

Chapter 2

From Welfare-to-work to Welfare-in-work: Concepts and Policies

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This chapter examines the challenges facing OECD member countries in their drive to upgrade the skills of those workers who have come to be described as “the working poor”. It argues that the attempt to move from “welfare-to-work” to “welfare-in-work” policies must incorporate spatial considerations to ensure that efforts are directed at those workers and companies that need it most. The main challenge for actors and stakeholders involved in the design and delivery of training is to form an approach that will meet a wide range of workplace needs. Reviewing some of the experiences across the OECD, and in particular from the five countries that took part in the study, the chapter highlights a series of best practices and concludes with recommendations for local, regional, national and supranational policy makers.

The governments of OECD member countries have begun to acknowledge the importance of upgrading the human capital of those workers trapped in low-skilled, low-paid and often insecure jobs. The emerging literature on workforce development and lifelong learning confirms that this agenda has become a central labour market policy challenge for the 21st century (see European Commission, 2002; Istance *et al.*, 2002; OECD, 2003b, 2005a). The report of the EU Employment Taskforce chaired by Wim Kok argued that “it is imperative to prevent an obsolescence of skills in order to maintain people at work longer, and this means that training has to be targeted also at older workers and low-skilled workers” (European Commission, 2003, p. 47). Likewise, in its 2003 *Employment Outlook*, the OECD opined that market failure with regard to training meant that “public policy may have a role to play to improve individuals’ and employers’ incentives to invest in human capital” (OECD, 2003a, p. 239). The paradigm shift from “welfare-to-work” to “welfare-in-work”¹ certainly suggests that some governments – especially in English-speaking countries – are increasingly willing to redraw the boundaries of their labour market intervention.

However, in their attempt to turn this objective into a coherent and sustainable policy framework, policy makers are confronted with major obstacles. Furthermore, they are facing a confusing choice of instruments as “there is no shortage of initiatives to help improve skills and so the job-prospects of less-educated workers” (Bassanini, 2003). Finally, a variety of actors and institutions are involved in the design and implementation of these initiatives, which makes workforce development a rather nebulous policy field. Thus there is a need for a comprehensive overview showing how these three elements (obstacles, instruments and governance) intersect to impact upon the needs of low-qualified, low-paid incumbent workers.

After reviewing the challenges and obstacles facing skills development, this chapter examines a series of well- and lesser-known policy instruments that have been adopted by policy makers specifically to address the needs of low-skilled incumbent workers. It then explores the governance of workforce development, identifying the actors who intervene to regulate this agenda as well as the institutional arrangements and configurations that have been used to foster local synergies and innovation. A series of conclusions and recommendations follows.

From “Welfare-to-Work” to “Welfare-in-Work”: challenges and obstacles

Why geography matters

Labour markets are heterogeneous, as demand- and supply-side conditions vary significantly within and between member countries of the OECD. Moreover, the processes that occur at the local level and the articulation between the multiple governance scales – from the supranational down to the workplace – are of paramount importance to the success of workforce development programmes and initiatives. In this sense, analyses of methods for upgrading workforce skills cannot be disentangled from the concept of a local labour market (Peck, 1996; Martin and Morrison, 2003).

While some authors have explored the broad political and institutional aspects that explain the uneven responsiveness of industrialised countries to skills needs (Crouch, Finegold and Sako, 2001; Thelen, 2004), not enough attention has been paid to the process through which skills are created and upgraded within space and place. This territorial dimension cannot be ignored, as it provides a framework for interaction to produce new solutions to new problems.

Research on the effectiveness of active labour market policies (ALMPs) has increasingly emphasised the benefits of local design and delivery (Campbell, 2000; OECD, 2001b). The relationship between geography and skills strategies has recently been acknowledged by governments. For example, the UK authorities argue that:

It is vital to have effective regional and local partnerships, with clear roles and responsibilities. There is a strong regional dimension to the skills problem (...). Our aim is to ensure maximum flexibility and discretion at the regional and local level to innovate, respond to local conditions and meet differing consumer demands (DfES, DTI, DWP, HM Treasury, 2003, p. 101).

Indeed, regional and local labour market processes can be reconfigured to target low-qualified workers. This chapter presents several examples of such responsiveness to skill needs, which otherwise remain hidden or unaddressed. The possibility of piloting local small-scale projects means that the traditional separation between ALMP and continuous education and training (CET) – or, to put it differently, between measures for those seeking work and those already in work – can be overcome. While economic analysis often points out that these should be kept separate and that a clear assignment should be made, incorporating CET into ALMP would signal an approach to the labour market that does not stigmatise those out of work. The famous Danish “golden triangle” of flexicurity has shown that a fine-tuning between flexible labour markets, a high degree of social security and an active labour market policy is possible.

But aside from the notable exception of Scandinavian countries, which have a long-standing tradition of investment in permanent education and CET systems that are highly integrated (Goul Andersen, 1997), in most OECD countries the training needs of low-qualified incumbent workers tend to fall within the remit of human resource management (HRM), not within that of public policy. Skills and career enhancement has for the most part been an integral part of vocational policy. It is therefore a matter that chiefly concerns employee representatives, the social partners, educational establishments and career guidance agencies (Dubar, 2000; Ok and Tergeist, 2003; OECD, 2004a). Actors such as local and regional authorities, local economic development agencies and the public employment service (PES) generally have little involvement in this field. It is in fact argued that any attempt by the PES to move outside this traditional role could undermine its credibility (Crouch, Finegold and Sako, 2001). However, while clear assignments and a “division of labour” between local labour market actors is certainly necessary, this does not preclude a certain scope for institutional innovation to respond to new challenges.

Some OECD countries, such as Belgium, Canada and the United States in this book, have a federal system of government, but many others are characterised by a marked regionalisation in the management of education and vocational training or by a certain degree of state autonomy (see for example Berthet, 1999, for France or Green, 2002, for the United Kingdom). This means that in many cases the budgets allocated to training providers, further education and community colleges are administered by regional authorities or agencies. Increasingly, as exemplified by the British Framework for Regional Employment and Skills Action (FRESA) and Regional Skills Alliances, or by the recent legislative changes in CET in France, the regional scale is entrusted with greater consultative and planning responsibilities that formulate medium- to long-term skills strategies.

Certainly, local and regional responses can to some extent reduce the problem of blanket delivery and “one size fits all” approaches that are unsuitable in a world of heterogeneous business and individual needs. As exemplified by best practices from the Danish region of Storstrøm, the Canadian province of Alberta, Derbyshire in the United Kingdom, Chicago and Milwaukee in the United States, and Ghent and Antwerp in the Flemish region of Belgium, solutions that are appropriate to the needs of local employers can be found. These locations undoubtedly represent a rich mosaic of local labour markets with diverse industrial patterns and institutional configurations. Among a range of local barriers to workforce development (lack of qualifications and skills, employer demand and attitudes, poor infrastructure and governance), varying combinations appeared to carry particular weight across the case studies. For example, the research teams involved in the SULQ study found

that problems related to the training infrastructure, such as the inadequacy of training or lack of information about courses, were quite acute in the United States and Flanders but of lesser importance in the other locations. Some of these labour markets were relatively more depressed than others when compared to the national average, and so workforce skills requirements tended to differ: some experienced a predominance of skilled labour shortages, others faced internal skills gaps. The Danish, Flemish and US locations showed relatively more unemployment than the other locations. Moreover, within countries, important variations could be noticed: for example, in Canada, poor educational achievements and the lack of basic skills were more acute in Yellowknife than in Fort McMurray. In terms of local governance, the culture of partnership working appeared to be more developed in the United States than in the United Kingdom where it is less “organic”.² But in spite of differing obstacles in varying degrees – hence differing starting points – all case studies share the fact that national and sub-national policy makers have sought solutions to develop the skills of their working poor population.

However, calling upon local solutions does not guarantee policy effectiveness. CET and ALMP practices cannot be disconnected from the broader national and supranational policy frameworks that govern the fields of education and employment. The emphasis granted to this agenda by national authorities can act as either a constraining or an enabling factor. For example, in the 1990s the Danish Welfare State was already emphasising the importance of a socially inclusive model of “welfare-through-work” when others were still focusing on work-first approaches (Etherington and Jones, 2004). Hence the interaction that occurs between the multiple scales of governance is a critical element. In addition, the lack of involvement and commitment of private employers in labour market and social partnerships is often identified as a significant barrier to policy effectiveness and a source of wide regional variations (Sunley, Martin and Nativel, 2005). Employers are therefore also an essential, if not most important, part of the story.

Why the firm matters

Educational and training provision for low-qualified workers crucially depends on factors both internal and external to the firm, such as work organisation, product markets and competition (Rubery and Wilkinson, 1994). The firm has for a long time represented a black box for policy makers, although since the publication of *Internal Labour Markets and Manpower Analysis* by Doeringer and Piore (1971), much progress has been achieved in opening the box up and investigating its contents. It is now well known that the position of workers and their opportunities for training and career

development are highly dependent upon whether they find themselves in the primary or secondary sector of the dual labour market.

Empirical evidence of who benefits from employer-sponsored training abounds. It repeatedly shows that those who already have an upper secondary level education receive more training than those with little initial education; depending on the sources used, figures average 35% for the former against 16% for the latter (Bassanini, 2003). In addition, low-skilled workers are more likely to be in temporary work than high-skilled workers. Labour market tenure and attachment proxies shed further light on the training divide. Evidence from Belgium shows that training for permanent employees is more frequently financed by employers than training for temporary employees. This implies that “the loss of job security is not compensated by opportunities to enhance employability” (Forrier and Sels, 2003, p. 662).

The effects of such market failures and imperfections can be devastating for individuals, for their employers, for regional labour markets, and ultimately for entire sectors of the economy. This has been demonstrated by the example of the United Kingdom, often heralded as a case of a “low-skill low-pay equilibrium” (Finegold and Soskice, 1988). Those who receive the least training lose their motivation as the pay and career gaps with their peer workers widen, a syndrome known as the “Matthew effect”. Beyond the negative psychological effects on individual motivation, the status quo over a low-skill equilibrium traps the economy in a “low-wage – low-skills” path.

Action by local labour market actors and stakeholders that surround the firm can help address this failure. The focus must be on the needs of employers and the commitment to workplace innovation and modernisation: the firm must be granted a “centre stage” position. As will be discussed later, countries with well-established welfare settlement and collective bargaining systems – the Scandinavian countries in particular but also others including Germany – are relatively advanced in linking up skills strategies and organisational change. Countries such as the United States and the United Kingdom rely on local institutional innovation, spurred by either public or non-profit actors, to try and convince employers that there is a “business case” for skills development.

Indeed, numerous interviews with employers plainly show that employers do not view employees (and particularly low-qualified employees) as their “most valuable asset” (Sunley, Martin and Nativel, 2005). Human capital is not embodied in the firm but in the individual and is leased out to employers (Becker, 1975). Therefore local actors are currently developing strategies to convince employers about the benefits of shifting their investment from other priorities into people’s skills. The most direct means to achieve this is to view the firm as the key local labour market agent that can

be most effectively targeted by actors operating on the same scale and closely aware of its current (dys)functioning and future needs.

Why definitions matter

Before providing an overview of the trends in skills acquisition and provision, some definitions may help clarify the nature of the measures and initiatives discussed in this book and the group they target.

Policies concerned with workforce development and skills upgrading initiatives, while sitting within the adult learning agenda, address a narrower, more modest objective. That objective is to improve the skills, competencies and qualifications of low-qualified incumbent workers, and thereby respond to “skills shortages” and “skills gaps” experienced in local labour markets and within organisations. Of course, these concepts could remain fuzzy without further clarification as to the meaning of “skills” and “low-qualified”. One approach could be to relate skills to the concept of employability. The supply-side focus of “employability” noticed by many (Hillage and Pollard, 1998; Philpott, 1999; McQuaid and Lindsay, 2005) results in an emphasis on the multiple characteristics held by individuals – from basic skills (literacy, numeracy, ICT and foreign languages) to vocational qualifications, as well as “soft” skills such as appearance, communication and teamworking. These skills may be acquired formally or informally, so that the scope of upskilling initiatives is wider than the traditional set of CET measures that mainly provide vocational and technical competences to all workers.

