

A challenge for cities

Even if in parts of Europe the recovery is in sight, it will probably take many years for some places to get back to pre crisis levels of employment and business activity and to recover from some of the negative social consequences of the recession. Some say that this will never happen and that the crisis presents an opportunity to develop new economic development models. Public funding is under enormous pressure with budget cuts taking place across the EU's public sector so governments and local authorities have to address their city challenges with fewer resources than before. In this climate of austerity governments and local leaders need to work smart to make sure that policies and local initiatives are efficient enough to generate growth, create jobs and combat exclusion whilst protecting the environment.

Across Europe the message is clear – we need to do more for less. Indeed in some cases the challenge

may even be to do more with almost nothing.

URBACT at the OECD Partnerships Forum

The 7th Annual Meeting of the OECD Local Economic and Employment Development (LEED) Forum on Partnerships and Local Governance in March 2011 brought together some 200 representatives of local partnerships, government officials, leaders, social entrepreneurs, business representatives, trade unions and academics to review how local development stakeholders are adapting to this new reality.

The LEED Programme mission is to contribute to the creation of more and better jobs. This is achieved through effective policy implementation, innovative practices, stronger capacities and integrated strategies at the local level. LEED sees building quality jobs as the way back to prosperity. It draws on an international body of best practice to illustrate how national and local policy can help communities create more and higher skilled labour forces.

Further information on the Forum including a range of publications such as "Putting in Place Jobs that last – a Guide to rebuilding local employment¹" and "Breaking out of Policy Silos – Doing More with Less²" are available at www.oecd.org.

The discussions at this year's event aimed to address the following three questions:

- How can local economic development projects integrate social and employment objectives?
- How can labour market policy support economic growth?
- How to prevent exclusion when budgets are running low?

URBACT's ESIMeC and My Generation projects, as well as Paul Soto the Thematic Pole Manager for Entrepreneurship and Human Capital and Peter

¹ Published September 2010, Francesca Froy and Sylvain Giguère

² Published September 2010, Francesca Froy and Sylvain Giguère

Ramsden the Thematic Pole Manager for Active Inclusion, participated in the Forum to share their experiences.

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ESIMeC brings together nine medium sized cities from across Europe to find innovative approaches to sustainable economic recovery, growth and resilience. The partners have identified **people** as their main assets and the project will help them to explore how workforce development and demand led skills provision can be the drivers for a thriving local economy.

<http://urbact.eu/esimec>.

My Generation has explored effective strategies to promote the positive potential of the young generation. The objective is to develop sustainable local actions in supporting positive potential and active transitions in the life of the young generation in terms of employment and human capital.

<http://urbact.eu/mygeneration> .

This article focuses on the 2nd of the questions addressed during the event – how labour market policy contributes to economic recovery and growth. It also considers the role of partnerships and city leadership within this arena.

Professor Mike Campbell, Director of Research and Policy at the UK Council for Employment and Skills³ outlined the role of the labour market in the recovery. His view was that:

- Growth and recovery need to be job rich / employment intensive and we need to avoid the potential for jobless growth
- We need to ensure that growth is skills intensive so that the quality of jobs is improved
- The benefits of growth need to be spread widely across society
- Growth cannot and should not be constrained by skills deficiencies and an adaptable labour force is vital

In the post recession world, he argued, we need to think about different *types* of skills and better matching services. Technical and professional skills need to be coupled with more transferable employability skills and workers need to adapt to the fast changing economy. Economic “pull” will also be important – the challenge is to instill a sense of ambition within employers so that the quality of jobs improves and employees have high level aspirations and a sense of career advancement.

Virginia Hamilton, Executive Director of the Californian Workforce Association outlined some of the work taking place in the US where, she explained, the message is very much about “doing more with nothing”. She stressed the importance of city leaders understanding the workforce better and making the links between large scale infrastructure projects and workforce development potential. In her own region for example there is a move to cross train senior level staff and politicians in economic development and workforce issues. In the City of San José, economic development and workforce staff sit

³ www.ukces.org.uk

together in “work2future⁴”, which addresses the workforce and economic development needs of the local area in collaboration with small and large businesses, educational institutions and community-based organisations.

Each work2Future One-Stop Centre offers services and resources that:

- Help job seekers obtain the skills and training they need to find a job
- Assist businesses in meeting their workforce and economic development needs
- Enable youth to jump-start their career with skills training and job search assistance

The overall goal is to help provide the local economy with a world-class workforce that fosters sustainable economic development.

Virginia also touched upon the work of CEOs for Cities, Talent Dividend work - part of the latest research on the *City Dividends*. *The City Dividends* calculates the monetary value to cities and the nation of increasing tertiary education rates by one percentage point (Talent Dividend); reducing vehicle miles travelled by one mile per person per day (Green Dividend); and reducing poverty rates by one percentage point (Opportunity Dividend). CEOs for Cities has found that if each of the top 51 metropolitan areas in the US achieved these modest improvements in each of the three dividends, there would be a combined national dividend of \$166 billion each year.

The Talent Dividend work in particular has concluded that per capita income and educational

achievement rates are closely related. Even a small change in adult college attainment can lead to significant increases in income.

More information including a video introducing the talent dividend is available at www.ceosforcities.org/work/talentdividendtour#More

People are our future

In the OECD Vienna forum the workshop led by ESIMeC was entitled “Working with employers for better quality jobs: Joined up strategies for employment and skills” and explored the following questions:

- What sorts of skills are needed today to help people access the best quality jobs? How does your town or city promote skills development? How is this integrated into economic development priorities?
- What challenges do local communities experience in retaining and attracting skilled people and good quality jobs? How can these be overcome? What resources are required and where will they come from?
- Do employers always use skills effectively? What tools can be used (e.g. management training, sharing knowledge and innovation, new forms of work organisation) to ensure that employers improve both productivity and the quality of the jobs they offer?

