

Executive summary

Creating more and better quality jobs is key to boosting growth, reducing poverty and increasing social cohesion. At national level, job creation requires a stable macroeconomic framework coupled with structural policies that encourage innovation, skills and business development. But how can national and local policies be better aligned and tailored to specific local opportunities and challenges?

There are a number of barriers to getting the local conditions for job creation right. Policy makers often work in silos, due to institutional barriers and rigidities in performance management structures, and many policies are not flexible enough to be tailored to local conditions. Additionally, the search for efficiency in delivering national policies and programmes can sometimes lead to a lack of attention to the negative effects that a “one size fits all” approach can have in certain regions.

This report provides guidance on how policy makers can bolster local job creation and achieve sustainable inclusive growth, while meeting challenges such as youth unemployment, population ageing and climate change.

Key messages

Boost skills supply and demand to create quality local jobs

- **Co-ordinate employment, skills, and economic development policy.** As we move towards a knowledge-based economy, a skilled workforce is becoming increasingly important to firms’ decisions to locate and/or expand in a local area. This makes it essential to align labour market, training and economic development policy. Injecting sufficient local-level flexibility into employment and training systems is essential to the success of this type of co-ordination.
- **Support the lifelong development of relevant skills.** Local areas need a skilled workforce, which is less expendable, more adaptable to change, and better able to transfer between economic sectors. This requires providing appropriate skills development opportunities for individuals as well as information on where new job opportunities will be in the future. Lifelong learning systems and the involvement of employers in designing and implementing training can boost skills development.
- **Help areas move out of the low skills trap.** OECD research shows considerable local variation in employer demand for skills. Some areas are stuck in a “low skills equilibrium”, where local employers offer low-skilled jobs and operate in low-cost markets, so there are few high quality jobs available. In such regions, technical assistance, management training, and embedding skills policies in broader mechanisms for business support can encourage demand for higher levels of skills.

- **Tackle labour market exclusion.** Some disadvantaged groups, such as young people not in education, employment, or training (NEET), can face multifaceted barriers to employment, requiring targeted support to ensure that no individuals or communities are left behind. Using evidence-based approaches is critical to addressing both the immediate barriers to employment and the root causes of long-term labour market exclusion.

Support enterprise development and growth to create jobs

- **Create conditions conducive to high growth firms.** Net job creation is typically led by a small number of “high growth firms” which are strongly dependent on their local economic context. These firms tend to develop in localities with high population density and high levels of tertiary education. Policy makers can support such high growth by developing local entrepreneurial ecosystems and targeted support such as business accelerators.
- **Promote entrepreneurship skills.** While high growth firms represent only a small percentage of all firms, supporting entrepreneurship more generally can play an important role in achieving sustainable and inclusive growth. However, a lack of training, skills, and networks can act as barriers to starting a new business. Extending and improving entrepreneurship education and encouraging mentoring by experienced entrepreneurs can help to counter these factors.
- **Support social entrepreneurship as a source of job creation.** Social entrepreneurship makes key contributions to job creation, while often integrating disadvantaged people into the labour market. In some regions, percentage growth in employment in the social economy has outpaced that of the private sector in recent years. Policy makers at local level can complement national framework conditions for the social economy with supports such as social entrepreneurship hubs and social clauses in local public procurement processes.

Build adaptable local economic strategies and systems

- **Adopt new approaches to economic development.** Local areas are changing their growth and investment strategies, exploiting new markets and alternative sources of finance. Given that growth is increasingly driven by knowledge-based capital, a common focus is building partnerships between universities, local economic agencies and firms to promote knowledge-sharing. Local development systems should leverage all available resources, expertise and experience by including a variety of stakeholders (public and private sector organisations; citizens and businesses; knowledge-based institutions and development agencies and companies).
- **Respond to demographic changes.** Demographic change, including ageing populations and decline in population growth rates, will have far-reaching implications, with some local areas feeling the effects especially sharply. Such changes can be managed through seizing opportunities in the growing “silver” and “white” economies while also promoting age-friendly workplaces, for example through flexible working arrangements.
- **Smooth the transition to a green economy.** The move towards a greener economy will bring both challenges and opportunities, including the transition of workers from one sector to another and economic diversification into new forms of eco-innovation. Education and training systems should be flexible enough to adapt to changing local needs and to help workers in declining sectors transfer to emerging niches in the green economy.

Use local data to inform local policy

- **Use locally disaggregated data.** Policy makers need more local data when developing policies for job creation. Information on the supply of and demand for skills can provide critical insight into the development of quality jobs. Mapping such data at local level across the OECD shows that while some places have “high skills equilibrium” (where a highly skilled population is able to find high skilled jobs), there are many others that are experiencing skills gaps, skill surpluses or a situation of “low skills equilibrium”. This information, combined with a broader set of local indicators, can provide a telling picture of the sustainability of local labour markets. In the future, it will be important to develop new sources of internationally comparable local data to support more evidence-based approaches to local job creation and growth.



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