If current CET provision is proving inadequate, this is no doubt because the norm of lifetime employment has disappeared. Subsequently, it is argued that higher levels of employment uncertainty call for “new” employability skill sets. The framework proposed by Gibb (1993) may be a useful starting point when seeking to depart from the “traditional view” of enterprise. Gibb refers to enterprising behaviours, skills and attributes, which include “self-awareness, self-confidence, creativity, perseverance, persuasiveness, resourcefulness,

Table 2.1. Behaviour, skills and attributes of enterprising people

Skills	Behaviour	Attributes
Problem solving	Acting independently	Self-confident
Creativity	Actively achieving goals	Autonomous
Persuasiveness	Flexibly responding to challenges	Achievement-oriented
Planning	Coping with and enjoying uncertainty	Versatile
Negotiating	Taking risky actions in uncertain environments	Dynamic
Decision making	Persuading others	Resourceful
	Commitments to make things happen	
	Opportunity seeking	
	Solving problems/conflicts	

Source: Gibb, 1993.

negotiating skills and motivation and commitment to achieve” (p. 14). These features may to some extent prove useful for analysing the potential upward mobility of the low-qualified.

Moreover, on the basis of measurable proxies, the target group (“low-skilled workers”) comprises those who possess basic educational levels (ISCED 0 to 2) or IALS literacy levels 0 to 3. They can also be defined as ISCO (International Standard Classification of Occupations) sub-groups 5 to 9, that is in all elementary, operating and sales occupations requiring first and second skills levels. Broadly speaking, in the great majority of cases, these workers occupy jobs with a low occupational status and income below the median rate of pay. They can thus equally be described as “low-paid workers” or “workers in precarious employment” since there is a strong correlation between those variables (see Tables 2.2 and 2.3). The broad assumption

Table 2.2. **Risk and incidence of low-pay by education level in selected OECD countries**

Education level	Spain		Italy		Ireland		Belgium		Denmark		United Kingdom	
	Risk	Incid.	Risk	Incid.	Risk	Incid.	Risk	Incid.	Risk	Incid.	Risk	Incid.
Primary	21.2	30.4	10.9	18.1	21.0	7.1	13.2	17.4	4.4	4.9	32.5	41.6
Lower												
Secondary	34.2	47.4	12.3	64.3	20.6	24.5	15.2	37.0	18.6	46.0	24.7	32.4
Upper												
Secondary	15.6	13.7	4.5	17.2	22.4	61.4	8.9	39.0	6.9	45.3	14.5	21.1
Non-university												
Degree	14.4	5.6	5.1	0.2	8.1	6.1	3.7	5.9	3.0	2.0	8.2	2.7
Bachelor	5.5	2.8	0.4	0.2	2.7	0.9	0.7	0.7	1.7	1.4	5.1	2.1
Postgraduate	0.8	0.0	0.0	0.0	0.4	0.0	0.4	0.0	0.8	0.4	1.9	0.1

Source: Fernandez et al., 2004, p. 34.

Table 2.3. **Risk and incidence of low pay by tenure in selected OECD countries**

	Less than 2 years		Between 2 and 4 years		Between 5 and 9 years		More than 9 years	
	Risk	Incid.	Risk	Incid.	Risk	Incid.	Risk	Incid.
Spain	42.0	54.9	30.4	16.9	16.1	17.3	4.9	10.9
Italy	15.2	38.2	10.9	25.5	5.9	20.8	2.7	15.5
Ireland	43.4	49.0	24.7	28.2	10.9	14.6	3.7	8.2
Belgium	15.8	51.8	9.7	18.0	5.1	17.8	1.9	12.4
Denmark	15.8	66.2	13.6	19.0	4.3	7.8	2.7	6.9
United Kingdom	32.5	49.5	21.3	24.9	15.8	16.3	11.1	9.2

Source: Fernandez et al., 2004, p. 34.

Box 2.1. Some definitions

Lifelong learning

Lifelong learning “embraces individual and social development of all kinds and in all formal and informal settings, including at home and in the community” (McKenzie and Wurzburg, 1998). Lifelong learning takes a systemic view that covers the whole life cycle and recognises the multiple goals of education (OECD, 2003b).

Adult learning

Adult learning encompasses all educational and training activities undertaken by adults for professional or personal reasons. It includes general, vocational and enterprise-based training within a lifelong learning perspective (OECD, 2003b).

Workforce development

This is a term for training and skills development used especially in the United Kingdom and in the United States. It sits between training (which has a narrow focus) and education (which is broad) and covers a significant share of active labour market policies. More precisely, it consists of “activities which increase the capacity of individuals to participate effectively in the workplace, thereby improving their productivity and employability” (Performance and Innovation Unit, 2001, p. 3).

According to Westwood (2001, p. 4), workforce development can be defined as “the training and development employees (and potential employees) receive that is relevant to the workplace. This includes both on-the-job and off-the-job training, and can be recognised in formal qualifications, and in internal qualifications (which may or may not be accredited to external standards). Workforce development can include academic, subject based training; but more typically covers more work-related, vocational training – from general communication, people and management skills to sector, industry and firm specific skills”.

Skills upgrading (or upskilling)

The concept refers to both a process and a policy. The first interpretation is based on the “learning-by-doing hypothesis”, the assumption being that workers naturally learn from their exposure to new technology and from social interaction in the workplace. Here upskilling is directly opposed to the notion of deskilling whereby the process of industrial restructuring renders old firm-specific knowledge and skills obsolete.

In this book, skills upgrading and upskilling refer to workforce development initiatives specifically targeted at incumbent workers occupying low-paid jobs that aim to promote employment sustainability and career progression.

Box 2.1. **Some definitions** (cont.)

Skill shortages

Skills-shortages arise when “employers are unable to recruit the workers they require because the skills they seek are not available in sufficient quantity. The existence of skill shortages is then an indicator of the inadequacy of existing overall skills levels in relation to current employer and labour market requirements” (Campbell, 2002, p. 25).

Skill gaps

“They occur when there is a gap between the current skill levels of an organisation’s workforce and those which are required to meet the organisation’s objectives. They are, therefore, internal to organisations and represent a deficiency in the skills of the currently employed workforce” (Campbell, 2002, p. 29).

adopted in this book is that low-skilled workers are those who by no fault of their own occupy a weak position in the labour market, reflected in low pay and/or low tenure. Their relatively looser attachment to the labour market places them at risk of losing their job through economic restructuring by firms (which may or may not be related to an economic downturn).

Occupational change and skills polarisation

Currently in the European Union, 80 million citizens are classed as “low-skilled”. It is estimated that by 2010 almost half of the net additional jobs will require people with tertiary-level qualifications; just under 40% will require upper secondary level and only 15% basic schooling (Tessaring and Wannan, 2004, p. 4).

Despite these projections, at the beginning of the 21st century the persistence of low-skilled, low-paid work and the polarisation of employment conditions and earnings have become prevalent in OECD economies. In the 1990s a number of researchers propagated the belief that processes of creative destruction and occupational change brought by the “knowledge economy” would not lead to the “end of work” but would go hand-in-hand with an upgrading of employment conditions for all workers (Rojas, 1999; Leadbeater, 1999). Likewise, Layard (2004) argues that bad jobs generate happiness since they provide work experience. In their view, empowering incumbent workers through educational and training programmes remains a subsidiary, if not irrelevant policy objective. However, the structure of the workplace remains unchanged. In many countries there is evidence of a continuing growth of low-income work in parallel to highly skilled jobs, a

trend that describes an “hourglass-shaped economy” (Lipietz, 1996; Beck, 2000). More jobs are being created in the personal and interactive service sectors such as hospitality, catering, care, gardening, etc. In those sectors, contrary to popular belief, current levels of skills might be seen as fully adequate for employers. In the United Kingdom, the findings of the Economic and Social Research Council’s Future of Work Programme³ showed that the growth of managerial jobs has been paralleled by a growth in low-skilled service sector jobs (see Table 2.2). Indeed, while goods may be increasingly bought and sold over the Internet, shelf fillers, warehouse keepers, drivers and telephone operators are still needed to ensure those goods reach the customer (Nolan, 2004).

Economic restructuring has led many industrial and service sector firms to delocalise – or sometimes threaten to delocalise – their activities to emerging economies. The willingness to retain firms at home or attract new ones has fuelled the argument for workforce development. However, the increasingly urbanised economies of the First World boast a range of services that for demand reasons cannot be delocalised to emerging economies: personal and leisure services such as restaurants, hairdressers, cinemas and gym clubs are by nature proximity services that are consumed “on the spot”. As long as such services are demanded in local communities, there will continue to be vacancies in these sectors of the economy and hence a need for a local pool of labour to perform the work required. Despite the oft-quoted

Table 2.4. The fastest-growing occupations in the United Kingdom, 1992-99

Occupation	% growth	Absolute growth
Hairdressing managers and proprietors	302	42 946
Software engineers	185	109 469
Educational assistants	155	105 410
Welfare, community and youth workers	121	106 277
Electrical, electronic technicians	113	16 443
Telephone sales people	106	41 405
Management and business consultants	93	38 836
Domestic housekeepers	83	11 520
Nursery nurses	83	58 606
Computer engineers	81	30 069
Care assistants and attendants	75	229 545
Medical, dental technicians	73	18 673
Shelf fillers	73	40 726
Legal and related occupations	70	17 795
Other sales, service occupations	66	9 416
Prison officers (below principal)	64	18 990

Source: Wills, 2005. Data from the UK Labour Force Survey and drawn from the ESRC Future of Work Programme.

case of the McDonald's cashier who may be offered the opportunity to move up the occupational ladder into higher-level management, places are limited for those who may wish to become the managing director of McDonald's. This is true of all institutions, as modern societies are structured around hierarchical roles and asymmetric workplace relations. Of course, it would be erroneous to assume that all workers are willing to occupy high-status, high-paid, highly skilled (and often highly stressful) jobs. But despite being considered of low added value, skills gaps in entry-level service sector jobs can be reduced, which would lead to an increase in labour productivity and profits. In turn, if shared equitably, increased profits can result in higher salaries paid to workers within the service sector.

The occupational polarisation is reinforced by inequalities in access to training opportunities. OECD statistics have consistently demonstrated that employers devote on average significantly more resources for training high-skilled, well-educated employees than others, reinforcing skill differences (OECD, 1999, 2003a, 2005b). The International Adult Literacy Survey (IALS) also found after controlling for other factors – hours worked, company size, professional grade – that those making greatest use of their skills at work are six to eight times more likely to receive company training than the low-skilled (OECD, 2000).

Instruments for upgrading the skills of the low-qualified: an overview

This section offers an overview of the main instruments used to upgrade the skills and qualifications of the target group under discussion. It draws on the initiatives and policies of the five countries examined by this study, and on wider OECD experiences.⁴

These instruments address the range of obstacles and barriers of cost, time and access. Some are established at the national level and therefore filter directly down into the workplace, while others are specifically created at the local level and take the form of pilot schemes that may or may not be replicated elsewhere. Some address the demand side of the labour market, while others are concerned with supply-side aspects. A typology is thus essential. For the purposes of simplification, these instruments have been grouped into three broad categories: 1) employer-oriented approaches, 2) worker-oriented approaches, and 3) assessment-related approaches. These are of course not mutually exclusive and may be addressed simultaneously.

Employer-oriented approaches

Enforcing training levies through government legislation

In some countries, compulsory financial contributions for firms are enshrined in the legislation: employers are required to contribute up to a certain threshold on training or pay a training levy. Many OECD countries have training levies at the national level, at the sectoral level, or both. These include Belgium, Canada (Quebec), Denmark, Finland, France, Italy, the Netherlands, Spain and the United States (Ok and Tergeist, 2003).

In France, according to the law on continuous vocational education of 1971, firms with more than ten employees must pay at least 1.6% of their wage bill on training (Dubar, 2000, Méhaut, 2005). Since January 2005, firms with less than ten employees pay a levy of 0.55% of their wage bill.⁵ A rate of 2% of the gross wage bill is applicable for temporary and agency workers, which may to some extent impact on the low-qualified. The training levy can be seen as a “train or pay” tax, which implies that if the firm does not invest in training to the required level, it must pay the difference between its actual expenditure and the legal minimum. Likewise, Belgium has established sectoral funds based on employer contributions that are partly compulsory and partly voluntary, the compulsory element corresponding to 0.25% of the payroll. A specific amount must be spent on “groups at risks” which includes among others the low-qualified. The chapter by Nicaise, Verlinden and Pirard on Flanders shows that the sectoral funds have so far had only a modest effect on job retention and progression. The funds are managed by the social partners, who recently agreed at inter-professional level that investment in training should represent 1.9% of payroll contributions by the end of 2004, with 0.1% reserved for vulnerable groups.

