



BRIEFING NOTE

May 2010

Series briefing note 26

SKILLS FOR LOCAL PROSPERITY

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1. INTRODUCTION

This briefing note looks at some of the issues faced in local 'skills ecologies', understood as the relationship between skills supply and demand in local economies, and the strategies for effective management of these for local prosperity. While the very concept of local skills ecologies implies that there is no 'one size fits all' approach, the body of international research in this area recognises the value of the many transferable lessons to be learned from existing local approaches. This note identifies some of these lessons, and the implications for learners, practitioners, employers, policymakers and other stakeholders at the local community level. It does not enter into the debate over geographical versus sectoral approaches, but instead considers necessary mechanisms for making the two work well together. The terms 'regional' and 'local' are used in this note to describe sub national areas.

2. GENERAL ISSUES: WHY LOCAL?

Rising migration, ageing workforces and rapidly changing skills demands are just some of the challenges faced by local and regional economies in the 21st Century. While most local skills ecologies share these common challenges, they do vary in their scale and severity, and therefore require both similar capabilities and varying, tailored solutions.

Broadly speaking, priorities for local and regional economies include:

- Establishing comprehensive, up-to-date labour market information and forecasting.
- Ensuring a flexible workforce, adaptable to volatile economic conditions.
- Attracting and retaining talent through securing good, stable employment conditions.
- Stimulating demand for skilled labour, and supporting employers to utilise the skills supply available.
- Preparing future generations of workers for entry into the labour market.
- Upskilling the workforce.
- Integrating disadvantaged groups – key to establishing balanced skilled labour markets, and by extension sustainable improvements to local economies.¹

The City & Guilds Centre for Skills Development is an independent, not for profit research and development body which is committed to improving the policy and practice of work related education and training internationally. We work with organisations around the world - principally with policy makers, employers, practitioners and learners - to share knowledge and help to lead the debate on policy and practice, aiming to achieve our vision of a world in which all people have access to the skills they need for economic and individual prosperity. We are part of the City & Guilds Group.

¹ Froy, F. 'Local Strategies for Developing Workforce Skills' in *Designing Local Skills Strategies* ed. Froy, F, S. Giguere, A. Hiofer, OECD Local Economic and Employment Development (LEED), Paris.



Skills, education and employment variations across localities

In most countries, **the highly educated population is more concentrated than the labour force**. The [OECD Regions at a Glance \(2009\)](#) report found that concentration was particularly high in the Czech Republic, USA and Portugal. Out of 22 countries only two (Belgium and Slovakia) had even distribution of tertiary education rates across their regions. On average, the OECD found that 49% of the population with a tertiary level qualification live in urban areas, 33% in intermediate regions, and 19% in rural areas.²

This is not to detract from **wide variations in labour force concentration and unemployment**, which varies by 2 percentage points at its lowest in Ireland, and 20 percentage points at its highest in Canada. These statistics demonstrate the levels of variation, which have been made even more severe by recent volatile economic conditions. Regions that are dependent on certain sectors that have been hard hit in the downturn, for example the auto industry in Michigan, USA, or tourism in Dubai, have experienced far higher rises in unemployment than others.

Educational choices also vary considerably, influenced by the types of jobs available, the quality of careers advice and guidance, and socially and culturally embedded perceptions of different types of learning. In Australia, for example, the National Centre for Vocational Education Research found that **perceptions of the value of vocational education range widely by locality**. So too did learner preferences within vocational education. In the state of Victoria, the rural country Victoria locality showed a far higher demand for apprenticeships, while inner city localities in Melbourne favoured Diplomas.³

Given the variations on perceptions and participation in education in different areas, information on local cultural and economic influences on education, as well as labour market information, are valuable resources for stakeholders working to respond to skills shortages and drive up demand for skills.

3. ASPECTS OF LOCAL SKILLS STRATEGIES

Labour and Skills Mobility: Competition or Collaboration?