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

⁴ <http://www.work2future.biz>

expendable, more adaptable to change and better able to transfer within and between economic sectors. 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. This is particularly important in rural areas and small and medium sized towns which can find it hard to attract good quality jobs, and which can become trapped in a 'low skilled equilibrium' where qualified young people leave to look for better jobs elsewhere.

Cities are in the driving seat

To get more from the limited funds available, cities have to maximise every opportunity to foster growth. Different policies and programmes can no longer be developed in isolation. Major infrastructure development projects for example can be defined strategically in order to help secure maximum employment and inclusion potential for the local population. Cities have a duty to build better links between skills and economic development policies with skills and human capital being a key priority for economic development in the 21st century. In the US, 75%-90% of economic assets and drivers are consistently in metropolitan areas (population, businesses, jobs, income, assets, tax payments, GDP and exports). The role of cities in national recovery is therefore significant.

Public, private, people partnerships

Strong partnerships are also key to economic resilience and growth. This was also the focus of the first ESIMEC transnational event where city partners explored the role of partnerships in workforce development and discussed the main ingredients of successful partnership working which are presented in the first ESIMEC recipe at www.urbact.eu/esimec.

Partnerships help cities to avoid duplication and develop a stronger urban policy agenda. Joint working brings far more value and influence than individual actions. Priorities are chosen carefully; the rules of engagement are clear and every partner is sure of their role and responsibility. The business case is strong with the payback being good infrastructure, an efficient workforce and a high quality of life.

Leader of Basingstoke and Deane Borough Council Cllr Andrew Finney, who participated in the Local Leaders Roundtable at the LEED Forum, said:

"Workforce development is key to ensure medium sized cities have a skilled and adaptable workforce to respond to the current and future needs of employers. This can only be achieved through partnership working between the public, private and academic sector. A skilled workforce able to meet the demands of businesses will not only help cities to ride the recession but also ensure long-term economic growth. Our residents are our main asset and we need to ensure we invest in their development."

The role of labour market policy

Employment policy can also support business growth by ensuring that qualifications and training programmes better meet the needs of business. Employers can and should also be involved to improve skills and productivity so that workers have better and more stable jobs in the future and do not fall into the 'working poor' trap. Efforts and resources can be strategically channelled to support the emergence of new sectors such as the green economy.

Mike Rushworth from Vitacress Salads Ltd, a medium sized employer in Basingstoke, UK, outlined a clear business case for investment in the workforce, even in a recession, stating:

"It is the workforce that makes the difference where competition is concerned – their energy, dedication and determination to find the right products and to use the assets more effectively every year. This applies right through the business and encompasses all employees. Competition, and periodically recession, challenge business: successful businesses take the consequent hard decisions in parallel with employing "soft skills" to continuously build the abilities of all their employees."

Can we really do more with less?

In conclusion the Vienna event debate underlined the fact that the post crisis world in which cities operate is vastly different and represents a major challenge. It is clear that the way that cities operate also has to change radically if they are to succeed in addressing new challenges in the context of a reduced public sector purse. The discussions at the LEED Forum Partnership Event and within the

URBACT ESIMeC project highlighted some important policy principles for cities:

Cities can use **people as their key asset** and driver for sustainable and inclusive economic recovery.

Investing in workforce is not a zero cost solution and it requires a real commitment from public and private sector stakeholders alike. It can however be a reasonably low cost option with high levels of return on investment both within individual companies and within the wider society and the economy as a whole.

Another shift that could make a big difference is the way that interventions are coordinated. At present many public authorities work in policy "silos". This approach is often derived from long term traditions and organisational cultures but it is not effective. Modern economic and societal issues are complex and require a more **integrated and holistic approach**. As Francesca Froy from LEED stated:

"In the context of the economic recovery and public budget cuts, policy silos and fragmented short-term policy interventions have also become luxuries that our economies can no longer afford".

We also need to review the way we measure performance and success. Is it still appropriate, for example, to use metrics such as number of people gaining employment or should we be considering more qualitative measures of impact to reflect the changing economy and labour market? If we want employers and cities to work together to invest in the workforce and drive economic growth **new**

indicators are required which reflect the quality of the jobs created and the career progression available to workers.

Finally **Partnership working** is an integral part of this process. Pooling resources and expertise effectively to jointly address common local issues does not have to be expensive. It relies on strong leadership; a shared vision; a recognition that more will be achieved through collaboration than

without it; clear roles and responsibilities and a shared will to succeed. It is no coincidence that partnership working started in earnest in the 1980s when unemployment was rising, social exclusion needed a more integrated approach and budget pressures were high. Now cities need to step this up to the next level bringing together public, private and people organisations to achieve sustainable recovery and resilience.

URBACT II

URBACT is a European exchange and learning programme promoting sustainable urban development. It enables cities to work together to develop solutions to major urban challenges, reaffirming the key role they play in facing increasingly complex societal challenges. It helps them to develop pragmatic solutions that are new and sustainable, and that integrate economic, social and environmental dimensions. It enables cities to share good practices and lessons learned with all professionals involved in urban policy throughout Europe. URBACT is 300 cities, 29 countries, and 5,000 active participants

www.urbact.eu/esimec



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