In some countries such schemes have been controversial and rejected: the Australian Training Guarantee Scheme, which was very similar to the French system, faced strong opposition from employers’ organisations and was suspended in 1994, after only four years (Stevens, 2001, p. 485).

Apart from their lack of popularity among employers, the weakness of these systems is that their focus on the low-paid is not explicit in the law and that they do not prevent employers from spending disproportionately on courses for managers and other already well-educated members of staff. France has tried to respond to this problem by incorporating a clause relating to upskilling in the May 2004 amendment on its 1971 law. This clause stipulates that up to 80 hours can be spent by workers in off-the-job activities aimed at upgrading their skills. A financial compensation of 50% of the usual salary is paid by the state to compensate the employer. The employer is bound by a written agreement to upgrade the post of the worker within one year of

completion of the upskilling course. The outcomes of these changes have not been evaluated to date.⁶

Incentives to address the issues of cost and time

One of the major obstacles is related to the fact that employers regard training for the low-skilled not as an investment but as a cost. One of the most common responses has been to resort to financial incentives, *e.g.* wage cost subsidies and other co-financing measures to “compensate” firms for the perceived loss.

A recent example discussed in this book is the UK Employer Training Pilot (see Chapter 4). At the heart of the pilot is a system of wage compensation paid to the employer for employee time off. The level of the compensation can cover up to 150% of the employees’ salaries during the training period depending on the pilot area in which it is being implemented.⁷ In Denmark, under the AMU system, employers who provide training to their employees are entitled to receive a subsidy. While the subsidy does not cover the wage expenses in full, its level can reach up to 60% for a low-skilled worker. During periods of economic sluggishness, enterprises have been able to transfer some of their wage expenses to the AMU system by sending their employees on training courses (see Chapter 3).

The effectiveness of wage cost subsidy programmes has often been questioned. While deadweight losses tend to be high in large companies, rigid eligibility criteria and high administrative costs do in some instances deter SMEs from considering these subsidies (OECD, 2005a). Moreover, it is difficult to know what degree of wage compensation will convince the employer who is in principle not interested in training for her/his employees. Anecdotal evidence from the United States suggests that employers are agreeing to contribute up to 50% of the wage bill, with the employee “contributing” by accepting to forego the other half of their salary. Such are the terms of many small-scale training activities organised on an *ad hoc* basis in the United States.

In that context, it may be appropriate to direct financial assistance to employees. Several financial instruments exist, such as bonuses and tax credits to reward workers for their investment in training, as well as time accounts managed by the unions, training vouchers and individual learning accounts. They will be reviewed later.

Rewarding employers for their “social responsibility”

With Corporate Social Responsibility (CSR) gaining ground as one of the new buzzwords across OECD member countries (OECD, 2001c), the traditional view of the employment relationship, in terms of employers’ responsibility

towards their staff, has in some instances been replaced by a less stringent attitude: there are now incentives and rewards for employers that train their staff. The UK *Investors In People* standard is a well-known example. This is a checklist of evidence that employers can offer to show that they are undertaking a series of organisational and employee development measures. It is a voluntary scheme, but successful completion of the exercise leads to accreditation of the organisation as an “Investor in People” organisation. The scheme is marketed to employers as a means to achieve improved performance through careful planning, action and evaluation. However, it does not specify the precise learning measures that should be taken, nor does it focus on the training and development needs of low-skilled employees – which suggests room for improvement. The standard was introduced in 1991 but steps have been taken to develop it internationally by establishing strategic partnerships to influence governments, employers and social partners. In 2001, 24 000 organisations were recognised as Investors in People (covering 24% of the UK workforce). Investors in People UK, which is responsible for the promotion, quality assurance and development of the standard, maintains close links with a range of regional delivery partners and professional and educational institutions. Since the establishment of the Learning and Skills Council (LSC) in 2001, there has been an increase in the number of employers recognised as Investors in People. Research into the impact of the scheme showed that the businesses that had adopted the standard improved their performance (Tamkin *et al.*, 2000).

Of course, Investors in People and similar schemes contribute to the company image, which carries symbolic value. They can therefore have a positive impact on how the company is perceived by its customers and business partners. They also give out the signal to staff that they are being valued. However, as a tool for the low-qualified, the scope of such “rewards” remains limited – not only because they are rarely taken up by SMEs, but also because they make training a voluntaristic rather than a social rights-based activity.

Sectoral approaches: tailoring training content to specific employers and industries

One fruitful offer to employers, particularly to SMEs, comes in the form of training packages that truly suit their needs. These approaches have been tried in different sectors of industry, such as metalworking in the United States (see Chapter 5).

Sectoral employment development programmes target a particular industry – and a set of occupations within it – in order to place disadvantaged people in high-quality jobs. These programmes are distinct in that they attempt to change employment practices within their industry sector and

produce wider effects on the local economy (Giloith, 2004; Zandniapour and Conway, 2001, 2002). Sectoral programmes are generally key players in the targeted industry; they influence industry practice on behalf of low-skilled or otherwise disadvantaged workers by pioneering labour-based innovations that also benefit industry. Sectoral employment projects utilise a range of strategies to achieve these ends, including operating education and training schemes; running for-profit businesses; forging institutional links with educational institutions, employers, unions and associations; advocating policy changes; and providing services to firms within the industry. Sectoral programmes intervene on both the supply side of the labour market – by providing high-quality, sector-specific training to workers or potential workers – and on the demand side, by working closely with employers on productivity, competitiveness and other business issues. With an estimated 31 000 organisations, the United States certainly has the most developed infrastructure of workforce intermediaries, although many of those work mainly with unemployed jobseekers (OECD, 2002). The exact number that work specifically with incumbent workers is unclear but the two examples reviewed in this book – the Jane Adams Resource Corporation (JARC) based in Chicago and the Wisconsin Regional Training Partnership (WRTP) – target around half of their activities toward incumbent workers. The reason why such programmes flourish in the United States is related to a disengagement from the federal government and the stronger focus of the Workforce Investment Boards, responsible for co-ordinating and implementing labour market policy at local level, on unemployed people.

Worker-oriented approaches

Most approaches centred on workers tend to be based on the premise that individuals should be empowered to initiate training themselves but are unable to do so because of a lack of information, awareness, time or money, or a combination of these factors.

Promoting information and access to training and learning opportunities

One example is provided by the 1971 law on CET in France. The law incorporates a right to employee training leave (*congé individuel de formation*), which was revised on 4 May 2004 to be more strongly focused on low-skilled and other disadvantaged workers. These approaches are often the result of bargaining at national level and adopted through tripartite agreements. To implement the employee training leave, the French authorities have created the FONGECIFs, publicly funded regional agencies that advise employees from the private sector wishing to take an employee training leave to further their career.⁸ This is done through a competence assessment exercise (*bilan de compétences*), or since 2002 through advice on how to obtain recognition of formal and non-formal learning (*validation des acquis de l'expérience*). However,

many employees are unaware that this right is open to them and because of its high cost, only half of those wishing to take training leave are granted the right to do so (Méhaut, 2005).

Addressing motivation and recognition

Of course, reducing the cost of training is in itself insufficient if employers and workers do not recognise the future benefits to be derived from their investment.

Job coaching has become a very popular tool in recent years. There is a growing belief within organisations that individual case management and psychological support can improve business performance (Devillard, 2005). The experience of Flanders in this field shows that job coaching is fruitful for vulnerable workers, particularly those who have recently been reintegrated after a long spell of unemployment and who have a relatively weak labour market attachment. It is seen as particularly useful in the period that follows re-entry into the labour market.

Other means of “motivating” workers can include collective messages promoting cultural change. For example, in certain instances, public policy is used to promote a celebratory culture of learning. As argued earlier, symbolic rewards such as the Investors in People aim at changing long-term attitudes to training. As part of an annual festival that celebrates adult learning, the Singapore Workforce Development Agency (WDA), which will be discussed later, has introduced similar rewards – but in this case to employees who are singled out and presented to their fellow workers as outstanding learners.

Financial incentives

Some countries use subsidy schemes funded through national governments – such as grants and individual learning accounts (ILAs), income tax deductions and training leave regulations – to reduce the costs of training borne by individuals.

ILAs are a relatively new instrument for financing training among the low-skilled; most countries have only implemented pilot projects. Only the United Kingdom, where the number of ILA holders reached one million in 2001, has so far implemented this scheme at the national level. However, the experience led to a large number of cases of fraud with many bogus accounts opened and unauthorised withdrawals taken from individual accounts. Moreover, lack of quality control of providers led to courses of poor quality. Deadweight losses were fairly large, with 44% of account holders indicating that they would have undertaken training even in the absence of the scheme (Owens, 2001). These problems led to the suspension of the UK’s ILA scheme only 12 months after its inception. Nonetheless, Wales and Scotland have

adopted new versions of the instrument.⁹ The Welsh ILAs were reintroduced in February 2003 and are available to all those who do not possess a qualification up to level 3. In Scotland, ILAs were made available in December 2004; the eligibility criterion is slightly different as they are open to all individuals with a yearly income of less than GBP 15 000. The scheme was expected to be extended to all Scottish citizens from Spring 2005. In both countries, learners can claim up to GBP 200 a year to fund a course of their choice. Special hotlines have been set up for individuals wanting to find out about ILAs.

In Canada and in the United States too, ILAs are limited to those below a certain income and/or asset threshold. These schemes appear to have succeeded in making learning activities learner-centred and in increasing participation among the low-skilled. There are also fewer reported cases of account abuse and lack of quality control than in the United Kingdom. However, the biggest challenge is perhaps to have all key stakeholders (the government, sectoral bodies, social partners and enterprises) agree on the nature of fiscal incentives that ILAs can provide and on effective control mechanisms before expanding these pilot programmes into a nationwide scheme (OECD, 2005a, p. 66).

One further noteworthy instrument comes in the form of training vouchers. For example, most Austrian *Länder* have recently introduced vouchers that subsidise part of the cost of adult education. These are particularly targeted at both low-skilled unemployed and incumbent workers. While their main objective is to increase enrolment in training courses by reducing direct costs, they also provide strong incentives for individuals to finish their course by reimbursing additional amounts upon completion. Subsidy levels and requirements vary by region and target group. For example, in Upper Austria, while the general subsidy is up to 50% of training costs – up to a maximum of EUR 730 – workers over 40 years of age and those without a vocational qualification receive a higher level of subsidy of up to EUR 1 100. Courses leading to higher formal qualifications entitle applicants to higher amounts of EUR 1 460 or of EUR 1 830 for workers aged over 40 (OECD, 2005a, p. 67).

Job rotation

Very often, staff development and skills upgrading are a question of allowing employees time off work to complete the courses. The job rotation scheme common in Sweden and Denmark is often cited as a successful model. The proponents of transitional labour markets have even described Denmark as the “transitional star” (Gazier, 2005, p. 300) because its job rotation system facilitates turnover by easing pressure on the labour market without creating precariousness. The scheme allows wage earners to attend a training course during a paid leave period of up to a year and be replaced by an unemployed person who is then given the chance of returning into ordinary employment.

The employer, in cooperation with the PES, sets up a training plan for the current employee and combines this with special training programmes for the unemployed person hired as a substitute. However, as with other worker-oriented instruments, job rotation has its limitations: it is much more common in large organisations despite the fact that it should in principle be especially attractive to SMEs. Also, contrary to popular belief, it rarely benefits the least qualified worker. Studies in Sweden have pointed to high deadweight effects without clear attainment of expected upskilling outcomes. Moreover, the experience of the EU Job Rotation International Association, an umbrella organisation established through the ADAPT Programme which oversees projects in 14 European countries, is that the success of this scheme is contingent on strong partnerships and close networks between the social partners and the private sector. This example highlights the importance of ensuring that instruments are supported by appropriate governance systems.

Skills identification and assessment

Taking a long-term view: addressing employment retention and career paths

The lifelong learning agenda takes a longitudinal view to adult training and therefore also emphasises the importance of identifying skill needs early. One tool that has been developed by the European agency CEDEFOP is a network known as Skillsnet. The starting point was the acknowledgement that the supply of skills did not match demand. Hence the aim of Skillsnet is to try and identify new and changing skill needs early enough to be able to react and to improve transparency as well as cross-border co-operation and information exchange. The basis of the network's activities is research: it investigates European labour markets and looks for similarities across territories, sectors and occupations in order to identify common trends. It also examines the needs of specific groups, e.g. low-skilled people or small and medium-sized enterprises. Its methods include enterprise and labour force surveys, forecasting techniques, scenarios, case studies, analyses of job advertisements and observatories on skills developments. Since 2002, it has organised various events to present research in this field and discuss the findings with social partners and decision makers in training policy and practice.