A key concern for local policy makers is how to ensure that labour mobility, which shows no sign of declining, works to a region's advantage. Importing skilled labour is a popular measure in many regions, while the loss of skilled labour to other regions is generally seen as a loss on investment. The majority of research suggests that collaborative policies that accept mobility are more effective than defensive policies, where barriers to mobility are set up. China's 'Hukou' house registration policy for restricting labour migration is probably the most severe current example of defensive domestic policy. The Hukou system, restricts access to education, employment and public services to people who are registered residents in a region. The rationale has been that without such restrictions the country would see mass migration from rural to urban areas, which would bring about severe structural instability. However, it has also fostered severe inequalities between China's rural and urban populations, with higher education the near exclusive domain of more prosperous urban areas like Beijing. In recent decades the Hukou system has become more flexible, with millions of rural migrants granted work permits to satisfy growing demand for low skilled labour in urban areas. However access to education, housing and other public services has continued to be limited.⁴

Research also indicates that **labour and skills policy the world over is shifting from defensive to more collaborative approaches**, though for labour-exporting regions in the developing world the task of ensuring that the benefits of skilled migration outweigh the negative aspects is challenging.⁵ For more on this, refer to CSD's working paper [Skills, Migration & Development](#).

In receiving countries and regions, **skilled migrants tend to be concentrated in cities**, even when there is significant skills demand in other areas. Canada provides an example of local and national government partnerships on 'regionalisation programmes', encouraging immigrants to move out of cities in order to develop a more even

² OECD *Regions at a glance*

³ Teese, R., A. Walstab (2008) *Social area differences in vocational education and training participation*, NCVER, Adelaide.

⁴ USA Congressional Executive Commission on China (2005) [China's Household Registration System: Sustained Reform Needed to Protect China's Rural Migrants](#)

⁵ Pp61 Hofer, A.R. 'Addressing the loss of skills to international migration' [Designing Local Skills Strategies](#) ed. Froy, F, S. Giguere, A. Hofer, OECD Local Economic and Employment Development (LEED), Paris.



distribution of skills across regions. Quebec's regionalisation programme combines regional government oversight of priority skills areas, currently manufacturing and technical, with funding commitments for initiatives aimed at attracting immigrants to provincial areas. These initiatives range from having regional representatives visit Montreal to raise awareness of the social and economic benefits of moving into the provinces, to specific support for immigrants settling in provincial areas, to local campaigns for improving intercultural relations.⁶

Similarly in America, policy makers and business leaders in Milwaukee identified **diversity as a key factor for attracting and retaining skilled workers**, and focussed their efforts on re-branding the region as diverse and 'cosmopolitan'.⁷ This has been shown to be of significant value to both international migrants, and to what Florida (2002) labels 'the creative class' of internal migrants, equipped with strong generic skills, such as analytical and critical thinking, and the much sought-after ability to 'innovate'.⁸

These approaches do suggest that **labour and skills mobility between neighbouring localities can represent a more straightforward opportunity for mutual economic development**. The UK based research body the Centre for Cities points out that regions' 'real economic footprint goes way beyond their administrative boundaries, and by working together they can achieve better outcomes'⁹, different localities having different strengths. The Centre's 2010 outlook report assesses some of the measures for multi-locality cooperation in the UK, such as informal voluntary Multi Area Agreements for local authorities, and Economic Prosperity Boards and statutory City regions, where binding agreements are made and implemented by a joint executive agency, incorporating different bodies.

