

## Executive Summary

In a globalised economy, where both capital and labour are highly mobile and technology evolves rapidly, workforce development institutions have a key role to play in improving prosperity and living standards. An analysis of local drivers of growth shows that human resources are a fundamental source of economic development in a knowledge-based economy. Policy makers within the field of labour market policy and training have a major contribution to make, not only in providing the pool of skills that the economy needs locally, but also in fostering innovation, entrepreneurship and social cohesion. Labour market institutions may tackle a wide range of issues locally, from the attraction and retention of talent to solving skill deficiencies, integrating immigrants, incorporating the disadvantaged into training and employment, improving the quality of the workplace, and enhancing the competitiveness of local firms. They have a unique capacity to contribute in view of the scale of their programmes and services, and their presence throughout the national economy and at a number of layers within the administration.

However, the target of labour market policy has been relatively narrowly defined in the past, with most public employment service institutions limiting themselves to matching jobseekers to vacancies and providing basic training to support immediate employability; training organisations have not always been attentive to business demands and strategic orientations defined locally. In order to maximise the potential contribution of workforce development institutions to lifting prosperity, a new broader goal for workforce development must now be set: *The comprehensive management of human resources, so as to meet better the demands of a global economy at both the national and local levels, through improving economic competitiveness and social cohesion.*

In practice, attempts to achieve this goal inevitably encounter a number of obstacles. One is the difficulty of speeding up changes to local education and training systems so that they can deliver skills currently in demand. Another is tackling the fragmentation in local decision making when it comes to human resources; policies on immigration, integration and training are often developed by different people in different institutions. The situation is made worse by a separation of economic development from labour market policies, which are often delivered in “silos”. A lack of willingness to look at

longer-term issues is another impediment to harmonising local and national concerns in the implementation of labour market policy and training.

Workforce development institutions cannot work alone to achieve their objectives. In order to foster human resources development in a manner consistent with the workings of today's economy, it is important to improve the local *governance* of workforce development. In particular, it will be critical to generate a higher degree of policy co-ordination, better adaptation of policy to local conditions and a greater level of participation of business and civil society in the shaping of measures.

The review of the OECD experience and the contextual evidence from seven countries contained in this volume point to the need to achieve better co-ordination and a more effective balance between the efforts of policy makers at the national and local levels. While there is a need for greater differentiation and experimentation at the local level, it will also be important to maintain the efficiency and accountability of the overall policy framework. The lessons emerging from this cross-country comparative analysis can be summarised by the following guidelines:

1. *Inject flexibility into management.* It should be possible for the local level to decide on and provide strategic orientations in the implementation of public programmes and services, in addition to pursuing predetermined objectives. In a management-by-objectives framework, this means that policy targets set by central government would need to be negotiated with the local level in light of current local strategic priorities.
2. *Establish an overarching management framework that embeds local flexibility.* Workforce development policy should be managed in a way that supports greater local differentiation while still paying attention to aggregate impacts at the national level. The process of negotiation with the local level on targets should be embedded in a framework that ensures that aggregate national policy goals continue to be met.
3. *Build strategic capacity.* Enhancing local capacities becomes particularly important in this context, as strategies for human resources development must be integrated and matched to the economic reality on the ground. The staff of labour market institutions should have a strong knowledge of local business practices, local economic conditions, industry developments, and appropriate methods to identify skill gaps and deficiencies in local economic sectors. They should also develop the analytical skills necessary to use this knowledge as a basis for developing broad strategic orientations locally.
4. *Build up local data and intelligence.* Building an understanding of economic and labour market conditions demands, as a prerequisite, refined databases gathered and managed locally and expertise in a wide variety of fields. The

capacity to gather data locally and organise them in a way that enables strategic planning exercises is critical. The national level can support this process by ensuring that data are disaggregated to the local level and by making available analytical tools that can be adapted to local circumstances.

5. *Improve governance mechanisms.* Labour market institutions should collaborate effectively with business, trade unions, civil society, higher education institutions, research centres, economic development agencies and local authorities. There is no governance mechanism that fits all institutional frameworks, but partnerships have a certain value in bringing different stakeholders together to develop appropriate and realistic strategies.
6. *Improve administrative processes.* Aligning policies through institutional reform such as decentralisation is a difficult challenge. In large countries with complex distributions of power, a perfect match may always seem just beyond reach. A wide-scale review of how administrations function, cooperate and manage policies is needed to support better collaboration between different administrative layers and between different policy institutions. This is particularly important given that the new, broader goals for human resources development cut across a number of different policy areas.