In addition, career guidance systems are undergoing major changes to become more flexible and to be accessible to incumbent workers, not solely to jobseekers. There is currently a search for more innovative and diverse delivery methods to widen access to career guidance on a more cost-effective basis. These include raising self-awareness and creating open access resource centres (OECD, 2004a).

Recognition and validation of non-formal learning

The issue of assessment has recently emerged as a central element to skills upgrading. Indeed, as often noted, the nature of the training provision and course content is often fuzzy since these are not meant to function the same way that traditional educational systems do. This has brought to the fore the need for specific and clear benchmarks that all actors can refer to. In the EU, the Copenhagen declaration of November 2002 stated that there is a need to “develop a set of common principles regarding validation of non-formal and informal learning with the aim of ensuring greater comparability between approaches in different countries and at different levels”.

As famously argued by Michael Polanyi (1967), the creation of knowledge and therefore of skills and competences is contextual and partly tacit. The task of identifying and assessing tacit competences therefore poses a major methodological challenge.

A study by CEDEFOP distinguishes various models for the recognition of non-formal learning (Guggenheim, 1999). The German and Austrian approaches to identification, assessment and recognition are very similar. In the dual system, work-based learning has been systematically integrated into education and training, which is why these two countries have been very reluctant to embrace the trend towards recognising non-formal learning. On the one hand, this reflects success; the dual system is generally viewed as successful in terms of both pedagogy (the combination of formal and experiential learning) and capacity (high proportions of the age groups covered). On the other hand, and reflecting the strong emphasis on initial training, the existing system seems only partly able to extend its functions to CET and to the more diverse training requirements of adults. Nonetheless, a substantial amount of project-based experimentation and the attention accorded these questions are increasing. The discussion on recognition of non-formal learning in Germany and Austria is closely linked to that on modularisation of education and training.

The Mediterranean approach (Greece, Italy, Portugal and Spain) towards methodologies and systems for non-formal learning has been a positive one. The usefulness of such practices was clearly expressed both in the public and private realms, and not simply in terms of making it easier to utilise existing competences. Methodologies for the assessment and recognition of non-formal learning can also be viewed as tools for quality improvement, encompassing not only single workers and enterprises but whole sections of the economy. These countries also illustrate that the step from intention to implementation is a long one. Legal and political moves have been made through educational reforms of varying scope, but the actual introduction of assessment and recognition practices has not progressed very far.

Nordic countries (Denmark, Finland, Norway and Sweden) have all taken practical steps through legislation and institutional initiatives towards strengthening the link between formal education and training and learning that takes place outside schools. Despite the fact that some elements of this strategy have existed for some time, the most important initiatives have been taken in the past ten years. The sharing of experiences between these countries is strong.

Ireland, the Netherlands and the United Kingdom are described as having adopted “the NVQ (National Vocational Qualifications) approach”.¹⁰ This consists of adopting an output-oriented, performance-based model of education and training. General acceptance of learning outside formal institutions is seen as a valid and important pathway to competences in these countries. What is questioned, however, is how such a system should be realised. The UK and Dutch experiences illustrate some of the institutional, methodological and practical problems associated with establishing a system able to integrate non-formal learning within its framework. Foremost among these is the challenge of developing an acceptable qualification standard. As long as assessments are criterion-referenced, the quality of the standard is crucial. The UK experiences point to the difficulties of balancing between too general and too specific descriptions and definitions of competences. All three countries base their vocational education and training on modularised systems, which would seem to support the rapid and large-scale introduction of methodologies and institutions towards the recognition of non-formal learning in the field.

The other two countries reviewed by the CEDEFOP study, Belgium and France, have focused on “opening up” diplomas and certificates. France can be characterised as one of the most advanced European countries in the area of identification, assessment and recognition of non-formal learning. Belgium has been less active, but a number of initiatives were taken since the mid 1990s, partly influenced by the French experiences. The first French initiatives were taken as early as 1985, when the system of the *bilan de compétences* was introduced. The aim of the *bilan* is to support the employer/employee in identifying and assessing professional competences; to support both career development and enterprise-internal utilisation of competences. The second important French initiative consisted in extending the coverage of the national vocational education and training system to competences acquired outside formal institutions. Since 1992, vocational certificates (*Certificat d’aptitude professionnelle*) can be awarded to various degrees on the basis of assessments of non-formal and prior learning. A third important initiative was taken by the French chambers of commerce and industry; the aim was to set up procedures and standards for assessment independently of the formal education and training system. Finally, with the 2002 legislation on “social modernisation” France has formally introduced a system to validate non-formal vocational learning (*validation des acquis de l’expérience*). Under this

system, each worker who has been employed for at least three years is entitled to obtain formal recognition of their acquired competencies in the form of a certificate (*certificat de qualification*). In 2003, some 5 500 French workers applied for validation of non-formal learning against 2 800 in 2002. This remains, however, a disappointing figure.

Some countries have recently gone further down this route by developing comprehensive frameworks for skills assessments. This is the case with the Essential Skills and Workplace Literacy (ES&WL) Initiative developed by Human Resources and Skills Development Canada (HRSDC) (see Box 2.2). The strength of this framework lies in its prior research on the competences required in specific job profiles, so that the content of training plans can be matched accordingly. Consensus over the methods for attaining competences for the job profiles allows both employer and employee to work towards achievable, realistic goals. The ES&WL provides a neutral objective framework that can be used as guidelines by a variety of actors – the employees and employers who are chiefly concerned, but also teachers, workplace trainers, career counsellors and instructors.

An example of the practical application of HRSDC's initiative is the TOWES (Test of Workplace Essential Skills) which has been developed by community colleges in Calgary. The community colleges involved offer services to employers and employees, or in some cases to a specific sector, *e.g.* the truck industry's employer association, adapting TOWES to their local context. The providers tailor a test for the various categories of employees within the firm taken by employees on a voluntary basis.

Canada is not the sole country to use skills assessment. In fact, governments and public agencies are not the sole institutions offering such instruments. In countries with residual welfare states such as the United States, for example, the market is increasingly supplying skills assessment tools that are sold to employers as "effective" solutions for a career education and development plan. Several private software companies are offering dubious online assessment toolkits. For example Brainbench, a US supplier of online skills assessment packages, argues that "online skills measurement can help mitigate the shortfalls of the traditional, pencil-and-paper testing methods often blamed for inducing employee anxiety". It is further argued that the use of new technology benefits employees in many ways: by delivering "objective" validation, based upon calculated assessment results, they enable repeat testing to accurately measure before-and-after learning progress. While such companies claim that their online skills assessment tools result in reduced staff turnover for employers and improved career prospects for employees, such claims certainly require caution in the absence of solid evidence.

Box 2.2. Workplace essential skills (Canada)

In April 2003 the government of Canada launched the Essential Skills and Workplace Literacy (ES&WL) Initiative, following extensive research based on the OECD's International Adult Literacy Survey, the Canadian Language Benchmark and other sources from the United States, Australia and the United Kingdom. More than 3 000 interviews were conducted in Canada with people working in a wide range of occupations. The ES&WL Initiative provides a framework that seeks to equip Canadians with "the skills needed for work, learning and life". Nine "Essential Skills" have been identified and validated. These are:

1. Reading text
2. Document use
3. Numeracy
4. Writing
5. Oral communication
6. Working with others
7. Continuous learning
8. Thinking skills
9. Computer use

These Essential Skills are used in nearly every occupation and throughout daily life in different ways and at different levels of complexity. Those levels are a rating tool by which all skills are measured. Complexity levels from 1 (basic tasks) to 4 or 5 (advanced tasks) are assigned to example tasks performed by a worker in a specific job. The complexity levels address the differences in skill requirements between occupations.

For example, if a bricklayer and a travel agent both require the Essential Skill of writing to do their respective jobs properly, the specific form and complexity of writing is different for each. According to the designers of the test, a bricklayer typically requires a level 2 since the writing tasks their job involves are less complex, e.g. revising work orders, writing estimate sheets on the cost of materials or labour, and filling out simple forms such as incident reports. However, a travel agent typically requires a level of 4 as they use a more complex writing style to complete such materials as magazine articles and advertisements to market tours. The rating is higher than the bricklayer's because the scale takes into account the length and purpose of writing as well as the style, structure and content.

Close to 200 Essential Skills profiles for various occupations of the National Occupational Classification have been developed. Human Resources and Skills Development Canada offers an interactive online learning tool known as the Essential Skills Equalizer. *The Equalizer* provides users with a brief description of the occupation, example tasks and skill sets for sample occupations. The profiles can be of use to curriculum developers, trainers and teachers, guidance and career counsellors, employers, employees, parents, mentors, researchers and learners.

Source: www15.hrdc-drhc.gc.ca/.

Actors and institutional arrangements: the governance of workforce development

The following section focuses on the infrastructure for training provision and more specifically on how otherwise disparate actors and services can be brought together to deliver the aforementioned instruments in a smooth and co-ordinated fashion. It discusses a series of elements that are decisive for the adoption and successful delivery of skills upgrading initiatives.

Impulses from national governments: the initial prerequisite

First, the degree to which central government has rallied efforts around workforce development and devolved responsibility is, as in other fields of ALMP, crucial. The workforce development agenda has received varying degrees of central government impetus, steering and support in OECD countries; the extent to which national policy makers have been involved in the initiatives could arguably reflect the varying traditions of welfare state intervention.¹¹ For example, the Third Way vision of the post-1997 UK Labour government was first central to the widespread diffusion of the welfare-to-work agenda via the New Deal Programme for the unemployed. The programme was originally allocated a national budget of GBP 5.2 billion and designed by government to be delivered locally (Sunley, Martin and Nativel, 2005). The more recent emphasis on skills evident in its *21st Century Skills* strategy published in July 2003 is motivated by concerns with the productivity gap between the UK and its main competitors (DfES *et al.*, 2003). The skills strategy adopts a similar method of intervention with an overall national budget and with regional and local actors required to form partnerships known as “Skills Alliances”. Individual schemes such as the Employer Training Pilot are among the tools that Skills Alliances can draw upon. They are designed and funded by central government (with a total funding of GBP 290 million) but delivered under the responsibility of the newly established Workforce Development Agency, the Learning and Skills Council (see below). Discretion is left to the regional arms of this agency to vary some of its distinctive features, such as the mix of hours allocated to training and the level of wage compensation. Hence while local variations exist, the scheme is typically one driven by central government.

Likewise in Canada, the main concern of government was to provide a tool (the Essential Skills assessment), designed at national level but applicable to a variety of labour market circumstances. Its strength is to propose a template that can be applied to all sectors of industries and to suit a variety of occupations, from accounting clerks to woodwork machine operators.

As argued above, the Nordic countries tend to offer a comprehensive framework for lifelong learning and upskilling: the instruments are made available on demand by local actors. Denmark, like its neighbours, is often

presented as a pioneer in the field of CET. Traditionally, the legal framework and generous national funding that are part of the “universalist” welfare regime have promoted a voluntaristic culture towards adult education and training (Goul Andersen, 1997; Abrahamson, 2002). Employers and workers are aware of the training allowances and subsidies they are entitled to and can therefore avail themselves of the opportunities without being urged to do so through exceptional short-term pilot programmes. Despite an already well-established framework for provision, there is evidence that the Danish education and employment authorities are adopting a common national strategy, *Better Education*, published in 2002 (see Chapter 3).

In contrast, federal governments in Belgium and the United States are clearly less involved in giving the impetus for skills upgrading initiatives, so that the initiatives for low-qualified workers are “bottom-up”. In the United States, these have traditionally been formulated by states that receive little federal funding for incumbent workers, so that workforce intermediaries such as the Jane Addams Resource Corporation and the Wisconsin Regional Training Partnership are “filling the gaps” (see Chapter 1).

Flanders has recently developed a strong lifelong learning strategy, and one of the Flemish government’s main goals on the labour market is to increase the rate of employment. This is reflected in a strong emphasis on measures to foster the integration (or reintegration) of disadvantaged individuals into the labour market. Nonetheless, there is evidence that where local pilots are filling an important policy gap, the government often provides co-financing, which is not necessarily the case in the United States. Flemish examples include a job coaching initiative funded under the EU Community Initiative EQUAL, for which the Flemish labour minister¹² gave support by funding additional coaching posts (see Chapter 6).