Local administrative capacities

While this issue is highly relevant in developed countries, where local government capacities can vary considerably, it is unarguably a more urgent concern in developing and emerging countries. In South Africa, for example, a large proportion of funding set aside for targeting immediate local skills shortages has not been allocated in recent years, with the blame directed primarily at inadequate provincial government. In 2009 a reported \$162 million in funding failed to reach the colleges where it was needed, a pattern that is set to continue in the short term at least.¹⁰

Whenever new responsibilities are devolved to local agencies there is bound to be a period of adjustment. The scale of difficulties faced in this period, such as those mentioned in South Africa, depends on the support available to local stakeholders. **Bodies linking local government authorities are a popular and pragmatic mechanism for support**. In England there are several organisations, including the Improvement and Development Agency for local government (IDeA), the [Local Government Association](#), and the [New Local Government Network](#) that either lobby for improved support, or provide channels for sharing knowledge, good practice and links to other stakeholders.

Links between local government and other local stakeholders, such as employers and training providers, are of even greater importance. Box 1 considers one such forum employed in the USA. Inevitably these also take time to bed in, and where government capacities vary the onus is often put on local stakeholders to forge links. In England, for example, restructuring in the education sector in 2010 has given new funding and strategic responsibilities to local and regional bodies which generally have stronger links with schools and colleges than with independent training providers. In this case the membership organisation the [Association of Learning Providers](#) has encouraged training providers to take the lead in engaging with local authorities.

⁶ Pp32 Froy, F. 'Local Strategies for Developing Workforce Skills' in [Designing Local Skills Strategies](#) ed. Froy, F, S. Giguere, A. Hiofer, OECD Local Economic and Employment Development (LEED), Paris.

⁷ Pp32 Froy, F. 'Local Strategies for Developing Workforce Skills' in [Designing Local Skills Strategies](#) ed. Froy, F, S. Giguere, A. Hiofer, OECD Local Economic and Employment Development (LEED), Paris.

⁸ Florida, R. (2002) *The Rise of the Creative Class: And How it is Transforming Work, Leisure, Community and Everyday Life* Basic books, New York.

⁹ pp 16, [City Outlook 2010](#) Centre for Cities, UK

¹⁰ 'Provinces fail to spend R4 billion skills funds' *Business Report*, 22 April 2010, Johannesburg



Localities and Sectoral Considerations

Despite much 'either or' debate on sectoral and geographical approaches to skills, the two are far from discrete. The tendency for businesses in a certain sector to cluster, choosing their location based on the proximity of skilled labour, relevant markets, resources, and related firms that can be used to raise efficiencies and share technology, is well documented¹¹. Perhaps the most famous example is California's Silicon Valley. Policy makers the world over have sought to use the model of industry clustering for local development, though as noted in the previous section, attempts to establish prosperous industrial clusters have been most successful when taking into account the whole picture for businesses and for workers, rather than just boosting one key aspect, such as the supply of skills. Box 2 takes a look at two case studies in Australia.¹²

Support for skills and development: General or specific?

The majority of recent research has found in favour of **support for general business and employment conditions, rather than a specific focus on one aspect or one sector alone**.¹³ Local investment in the supply of skills has proved to be most effective when coupled with other initiatives to support local businesses, and simultaneously stimulate demand for skills. This can take the form of investments in local infrastructure; support for business start ups; business friendly regulations; support and guidance for employers to implement good practice in human resources; and promotion of intermediate level jobs and career pathway programmes¹⁴ to support low skilled worker progression into higher skilled work.

The challenge for training providers – meeting broader and more specific demands

Research indicates that there is no simple way of resolving the tension between local customisation of training to meet local employer and learner needs and the demand for portable skills that fit into national or global business priorities. Research also shows that this tension is often negotiated with short term compromises, rather than by adapting training to meet medium to long term industry or regions specific needs.¹⁵ A report by Farrell and Wyse (2003) for the Australian National Centre for Vocational Education Research (NCVER) observed the tendency for training providers and employers to customise training to 'the immediate demands of a specific workplace' within the parameters of a national training package, though not without difficulty.

Box 1: Workforce Investment Boards, USA.

