-locating programmes from different government levels in the same facilities.
- Forge connections across administrative borders in developing and co-ordinating entrepreneurship and SME policies to leverage potential synergies, improve labour mobility, and expand the potential markets open to entrepreneurs.

## ENTREPRENEURSHIP CAN BE USED TO BRING DISADVANTAGED YOUTH INTO THE LABOUR MARKET

Increasing rates of youth unemployment and young people Not in Education, Employment or Training (NEETs) have been a feature of many OECD labour markets since the crisis. Across OECD countries, 15.5% of the youth population (15-29 years old) were NEETs in 2014, which is above the pre-crisis rate in all OECD countries except Japan, Germany, Switzerland, Czech Republic, Israel, Poland, the Slovak Republic, Mexico and Turkey.

Addressing this challenge will require that policymakers go beyond business as usual and think outside the box in order to connect these young people to the labour market. Promoting entrepreneurship, self-employment and business creation is often an under-explored tool. Contrary to popular belief, disadvantaged young people are often more likely to engage in and find success in self-employment than other young people. This form of policy intervention should take place in a cohesive strategic framework to build social inclusion and labour market attachment that is implemented by a diverse range of stakeholders, including young people, businesses and community organisations.

## Are disadvantaged young people interested in entrepreneurship?

Previous work from the European Commission has found that 45% of young people view self-employment as more desirable than working as an employee, but they are only one-third as likely as adults to be self-employed. While entrepreneurship is not a magic bullet, there is evidence to suggest that young people, including those from disadvantaged groups, are able to develop successful and sustainable businesses.

Previous work from the OECD and the European Union has found that well-educated NEETS are more likely to be involved in starting a business than their counterparts in school or employment. Similarly, other evidence suggests that young people with a criminal history, with a disability or with an immigration background are more likely to be self-employed than persons from other groups. Some research from Canada finds that some types of businesses started by young immigrants tend to be more successful than the businesses of young people without an immigration background.

### WHAT CAN NATIONAL ACTORS DO?

- Develop national frameworks and strategies to support disadvantaged young people in entrepreneurship, and clearly assign responsibility for this policy portfolio to a single agency or ministry.
- Embed entrepreneurship into national education frameworks to reach a broad swathe of young people, while also providing integrated packages of entrepreneurship support in other settings to reach young people outside of the education system.

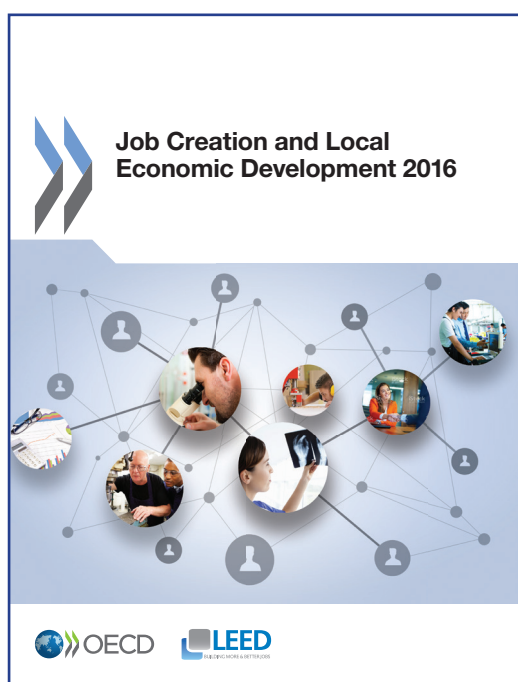
### WHAT CAN LOCAL ACTORS DO?

- Work with organisations that already have established relationships with disadvantaged youth to maximise the reach of entrepreneurship programmes.
- To better reach disadvantaged youth, provide integrated packages of support, use hands-on learning methods, and involve entrepreneurs in programme delivery.

## WHAT'S IN THIS PUBLICATION?

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- Snapshot of **current policy developments** occurring 'on-the-ground' in local areas.
- Practical policy advice provided by **thematic chapters** on improving local skills supply and demand; incorporating flexibility into the local provision of vocational education and training, including apprenticeships; and tailoring entrepreneurship and SME policies to local conditions.
- **36 country profiles** which present new data on skills supply, skills demand and employment indicators over time.
- Local **case studies** of promising practices.



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Australia, Austria, Belgium, Canada, Chile, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Israel, Italy, Japan, Korea, Latvia, Lithuania, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Romania, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States

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This brochure is a summary of the publication Job Creation and Local Economic Development (OECD Publishing, Paris). The full publication is available on the OECD iLibrary at <http://dx.doi.org/10.1787/9789264261976-en>.

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## ABOUT THE LOCAL ECONOMIC AND EMPLOYMENT DEVELOPMENT (LEED) PROGRAMME

The Local Economic and Employment Development (LEED) Programme has advised governments and communities since 1982 on how to respond to economic change and tackle complex problems in a fast-changing world. Its mission is to contribute to the creation of more and better quality jobs through more effective policy implementation, innovative practices, stronger capacities and integrated strategies at the local level.

The LEED Programme draws on an extensive history of experience with local areas across five continents in order to develop tailored policy advice to foster economic growth, employment and inclusion.

For more information of the LEED Programme, please visit [www.oecd.org/cfe/leed](http://www.oecd.org/cfe/leed).



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