Apart from providing an overall framework consisting of closer inter-ministerial strategies on workforce development and joint funding (see Box 2.4), initiatives from national governments also involve institutional change, either through the creation of new agencies or through reform of existing ones.

Institutional innovation

Institutions sometimes lack effectiveness in their use of existing instruments and require some innovative reshaping. In many instances, public sector bodies such as the Labour Market Training Board (*Arbetsmarknadutbildningen*) in Sweden, the Learning and Skills Council (LSC) in the United Kingdom, the Workforce Investment Boards in the United States and the *Agence pour la Formation Professionnelle des Adultes* (AFPA) in France are in charge of centralising VET provision and commissioning a wide range of

providers for local delivery. The high heavy administrative burden associated with these responsibilities, sometimes entailing multiple accountability lines, and the lack of contact with local stakeholders (business, workers, local communities) often generate mismatches between the services provided and actual needs.

As mentioned above, in England, Individual Learning Accounts (ILAs) have been discontinued as the result of mismanagement and fraud, highlighting the risks of poor accountability and transparency in the governance of an over-centralised system of training provision. In addition, except in countries such as Denmark and Sweden where job rotation has been traditionally catered for by adult learning centres, education and training suppliers have traditionally offered courses in settings and at times that were incompatible with the constraints faced by incumbent workers. These suppliers have therefore been challenged to reorient their courses for low-skilled adult learners. That has necessitated proactive linkages with businesses, *e.g.* through canvassing of employers and flexible delivery to adapt both time and training environments to demand. Institutional innovation is thus a means to promote a better “local fit”.

One example of institutional innovation is provided by the centres of vocational excellence in further education (CoVEs) managed by the LSC (see below). CoVEs are specialist areas of vocational provision characterised by close links between colleges, training providers, business partners, other employment interests and communities. They aim to produce appropriately qualified and skilled workers with excellent employment and career prospects that will meet the needs of the economy. Their remit is to focus on enhancing the skills and careers of those already in work; enhancing the future employability of new entrants to the labour market; and improving the employment prospects of those seeking work (including self-employment). They enable providers to develop, maintain and deliver high-quality, specialist provision across a range of new and traditional occupations. Their aim is to be innovative in delivering learning that develops both specialist and related general skills.¹³

Furthermore, the adoption of systems for recognising and accrediting formal and informal learning has enticed the French authorities to create a new institution in 2002, the *Commission Nationale de la Certification Professionnelle* (CNCP), whose remit is to improve the transparency of qualifications and diplomas and to ensure their compatibility.

An instrument discussed above concerned sectoral initiatives directed at employers. Not all the countries of the OECD have established workforce intermediaries as in the United States that can help identify business needs. In 2002 the UK government launched the Skills for Business Network, which

consists of 25 new employer-led Sector Skills Councils (SSCs) to be established by the end of 2005 to cover 85% of the UK workforce. The SSCs are supported and directed by the Sector Skills Development Agency (SSDA).¹⁴ The network replaces the former National Training Organisations, which were generally felt not to have been very successful in engaging employers. The remit of the Skills for Business Network includes the realisation of a much more powerful role for employers in the skills agenda across the United Kingdom, notably through the establishment of Sector Skills Agreements. These agreements are designed to deliver action that meets priority skill needs and that will drive improved business performance. They provide a means whereby employers and employees in each sector can identify skill needs and areas of low productivity, the response required, and how they will collaborate with education and training providers so that skills demand can directly shape the nature of supply. The focus of the agreements is on national sector issues, although the delivery has a regional and local dimension.

The creation of Workforce Development Agencies

Workforce Development Agencies are undoubtedly a powerful means with which to respond to some of the problems discussed above, such as the lack of transparency for training provision, assignment issues and poor employer engagement.

Since the late 1990s, several governments have taken steps to create new agencies specifically entrusted with the task of improving the skills of the workforce. One of the most impressive examples to date comes from Singapore. The Singaporean Workforce Development Agency (WDA),¹⁵ established in September 2003, acts as a “catalyst and champion of workforce development”. It adopts a twofold strategy: an immediate-term and a medium-term focus. The first mainly takes the form of job matching, while the second consists in spurring adoption of a comprehensive continuing education and training system to raise the competency of every worker in Singapore. The agency works with partners (training providers and economic agencies) to try and establish industry-focused CET development initiatives. Its aim is to improve the standards of adult education and training. It directs research in adult learning, guides curriculum development and has started to develop a national skills and competency framework (National Skills Recognition System) that includes an accreditation scheme to enhance the capability of trainers. Among a large range of schemes for both employers and employees, the WDA launched a three-year programme in November 2003 specifically directed at SMEs. Through SME Upgrading for PERformance (SUPER), the Agency is devoting some USD 40 million to support over 300 000 training places. SMEs can benefit from higher course fee funding of USD 5 per trainee-hour instead of USD 2.50 for broad-based training programmes. Additionally,

SUPER boasts the use of brokers known “Training Champions”. These are industry associations that undertake projects aimed at promoting workforce training among SMEs, and which receive 90% funding per project, capped at a total funding of USD 300 000 per Training Champion per year.

Another workforce development agency is the UK Learning and Skills Council, established in 2003. The LSC is the statutory body for the delivery of the government’s Skills Strategy. It has responsibility for all vocational education and training in England for everyone aged 16 and over. The national office in Coventry works with a wide range of stakeholders. These include national organisations such as the Confederation of British Industry (CBI), the Trades Union Congress (TUC), Investors in People UK, Connexions, Business Link Operators (BLOs), Jobcentre Plus, Sector Skills Councils, the Association of Colleges, voluntary organisations and large employers. The agency has nine regional offices and 47 local arms. One of its first programmes, launched in April 2003, was the Employer Training Pilots (see Chapter 4). It has also taken over management of the Union Learning Fund to help trade unions encourage more learning at work, and has provided GBP 9 million into a “Skills for Life” basic skills programme. In its first year of existence (March 2003 to April 2004), the LSC spent a total of GBP 8.8 billion, of which GBP 2.9 billion (32.5%) was spent on adults. Workforce-related programmes, which include the ETP and Union Learning Fund, represent GBP 108 million, or 3.8% of the total funding spent on adults, the bulk going in general further education for adult learners.¹⁶ Where they are implemented, the ETPs fill a policy gap for the low-skilled target group. In addition, the ETP have dedicated staff who visit employers, tailor training services to their needs and assist with organisational issues, thereby correcting a governance failure and overcoming the centralisation problem discussed above.

Several other OECD countries have recently created WDAs. In 2002, Mexico created the National Council of Education for Life and Work (CONEVyT) as part of the federal government’s dual strategy of poverty reduction and economic growth. It is responsible for building a national lifelong learning system and for articulating the roles of the different providers. It is also responsible for programme evaluation and research (OECD, 2005a, p. 117).

Ultimately, the challenge for these agencies is to establish credibility, particularly with employers, employees and local training providers. Other agencies such as careers services previously failed because of a lack of legitimacy, competence and accountability. A clear role and purpose certainly help by endorsing a much needed leadership: WDAs act as a “supernode” in the field of skills development, setting clear and achievable objectives and outcomes for their localities (Box 2.4). Of course, the examples described above highlight that this type of innovation comes at a high cost. Since WDAs

are established as statutory agencies, they receive significant budgets from central government which help sustain their activity.

Workforce development as part of a local economic development strategy

Of course, advocating the creation of new actors and agencies such as WDAs or workforce intermediaries is not in itself sufficient. A further crucial element is the ability of these bodies to link up skills with broader local economic development strategies from which they can raise funding.

In some cases, the only initiatives that involve attention to skills are in fact dedicated ones. For example, in the United States where national policies towards skills development are nonexistent, states use their own funds to provide employed workers with training. Yet these programmes tend to be earmarked for attracting and retaining businesses or increasing productivity in specific sectors and occupations (Chapter 1). States can also fund such activities in conjunction with other federal funding grants, such as the Department of Housing and Urban Development's Community Development Block Grant. The grants are used for economic development purposes; they are meant to improve job and business opportunities in deprived communities. These state-sponsored training programmes help businesses address a variety of issues including skill development, competitiveness, economic development and technological changes. Approximately half of the funds for the programmes are targeted at incumbent workers. However, as is often the case, they do not necessarily benefit low-skilled workers. Thus local economic development initiatives have both strengths and weaknesses: while they manage to connect the skills agenda to a broader business-driven strategy of inward investment and adoption of ICT in local firms, they do not solve the problem of inequalities in skills provision. In some instances they may even widen the gap between highly paid and poorly paid workers and therefore have the opposite effect of what socially inclusive upskilling measures should deliver. Local and regional skills strategies must appeal to businesses, but they cannot be equated with economic development alone. One way to respond to this tension is to leverage hybrid sources of funding, as do most US workforce intermediaries; the funding is then pooled to design comprehensive training schemes. According to the director of the Jane Adams Resources Corporation, although we are a small organisation, we bring a lot of sophistication because we look at a government grant and rather than seeing how it is inflexible, we try to push the boundaries to make it as flexible as possible so that workers and employers benefit.¹⁷

As skills requirements vary from one industrial sector to another, the identification of industrial clusters according to sectoral patterns is part of the delivery of upskilling. Institutional change in the United Kingdom means that

additional actors such as the SSDA described above can act as employer gateways to increase skills demands.

Fostering local partnerships that combine reduction of the “digital divide” with workforce development is a further positive step towards local economic development, since this type of action increases the local skills supply. A US workforce intermediary, the Vermont Associates for Training and Development Inc., provides an interesting example. This non-profit organisation is at the heart of a partnership with local community; faith-based organisations host sites with whom it delivers a programme known as the *TechCorps*. The programme has recruited 30 computer mentors based in several sites, *e.g.* libraries, schools, centres for seniors and adult education centres. The mentors help teach computer basics, keyboarding, word processing and Internet basics and email usage to the targeted population who are the clients or managers of these organisations. Based on their needs and interests, individuals may focus on a specific component of training or participate in the entire programme. The training, conducted one-on-one or in small groups, is based on a self-paced tutorial method of learning, a method particularly well suited to adult learners and those requiring individualised attention. The *TechCorps* members deliver direct computer mentoring services to four population segments targeted as most in need; these include individuals who are low-income, rural isolated, have low levels of education, and the elderly. While the programme is not directly targeted at the working poor, it is also available to this population. Through the creation of a grass-roots technology network, the Vermont *TechCorps* programme grants digital access and instruction to those incumbent workers who may not be in a position to use computer technologies either through the workplace or at home.

Providing information and intelligence

Some regions have dedicated centres that provide regional information and intelligence. These are often the result of partnerships between local authorities and universities. One best practice example is the Marchmont Observatory established by Exeter University (in the South West of England) in 1998 following a successful GBP 3 million bid to the ADAPT Programme of the EU.¹⁸ The Observatory aims to improve evidence based practice in the field of lifelong learning through good practice capture and dissemination, networking, the development of learning programmes and action-based research. It was initially established as a partnership between the University of Exeter, the Open University, the BBC, the Trade Unions Congress (TUC), IBM, the Financial Times and Thomson NETg,¹⁹ a provider of corporate learning solutions with some 5 000 clients including high-profile companies such as British Airways and Motorola. The early focus of the Observatory was the field of ICT and

learning, and a close collaboration with the University for Industry/learnirect, an e-learning initiative of the UK government. It is now funded from a range of sources, including several of the initial partners. As part of its ongoing commitment to develop regional expertise, the Observatory has established the Skills and Learning Intelligence Module (SLIM) of the Regional Observatory on behalf of partners in the region. SLIM provides a source of robust and accessible evidence on the skills and learning needs of individuals and businesses across the South West to inform policy decisions, funding programmes, organisational and partnership strategies and individual projects. SLIM has grown along with the region's importance as a focus for promoting sustainable economic and social development and the increased national emphasis on evidence-based practice.