Local Workforce Investment Boards (WIBs) were first set up in America in 1998 to oversee funding and align other workforce resources, from the community college system to other support mechanisms from public agencies. The boards are made up of representatives from each stakeholder group, and at least 50% of board positions must be filled by representatives from private businesses. The WIBs provide a forum for community dialogue and leadership for workforce development, offering a neutral place to discuss challenges and ways of addressing through public private partnerships. They are also expected to raise awareness of training provision as well as opportunities in different sectors, or to improve perceptions of certain types of jobs, such as high level manufacturing jobs which have survived globalisation and the economic downturn.

During the recession and the recovery the WIBs have proved well positioned to distribute federal stimulus funding. One success story has been the 2009 investment in summer youth work placement programmes. Overall 317,000 young people took up placements in the programmes, set up by WIBs and local partners in less than eight weeks.

While WIBs have had considerable success in removing barriers to employment, they have so far had very little positive impact on incumbent workers, on upskilling and on improving gainful employment, and this is an area they are keen to address. However, when stimulus money dries up, it is uncertain where the necessary investment for such programmes will come from. Competition for funding between WIBs and community colleges is also rising, with colleges viewing WIBs as an unjustified expense in lean times.

¹¹ Marchese, M., A. Sakamoto (2008) *Skills development for industrial clusters : a preliminary review*, Employment Working Paper No. 8, International Labour Office, Geneva

¹² Waterhouse, P., C. Virgona, R. Brown (2006) *Creating synergies: Local government facilitating learning and development through partnerships* NCVER, Adelaide

¹³ Centre for Cities report, NCVER, OECD LEED

¹⁴ For a good case study, see Grossman, L. (2009) 'New York City Career Pathways: Skills Strategies for Low Paid Immigrants' in *Designing Local Skills Strategies* ed. Froy, F, S. Giguere, A. Hiofer, OECD Local Economic and Employment Development (LEED), Paris.

¹⁵ Farrell, L. L. Wyse, (2003) *Serving client needs in regional and local communities* NCVER, Adelaide



Farrell and Wyse cite a residential care home with a number of patients with dementia, where staff required an emphasis on specialised training in the management of dementia within the uniform national Aged Care Training Package. In essence this meant the immediate needs of a specific workplace were addressed first, then national priorities (at least at a technical level), with more global business needs and longer term strategic needs coming in at a distant third place.

The same report also found two methods training providers had developed to get some balance between the short and long term needs, and local, national and sectoral priorities. The first involved a reconceptualisation of skill, 'as having both generic and specific dimensions'. This meant **taking skills development as a matter of applying and further developing generic skills in specific workplace contexts**. Practitioners focussed on encouraging students to apply analytical and critical thinking to their workplace activities – building skills in one work setting that learners would also be able to use in others.

This reconceptualisation has gained prominence in recent years. The OECD LEED unit notes a blurring of boundaries between different sectors with the rise of generic skills, in developed countries in particular. In countries like the UK and Germany, the service and manufacturing sectors have edged ever closer to each other. This has been identified as an important competitive edge for domestic manufacturing industries, which are equipped with strong service skills; the basis for good customer service and the ability to respond quickly to changing market demands. The rise of generic skills looks set to continue. According to CEDEFOP forecasts for the EU; almost half of all new jobs created by 2020 will require tertiary education, with demand for generic skills such as communication, problem solving etc rising most rapidly.

The second method that the NCVET examined involved **dedicating staff to bringing together the different stakeholders to broker training that had the potential to be simultaneously useful to different agendas**. This has been done in various guises, and with varying degrees of success in many different locations. The major drawback to this is the high cost, relying on high skilled personnel to deliver brokerage and expanded programmes.

4. IMPLICATIONS

Key considerations for different stakeholder groups are listed below. As seen in previous sections, the issues for each stakeholder group overlap. Each has something to offer in terms of bridging sectoral gaps, establishing relevant data on which strategy can be built, and on providing resources for implementing such strategies.