Promoting skill alliances and partnerships among regional stakeholders

Chambers of commerce, regional development agencies, business link operators and private HRM consultants all have a well-established role as core business partners. Trade unions, PESs, career guidance and counselling agencies, the voluntary sector and grassroots organisations are typically in contact with the workforce since their remit is to help jobseekers and incumbent workers. Local and community colleges have a more neutral role that consists of providing a range of educational curricula and training schemes, often according to a tight and rigid schedule. While these three categories of actors may participate in partnerships and networks of various kinds, they represent different spheres of concern that rarely interact. Some may, however, have information that can be beneficial to others. For example, while it is not the role of the PES to design training schemes for incumbent workers, because they are in contact with many local SMEs as a job broker the PES may hold valuable information to share about business training needs that could serve local skills strategies. This is why WDAs are central to bringing together the discrete information and tacit knowledge held by various actors to develop skills planning strategies. In Denmark, the PES of the Storstrøm region appeared to endorse such a role.

“Regional skills alliances” is the new buzzword to describe partnerships in the field of workforce development. Such alliances are burgeoning in the United States and in the United Kingdom. In May 2004 several Regional Skills Alliances were set up in the state of Michigan (United States), in large part as a result of the influence of workforce intermediaries. Governor Jennifer Granholm announced that the state of Michigan, with assistance from the Charles Stewart Mott Foundation, would provide one-year start-up grants totalling USD 1 050 000 for the initial development of up to 12 Michigan Regional Skills Alliances (MiRSAs)²⁰ across the state. The long-term strategy of

this initiative administered by the Michigan Department of Labor and Economic Growth (DLEG) is eventually to receive and fund applications from the 83 counties in Michigan. MiRSAs are locally managed partnerships formed to address workforce issues affecting firms operating in the same industry in a particular geographic area. Among the challenges the MiRSAs set out to resolve are labour shortages, skill shortages, training mismatches, employee recruitment and retention, and organisational design. MiRSAs seek to resolve systemic and structural problems by working at a multi-firm, industry-based level. They are regional in nature and reflect the local labour market, i.e. they tend to cover a whole county. Participating firms draw on a regional labour pool of people who live and work in the region. Employers who participate in such alliances tend to see the business climate as friendly and supportive, an important consideration in location decisions. MiRSAs engage all appropriate public and private stakeholders in collaborative problem solving. These stakeholders are brought together by a convener, a body acting in part as an organiser but also as a partner with expertise in the issue area. Industry sectors in which MiRSAs are formed are a significant part of the local economy, but they need not be the principal industry of the area.

Likewise, the United Kingdom's National Skills Strategy 21st Century Skills announced the formation of Regional Skills Partnerships (RSPs) as a key means of integrating activity on skills, training, business support and labour market activity to promote regional economic development. In the course of 2004 each region developed plans for Regional and Local Skills for Productivity Alliance (RSPA and LSPA). These alliances provide a focal point for the joint planning of skills, business improvement and employment services, aligning provision and services to meet employer demands and regional and local economic needs. This includes addressing market failure in skills provision and delivering collaborative action to meet the needs of employers and the workforce. The Regional Alliance provides the lead, while LSPAs are created with the same boundaries as local Learning and Skills Councils (LSCs). The LSPAs' creation is being led by local LSCs in conjunction with Regional Development Agencies (RDAs), Jobcentre Plus and BLOs (see Chapter 4); it is intended that they will capitalise on the structures at sub-regional level to co-ordinate learning and skills provision from the perspective of the community and individual learner. However, given that organisational structures to promote skills for productivity and employment – particularly skills to meet needs of employers – are less well developed, LSPAs bring together key partners and employers and provide a strong demand-side voice.

Putting the social partners at the heart of upskilling strategies

Belgium, Germany and the Nordic countries have a strong tradition of social dialogue, in which education and training for incumbent workers is a

central element. The Flemish government and its social partners have concluded sectoral covenants at the regional level that strive for proportionality of all underrepresented minority groups in training through collective bargaining. When a sectoral agreement is approved by the Flemish government, that sector receives funding for the appointment of a dedicated education and training consultant whose remit is to devise diversity plans for firms undergoing restructuring. (Chapter 6 discusses one such plan for a private company in Flanders.) The diversity plan has successfully taken a core of workers without upper secondary education and harnessed their training for the internal work reorganisation of the firm through new management techniques that have prevented its closure.

In Denmark, social partners and public authorities work closely together to promote competence development in companies (see Chapter 3). This way, consistency can be ensured between the work conducted in bipartite social dialogue and in tripartite bodies at local, sectoral and national levels. At national level the general framework is defined through tripartite bodies advising the ministers. At sectoral level, framework agreements can be negotiated between social partners, which define general principles and common features for competence development in companies. These agreements deal with issues such as access to learning, resources for learning and the role of employees' representative bodies. At company level, different tools are used to ensure co-operation between social partners. Identification of workers' current competencies and future needs is possible through an annual interview between employer and employee. Currently, approximately 75% of Danish employees go through these interviews. Once the interviews are analysed and the company's competence needs defined, a learning plan can be developed. Local training committees offer the possibility for management and worker representatives to discuss and plan learning activities. Social partners also participate in tripartite boards with education and training providers at different levels. These partnerships enable educational and training providers to anticipate competence needs and to define training activities in a more accurate way. They also contribute to ensuring effective implementation of learning plans and the positive impact of learning on companies and workers' development. A further example is the collective agreement in the metalworking industry in one of the 16 German regions, the Land of Baden-Württemberg (see Box 2.3). This is a best-practice example of a "right to training" devised both at sectoral and regional level.

In addition, as argued above, the social partners can also input their experience to help shape the design of national policy, such as systems for the recognition of formal and non-formal learning.

Box 2.3. The 2001 collective agreement on training in the metalworking industry in Baden-Württemberg (Germany)

On June 2001, IG Metall and the regional employers' association agreed to commit to the principle of lifelong learning in the metal and electrical engineering industry of Baden-Württemberg. According to the Agreement, each employee has the right to a regular assessment with the employer on his or her individual training needs. Special consideration is given to low-skilled workers employed on the assembly line. If a need is identified, an individual training plan is agreed upon. In case of a dispute, attempts are made to reach an agreement through the works council or, in companies with over 300 workers a special parity Commission. The costs of training are borne by the employer. Each employee with five years' tenure is entitled to three years of unpaid leave for training. After successfully completing the training, the employee can expect to use the newly acquired skills in their occupation. The social partners created a new "Agency for the Promotion of In-company Continuous Education and Training". In addition to conciliation and arbitration in individual matters, this agency is entrusted with consulting companies and developing training programmes for unskilled and semi-skilled workers, as well as programmes to accommodate industrial restructuring in the region. One of the outcomes of the Baden-Württemberg collective agreement was the decision by the company Daimler Chrysler in 2002 to bind each of its establishments to hold annual discussions with the work councils on the repercussions of industrial and organisational change for employers' skills requirements.

Source: Bosch, 2003; Bundesministerium für Bildung und Forschung (2003), quoted in OECD, 2005a, p. 91.

From training champions to adult educators: the brokerage function

The brokerage function is fundamental to skills upgrading. In certain situations the communication between actors demanding training and those able to provide it is nonexistent. This is because the market has failed to provide information on the courses and funding streams available to initiate education and training programmes. This failure is evident in SMEs not covered by social dialogue.

Brokerage through a third party can help remedy the failure. The task of the broker is to initiate training (without necessarily providing it) by facilitating the communication channels between employers and employees, between employers and providers, or between employees and providers. These intermediaries identify training needs and explore the feasibility of setting up training activities jointly with the employer. They identify the

relevant providers and public funding sources, if any. In some cases they take care of all organisational aspects in order to facilitate as much as possible the role of the employer. The identity of the broker will vary according to the configuration. The terms used to signify these brokers range from “educational consultants” in Denmark, to “learning union representatives”, “learning ambassadors” and “training champions” in the United Kingdom and Singapore to “civic entrepreneurs” in the United States and “adult counsellors” in other countries. Staffs of community colleges would play a similar role in Canada.

Institutional backgrounds also differ. The individual agents who endorse the role of brokers become key nodes in the regional and local skills strategies. Because they are external to the firm and have prior knowledge of local training options and facilities, these agents mediate between other labour market agents, facilitating formulation of a demand. While some marketing agents of labour market institutions like the PES are frequently in contact with local SMEs from whom they are trying to source vacancies for their existing clients, this type of brokerage is not within their remit.

Part of the strength inherent in the brokerage function relates to the fact that the agents are in the position of advising solutions that coincide not with an institutional and rigid logic but rather with a more customised, case-by-case approach (as seen with the aforementioned example of sectoral initiatives). In the case of the UK employer Training Pilot, it was found that “hard to reach employers appear to be particularly attracted by the brokerage and help with identifying training needs” (Hillage *et al.*, 2004, p. xi). Likewise, and paradoxically perhaps, brokerage may also result in radical solutions for well-motivated individuals. For example, if employers are inflexible and reluctant to let their staff attend a training course, the employee need not fear losing their job when it may be more beneficial to abandon their employment to go on training leave. During the case study visit in Flanders, one of the interviewees mentioned that an employee who felt trapped in his previous job was advised by an educational consultant to change careers. He then left his employer and successfully took up an intensive six-month course that led to a better-paid position.

Encouraging local partnerships for skills: supranational initiatives

A variety of supranational agencies and networks such as CEDEFOP,²¹ the UNESCO-UNEVOC Network²² and the European Commission play an important role, not only in promoting the benefits of upskilling but also in providing resources and funding for filling the gaps.

Since the 1960s, the European Commission has channelled resources into innovative pilots through its European Social Fund (ESF) which supports

Box 2.4. The EU initiative EQUAL (2000-2006)

EQUAL is a programme funded by the European Social Fund (ESF) for EUR 3 026 million from 2000 to 2006. The overall aim of EQUAL is to promote new means of combating all forms of discrimination and inequalities in connection with the labour market through transnational co-operation. EQUAL operates in nine thematic fields based on the four pillars of the European Employment Strategy (EES), adding another priority addressing the specific needs of asylum seekers. As shown in the table below, skills upgrading initiatives fall within the remit of Theme E (lifelong learning) and Theme F (supporting the adaptability of firms and employees) in the Adaptability pillar of the EES. In its first Round, the Programme helped support some 1 300 development partnerships (DPs) selected across the 15 member states and the Czech Republic involving nearly 14 000 partners. When implementing the nine thematic fields, DPs have to take into account five key principles: partnership, innovation, empowerment, transnationality and mainstreaming.

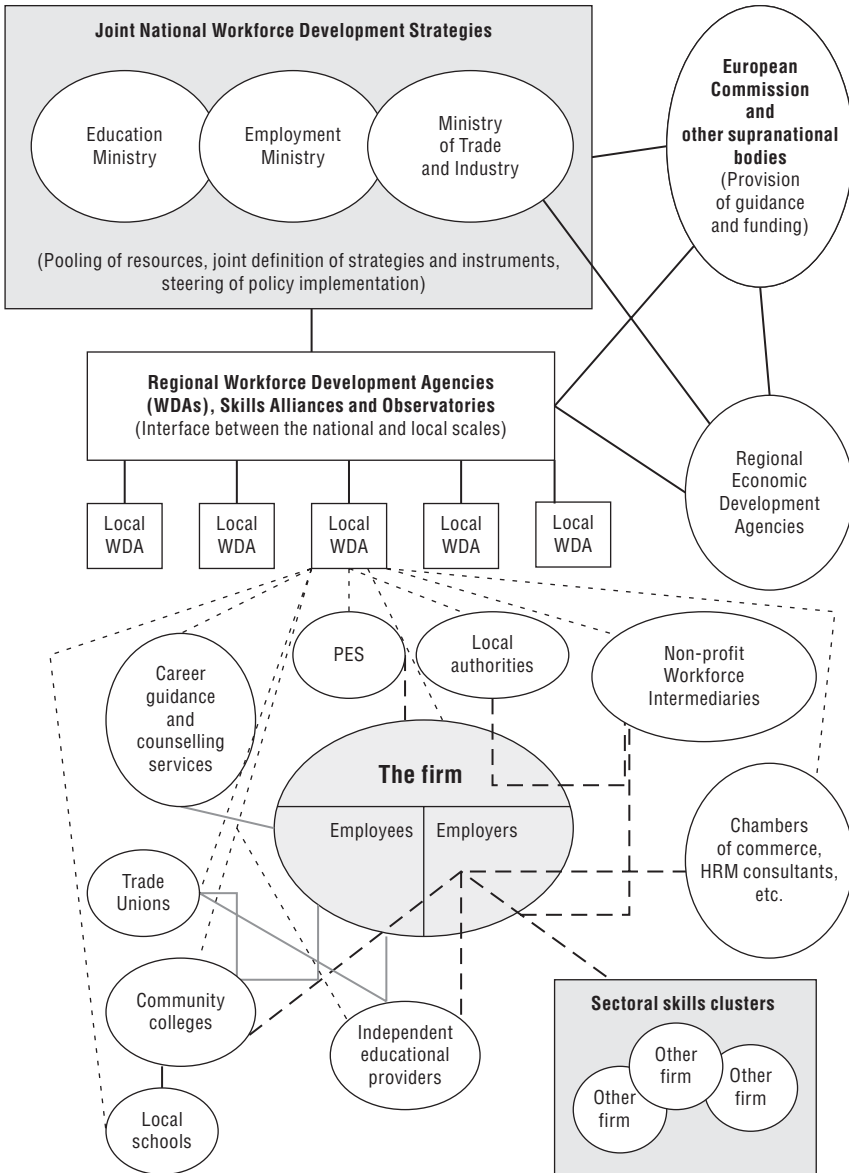
Pillars	1. Employability	2. Entrepreneurship	3. Adaptability	4. Equal opportunities for women and men	5. Asylum seekers
Thematic fields	A. Facilitating access/return to the labour market	C. Opening up the business creation process to all	E. Promoting lifelong learning and inclusive work practice	G. Reconciling family and professional life and reintegration of men and women	I. Helping the integration of asylum seekers
	B. Combating racism and xenophobia	D. Strengthening the social economy	F. Supporting the adaptability of firms and employees	H. Reducing the gender gaps	

The Adaptability pillar in EQUAL

The European-wide evaluation established that one-third of the DPs have devoted their activities to the Employability pillar, and just under one-quarter to Adaptability (with 15% of the DPs operating under Theme E and 9% under Theme F). A review of Theme E DPs indicates that their activities have focused on designing new learning methods (for particular vocational areas); increasing the recognition and transferability of skills; assuring quality (through accreditation); encouraging non-traditional learners to participate; providing support services both to learners (in training and in work) and to SMEs; developing innovative working arrangements including cultural and organisational change (especially with reference to SMEs); and a number of more specific measures such as job rotation. The role of the social partners in these activities has been significant.

Source: EQUAL Web site (http://europa.eu.int/comm/employment_social/equal/). See also Bernard Brunhes et al. (2004), *EU-wide Evaluation of the Community Initiative EQUAL*, Midterm Report carried out on behalf of the European Commission.

Figure 1.1. **The institutional framework for skills upgrading initiatives**



Source: Author's diagram based on findings from the SULQ study.

National Employment Plans and tends to be pooled to EU members' own funding programmes for the regions. Special programmes funded under the ESF, such as ADAPT and (more recently) EQUAL, address skills and lifelong

learning as part of a broad employability and social inclusion agenda. While a significant chunk of the recent Community Initiative EQUAL is devoted to labour market (re)integration, several projects have received funding under the Adaptability pillar to upgrade the skills of incumbent workers. One example discussed in this book is the implementation of a job coaching project in Flanders.

Conclusions and policy recommendations

This chapter has sought to analyse the instruments and institutional arrangements for skills upgrading by taking an actor-oriented perspective. It was argued that the concept of assignment is central to understanding the problems of and solutions to workforce development, particularly as it represents an investment of both time and money. It was highlighted that although employers clearly have a central responsibility in initiating and financing initiatives for their staff, for various reasons they are reluctant to do so. The responsibilities are therefore shared between employers and other actors such as Workforce Development Agencies (WDAs) or intermediaries who are increasingly acting as catalysts and co-ordinators. Nonetheless, despite the creation of new actors and agencies, there is a continued need for clarification as to who should be responsible for designing and funding initiatives. With differing welfare state regimes prevailing across the OECD, it would be ill-advised to single out specific actors that may in certain countries have limited power or recognition. For example, the social partners are clearly absent from the adult education and training sphere in the United States, so that recommending their involvement would prove unrealistic under the current regime. Nonetheless, it is possible to identify a series of mechanisms and actions that can be applied at various governance levels and then be adapted to a country's current institutional set-up.

Messages for local and regional policy makers

Anticipate and analyse local skills needs

We have seen that some regions have been at the forefront of establishing dedicated information and intelligence units whose remit is to monitor labour supply and demand. These can be the result of a bottom-up approach, as was the case of the Marchmont observatory in the United Kingdom, or can in some cases be driven by the social partners, as in the case of the German Baden-Württemberg agreement. They can also be set up through funding from national governments. In 1988, legislation on decentralisation in France led to the creation of regional consultative observatories, the *Observatoires régionaux de l'emploi et de la formation* (OREF), to respond to increased information needs on skills and employment. Other regions and localities in OECD member countries are encouraged to adopt similar models. In addition to these

centres, it is indeed important for regions to provide a physical infrastructure that can bring together the main stakeholders to share expertise.

Strengthen information and communication campaigns to promote training within the workplace

Many workers are unaware of the training opportunities they are entitled to, even in countries with established legislation and institutions such as the FONGECIFs in France. As argued, social partners are the natural brokers in the workplace and their intervention undoubtedly helps raise awareness and spur adoption of a learning and training culture. Their action could be taken a step further to involve an assessment of the individual skills of all company staff, followed by the negotiation of individual training plans. Such schemes should fully take into account the particular needs and circumstances of SMEs and should provide expert advice on assessing competence and learning needs. The social partners should also help to raise awareness about the importance of workforce development and arrange for managerial staff to act as learning facilitators or mentors for others. Therefore, the experience of using union learning representatives and other brokers in the workplace is one that needs to be maintained and expanded, particularly in SMEs.

Information campaigns could of course also be conducted through postal mailings and public spaces (community halls, schools, etc.). Partnerships between the social partners, training providers and workforce intermediaries on one hand (depending on the country) and local authorities on the other should help increase awareness among workers.

Ultimately, information campaigns should have as their central aim not merely to inform, but also to motivate low-skilled workers – who are non-traditional learners – to engage in training and competence development. These campaigns should draw on innovative communication methods. For example, one effective method from a social policy perspective that has been used to promote healthy behaviour among teenagers is to have peers convey messages. One could for example envisage that workforce development agencies, in partnership with local authorities and trade unions, would “recruit” workers having successfully undergone training to tell their stories to staff employed in SMEs. Such stories could help demystify the realities of training. Likewise, with visual communication playing an increasingly important role, documentary films could be used and shown in the workplace with the consent of employers. If they are reluctant to allow screenings during normal working hours, special lunchtime seminars could be set up by the social partners or by workforce intermediaries.

Tailor the delivery of training to the target group

Instructors can also represent important role models for low-qualified workers with negative educational experiences. US workforce intermediaries such as the Jane Addams Resources Corporation (JARC) and the Regional Wisconsin Training Partnership (RWTP) provide best practice examples. These organisations prefer to recruit “fellow tradesmen” as course instructors instead of instructors with high academic qualifications. Indeed, there is strong evidence that being taught by instructors who possess the ability to convey technical skills and display respect and empathy for their fellow workers is a strong motivation factor. Similarly, the Canadian case study showed that job shadowing, whereby a tutor goes out in the field to assess how learners are applying the learning to their job, has positive effects. Education providers in other OECD countries ought to follow these examples, be prepared to consider recruiting instructors from a wider pool of candidates, and adapt their assessment methods.

Train the trainers and improve quality standards in provision

A further key issue relates to quality assurance and appropriate training standards. As the skills needs of the labour market evolve at a fast pace, the knowledge of teachers, tutors and advisers becomes quickly obsolete. These actors delivering the training are just as crucial as those brokering it. Providers are thus under constant pressure to adapt their services to meet the requirements of the market. Some of the interviews carried out as part of this study highlighted that learners placed much value on the teaching skills and methods of their tutors. In many countries the separation of higher education colleges and VET providers has often meant that the best teachers are creamed off and that the low-skilled are offered “second-best” teaching. Thus a policy of “training the trainers” is paramount to the effectiveness of upskilling initiatives. A comparative study carried out by CEDEFOP in seven European countries shows that VET teachers require a “pedagogical” as well as a “vocational update”. The former consists of new pedagogical skills in line with the learner-centred approach of modern pedagogical theory and on-the-job learning techniques now being offered to trainees; the latter involves up-to-date vocational skills related to modern technologies and work practices. Crucially, it was also found that teachers need to display more awareness of the needs of business and employers together with teamworking and networking, managerial, organisational and communications skills. The study recommended *inter alia* that training should be differentiated to meet the differing needs of different categories of VET personnel as well as local needs (Cort et al., 2004).

Moreover, some national measures have been taken with a view to updating provision through the introduction of training standards such as

ISO 9000. It should thus be a task for regional agencies such as WDAs to ensure that audits are carried out regularly.

Tailor the design of training programmes to the workplace

A further prerequisite concerns flexibility in offering tailor-made courses as opposed to “off-the-shelf” college courses. Employers appear to be responsive to offers of workplace-based training; careful planning should thus be conducted between employers and training providers with regard to learning arrangements. In order to recoup the cost, such strategies could consist of establishing sectoral skill clusters so as to achieve economies of scale. Here again, WDAs should be encouraged to work in partnership with local training providers to survey the needs of employers in a similar sector or travel-to-work area and deliver courses that would benefit a pool of employers. Flexible arrangements may be found to host training sessions in a community centre or college within reach of all the employers clustering in that particular area. Alternatively, employers with suitable premises may agree to host the training sessions.

Meet employers on their own ground

It was argued above that actors and organisations from various horizons (trade unions, the non-profit sector, chambers of commerce and regional economic development agencies) can leverage action for workforce development. Success crucially depends on these actors’ ability to get a foot in the door of the employer’s well-protected fortress. In local areas where dialogue and agreements with regard to training are still uncommon, further advocacy strategies must be developed to meet employers on their own ground. Employer “hotlines”, “breakfast meetings”, roadshows and local conferences all consist in inviting employers to make the step to engage in dialogue by responding to an offer. Beyond these however, more proactive measures such as direct canvassing and presence at trade events could be developed so as to present the business case for upskilling. The example of educational consultants from the Danish counties visiting firms to provide them with training solutions shows that this approach can pay off despite the fact that it requires dedicated staff. Of course the message must be accompanied with offers of tailored skills assessment, dedicated trainers, etc. since employers are not interested in the social dimension of workforce development but will adopt it if it is presented to them as a tool that can improve the competitiveness and longevity of their business (and therefore the satisfaction of their shareholders). Again, the system of peerage and marketing through “champions” recommended for employees can also apply to employers, with committed local employers spreading the message to others.

Messages for national policy makers

Make training a legitimate claim

Some authors and observers have called for an enshrined universal “right to training” in the vein similar to the right to schooling (see for example Santelmann, 2001). The possibility of introducing such a right not only across the OECD but also across the developing world would undoubtedly represent progressive politics and require profound ideological shifts. The changing demographics may make it possible to transfer some of the funding previously allocated to initial schooling towards adult education as the population is ageing within OECD member countries. Moreover, with the decline of fertility rates, fewer school children are entering the system than twenty years ago. At the same time, for such a right to be adopted, it is important that policy makers avoid “mixed messages”: the discourse on lifelong learning tends to overemphasise the notion of “self-governance” i.e. the responsibility of individual workers for their own training. At the same time, workers are increasingly being told that they need to invest in their old age pensions and refrain from demanding wage increases. Therefore, once again, a consensus on responsibility and assignment is needed. By coupling state-administered training levies with tailor-made training packages through local mediation, employers are directly confronted to their responsibility in this area.

Target the resources towards the sectors and areas experiencing skills gaps and shortages

Once a consensus is established over the necessity to introduce or expand compulsory training levies on firms, it must be acknowledged that organisations are facing different constraints. Elements of flexibility can be built into compulsory vocational systems. In addition to reflecting the size of the payroll, the rates levied on firms could vary according to a variety of circumstances such as the sector and regional area within which they operate, so as to achieve a degree of fiscal redistribution. If countries such as Belgium and France have recently adjusted the levies to try and ensure that a higher ratio goes to loosely defined “groups at risk”, occupational profiles and/or salary levels could be used as benchmarks to target redistribution. This would help correct the bias and achieve “positive discrimination” in favour of low-paid workers.