National Policy Makers

- Ensuring local agencies have the capacities for administrative and strategic responsibilities – funding, guidance and support for mechanisms linking different agencies.
- Providing flexibility within national strategy for local stakeholders to adapt for their specific contexts.

Box 2. Local Learning Communities, Melbourne, Australia

The NCVET looked at different initiatives in two outer suburbs of Melbourne, the City of Casey and Shire of Melton; two skills monocultures which have seen rapid development in recent years, attracting sizeable urban populations. However job growth has been much slower, with less than one job for every two households in Melton according to Council figures from the early 2000's.

In Melton, the focus was on an equine industry with huge potential, which had to some extent been stifled by low skills levels. In Casey, the focus was on a potentially strong ICT sector, led by Vodafone, also suffering from skills shortages. Both initiatives recognised the importance of entrepreneurial champions, to drive skills development and job creation. Both also revealed some of the major challenges to keeping stakeholders engaged, and the importance of having input from businesses and learners from the very beginning. In the City of Casey, Vodafone led on a set of activities to promote ICT amongst young people, by arranging site visits, training teachers and helping shape school curricula around specific local ICT infrastructure projects. In Melton, local authorities formed an Equine Industry Development Committee to set up an equine centre of excellence with facilities aimed at horse breeding and racing, leisure and tourism and training.

Both programmes were regarded on all sides as messy and complicated, and had varying degrees of success – the City of Casey projects ultimately faded thanks to 'cultural' differences between stakeholders. However each reaped the benefits of having stakeholder buy in right from inception, with the Shire of Melton's programme showing long term positive impacts that 'exceeded industry's expectations', thanks also to a broad canvas of initiatives, and to sound training principles linked to industry and learner needs.



Local and Regional Agencies

- Ensuring local strategies are effectively linked to regional and national priorities.
- Engaging relevant stakeholders in appropriate forums, and securing industry, learner and practitioner buy-in at the very beginning of any initiative.
- Establishing strong, equal relationships with stakeholders from different sectors, schools, further education, higher education and employers.
- Supporting processes for gathering Labour Market Information, basing strategy on available data and ensuring processes for planning and implementation are transparent.
- Addressing skills within a bigger employment and business picture, from community image, to local infrastructure, to economic links with other geographical areas.

Employers and Sectoral Bodies

- Providing high quality information about skills needs within their industry.
- Engaging with practitioners to share knowledge, taking opportunities to input on curricula, and to develop shared platforms for innovation and problem solving with institutions with relevant facilities and expertise.
- Providing clear mapping of career progression routes – showing how workers can develop skills and use them in the workplace.

Training Providers and Institutions

- Working with other stakeholders to develop and utilise Labour Market Information.
- Clear mapping of career progression – showing how courses link up to careers.
- Playing to strengths – where colleges or other providers have relevant expertise and resources, establishing open source networks for problem solving and innovation in partnership with local businesses.
- Ensuring that such networks are established only where the benefit to education and training courses is clear.
- Bridging different stakeholder demands, from general to sector or employer specific, by

6. FURTHER READING

General

Designing Local Skills Strategies (2009) ed. Froy, F, S. Giguere, A. Hiofer, OECD Local Economic and Employment Development (LEED), Paris. A comprehensive report on local skills strategies, which examines the issues touched upon in this briefing note in greater detail.

Improvement & Development Agency, UK – sharing good practice amongst local government

[*Collaborative good practice between local authorities and the further education sector*](#)

For Practitioners

Farrell, L. L. Wyse, 2003 *Serving client needs in regional and local communities* NCVER, Adelaide

Customising training packages to meet local needs [*How to carry out qualitative local labour market assessments - a handbook for professional schools and institutions. Tacis manual*](#) European Training Foundation, 2001

For Employers

For employers aiming to retain workers through improved employment conditions, the ILO offers a set of resources aimed at [*Helping companies to put decent work principles into practice*](#)

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May 2010

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