Support the action of workforce intermediaries through innovative instruments and governance processes

As they are part of the local labour market, workforce intermediaries, community colleges, workforce development agencies and regional skills alliances possess a strong awareness of the companies and sectors that need to be targeted. However, these actors invariably lack resources. The scope of

their action is thus considerably reduced as their efforts and time are spent seeking to leverage funding through private donations instead of implementing policy. It is crucial that national/federal or regional/state authorities do not view workforce intermediaries as a “dumping ground” but rather as partners whose action they can support in two ways: by providing funding as exemplified by the MiRSAs or the SSDAs, and also by providing tools that such smaller organisations do not have the capacity to develop themselves, as the Canadian government has done with the Essential Skills framework. This latter example shows that policy makers can work towards *combining novel instruments and governance mechanisms*.

Develop multifaceted analytical frameworks for the measurement of skills

Reliable and comparable information on the supply of and demand for adult skills and competencies is undoubtedly a prerequisite for the formulation of appropriate policies at all levels. The argument is often made that investment in productivity-enhancing skills remains an empty phrase without a clear consensus on the exact nature of qualifications and skills to develop. There have been long-standing controversies surrounding the appropriateness of internationally standardised educational credentials (ISCED) and other educational standards for the measurement of cognitive skills. Most economists have tended to regard these frameworks as “useful and appropriate” (Steedman and McIntosh, 2001) as they provide a means for ranking skill levels. Likewise, the OECD International Adult Literacy Survey (IALS) carried out between 1994 and 1998 and the more recent Adult Literacy and Life Skills Survey (ALL) are chiefly concerned with quantifying literacy levels. A new framework for the measurement of competencies known as the Programme for the International Assessment of Adult Competencies (PIAAC) is currently being developed by the OECD (2004b). The new framework is considering the testing of generic skills through a “job requirement assessment method” similar to that used in the UK Skills Surveys of 1997 and 2001. It is however unlikely that this methodology will bring advances in capturing the processes of skills acquisition by individuals through contextual and tacit learning.

Notwithstanding the usefulness of quantitative proxies for international comparisons, once again it is important to bear in mind that skills are not a static phenomenon purely embodied in individuals – as is the case for qualifications – but rather a dynamic one formed through communication and interpersonal relationships. Recognition that skills are in constant evolution and endogenous to the workplace requires a shifting of attention to interactive collective behaviour, as stressed by theoreticians of the “learning organisation”. Beyond the measurement and analysis of educational proxies,

literacy and numeracy skills, the contextual analysis devised by a scientific discipline known as ergonomics captures the application of discrete tasks. For example, the ability to adapt one's behaviour (e.g. communication with colleagues or customers) according to changing work-related environments or to respond to stress cannot be captured by strictly quantitative methods. This is all the more important as work organisation is characterised by varying workplace cultures. For example, public sector employers may not value the same set of skills as private sector employers, which implies that the interaction of workers with their immediate day-to-day environment should receive particular attention. Thus the qualitative methodologies of ethnography and participant observation would fill gaps that otherwise restrict the analysis to ISCED or IALS data. Social scientists such as anthropologists, sociologists and organisational psychologists – whose knowledge and skills are often undervalued by policy makers – may thus have a valuable contribution to bring to the analysis of future skills requirements.

Therefore, as a complement to the measurement of skills by international and national agencies based on employer surveys and panel data, the development of in-depth participant observation of skills in selected workplaces would be welcome. Local and regional actors would have a role to play in channelling resources and commissioning such assessments, as well as in disseminating findings.

Encourage transnational policy learning through new participatory and sharing methods

While analysts in the field of comparative policy studies invariably warn that the wholesale transfer of initiatives out of their initial institutional context would be unrealistic, there is evidence that pilots and measures adopted in one country can trigger innovation abroad and that new models can be successfully developed and applied to fit local needs. For example, the *Investors in People* standard originally developed in the United Kingdom has been successfully introduced in Belgium. By the same token, there is also evidence that the Danish job rotation model has recently been applied in the United Kingdom and Germany under the EQUAL European Community initiative.²³ For example, the Sapiens Network, a transnational partnership led by the aforementioned Job-rotation International Association, has developed a job rotation programme through Theme E of EQUAL with a view to upgrading the skills of existing workers. While the German partners are adopting long-term job rotation programmes operating in Denmark and using one-to-one training methods, the timing has been drastically reduced in the United Kingdom to one full week or one-day releases. This version of job rotation was applied in recognition that the notion of “substitute worker” would be difficult

to import in the United Kingdom, where the current regime of welfare retrenchment does not allow for a long-term approach.

This evidence suggests that it is necessary to invest more funding and effort into the monitoring and evaluation of training practices and into forums, conferences and other events that allow actors to come together and share their experiences. The European Commission's *Jobs, Jobs, Jobs* report found that for dissemination and mutual learning to be reinforced, it would be necessary to promote "a culture change to create an environment where government and enterprises see themselves as learning organisations open to good ideas from others and keen on sharing best practice" (2003, page 59). In line with this view, it could be suggested that a wider set of actors be invited "at the table" so that a fuller and more comprehensive range of individual experiences can be fed back to national and supranational organisations. This would imply inviting more independent researchers, consultants, practitioners and adult workers to exchange views with international civil servants at official international forums and conferences.

Finally, as the world wide web has no doubt become the major place from which information can be sourced, some of the budgets devoted to research and monitoring could be set aside for the creation and maintenance of databases providing qualitative information on training practices (possibly organised by sector or occupation) across the OECD. Such databases could be compiled by non-profit organisations and be made available online, therefore facilitating transnational learning.

Educational opportunities for future generations

This book is chiefly concerned with the territorial application of a specific type of initiative located within the broader realm of ALMP, CET and lifelong learning. It should therefore be recognised that the discussion only represents a modest piece of the complex jigsaw. Individual policy areas such as skills formation and workforce development cannot be isolated from a much broader set of social, economic and political issues. This means that even targeted local and regional efforts may have limited impact in the absence of broader reforms. Until the 1990s, education and labour market policies were treated separately under the premise that individual life trajectories and transitions were stable and linear. The major labour market transitions effected by individuals were first from school to work and then from work to retirement. In the meantime, the multiplication of employment ruptures has shifted attention to the concept of "life course transitions", with some observers calling for the adoption of "transitional labour markets" that facilitate mobility between various statuses such as non-work, employment, training and education (Schmidt and Gazier, 2002).

In turn, the OECD PISA study has demonstrated that in many countries the current educational systems are failing to provide young people with solid educational foundations and basic skills. Hence it is important to combat early school leaving and to ensure that school curricula and guidance mechanisms are carefully redesigned so that future cohorts of young people make their way through the education system and enter the labour market equipped with the skills demanded by employers. This would make remedial training for adult workers obsolete. Of course, as the social and economic system further evolves, future jobs and careers will undoubtedly differ significantly from those that currently prevail. Thus the skills that will be required in a few decades must already be carefully anticipated through greater spending on research, evaluation and prospective studies of changing jobs and occupational profiles.

In addition, beyond the normative drive to adapt the supply of skills to the labour market, it may be worth reminding ourselves that generating more flexible educational methods and learning environments is in itself a valuable emancipatory objective. From the perspective of the individual, beyond the strictly utilitarian value of improving cognitive skills to increase one's labour market position as suggested by human capital theory since Gary Becker, there is also an affective dimension to the drive to learn (Gourdon-Monfrais, 2000). Forward-thinking educationalists and psychologists such as Maria Montessori and Françoise Dolto have showed that the very skills and competencies that are demanded by employers, e.g. curiosity, creativity, motivation, confidence, concentration and the like, are triggered by early childhood experiences.²⁴ Recalling the significance of early childhood puts what can be done in perspective. While policy makers can adjust training and learning frameworks, it is individuals who produce (and reproduce) their and their children's stories. Institutions such as the state, the firm and the school can be reformed by policy makers, but less can be said of the family, despite recent attempts by some governments to promote "good parenting". A "bad practice" would be to resort to the "learnfare" system put in place in the United States, which seeks to "punish" parents for their children's lack of school attendance through a reduction in welfare benefits. Such methods do little to develop positive messages about the value of education and learning. In contrast, disadvantaged families from poor neighbourhoods should be offered vouchers and other financial incentives for their children to take advantage of extracurricular activities provided by voluntary sector associations. Of course, here also, governments need to redirect their spending to help fund quality educational provision in disadvantaged areas. Unless schools, universities and educational institutions succeed at reinventing themselves to become more inclusive and prepare future generations for the world of work, all efforts to upgrade the skills of low-qualified workers will be in vain.

Notes

1. This was identified as one of the key social policy challenges at the meeting of the OECD Social Affairs Ministers (31 March-1 April 2005). Arguably, the emphasis on “welfare-in-work” implicitly recognises that despite having succeeded in reducing aggregate unemployment, welfare-to-work programmes have been characterised by short-termism, resulting in churning and recycling through the labour market. These approaches have thus failed to improve the long-term situation of the low-skilled.
2. SULQ research reports and grids (unpublished).
3. The UK ESRC Programme on the Future of Work was launched in 1998. It supported 27 research projects in 22 universities. See www.leeds.ac.uk/esrcfutureofwork/.
4. Additional sources of information were drawn from, *inter alia*, the Skills-upgrading Conference held in Copenhagen on 18 June 2004 and the OECD’s Thematic Review of Adult Learning (2003b; 2005a).
5. The 1971 law was amended on 4 May 2004 and the original rate for companies with more than ten employees adjusted from 1.5%. Prior to January 2005, the rate for firms with less than ten employees was 0.40%.
6. Annie Fouquet [Director of the French Ministry for Employment, Social Cohesion and Housing’s Direction de l’animation de la recherche des études et de la statistique, DARES] (2004), paper given at the OECD-LEED Conference: “Rising Expectations: Upgrading the Skills of the Low-Qualified”, Copenhagen, 18 June.
7. There are 18 ETP pilot areas (from the three pilot phases) in operation as of September 2004. Two of those offered a wage compensation of up to 150%, one offered none, and all the others offered 110% or 130%. See Hillage *et al.*, 2004.
8. Web site: www.fongecif.com.
9. See www.ilawales.com and www.ilascotland.org.uk.
10. NVQ is the system of formal accreditation used in the United Kingdom.
11. Public expenditure on training varies considerably across countries. In the EU, it ranges from 8.5% in Denmark to 3.5% in Greece.
12. Renaat Landuyt, who was Minister of Labour in the Flemish government between 1999 and 2004.
13. Web site: <http://cove.lsc.gov.uk>.
14. Web site www.ssda.org.uk.
15. Web site: <http://app.wda.gov.sg>.
16. Learning and Skills Council Annual Report 2003-2004, Coventry. Available at www.lsc.gov.uk.
17. Anita Flores, paper delivered at the OECD LEED Conference “Rising Expectations: Upgrading the Skills of the Low-Qualified”, Copenhagen, 18 June 2004.
18. Web site: www.marchmont.ac.uk/.
19. Web site: www.netg.co.uk/.
20. Web site: www.michigan.gov/rsa.
21. CEDEFOP, a European Agency established in 1975, helps promote and develop vocational education and training in the European Union. See www.cedefop.eu.int.

22. The UNESCO-UNEVOC Network consists of more than 220 specialised centres across more than 150 UNESCO member states. It provides a platform for the sharing of knowledge and experiences regarding all aspects of technical and vocational education and training (TVET). In 2002, UNESCO-UNEVOC opened an international centre in Bonn, Germany to provide technical support to the network.
23. More information the Sapiens Network can be found at www.eu-jobrotation.org.
24. See for example, Lee Gutek, G. and M. Montessori (2004), *The Montessori Method: The Origins of an Educational Innovation*, Rowman and Littlefield Publishers; Dolto, F. (1985), *La Cause des Enfants*, Robert Laffont, Paris.

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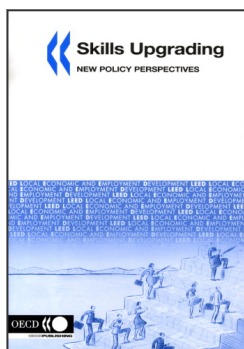
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Acronyms

AE	Adult Education (<i>Voksenuddannelse</i>) (Denmark)
AF	<i>Arbejdsformidlingens</i> – Name of the Danish Public Employment Service
AHRE	Alberta Human Resources and Employment (Canada)
AMU	Adult Vocational Training (<i>Arbejdsmarkedsuddannelserne</i>) (Denmark)
APEL	Accreditation of prior experiential learning (Flanders)
AVU	General Adult Education (<i>Almen VoksenUddannelse</i>) (Denmark)
AWES	Alberta Workforce Essential Skills (Canada)
BLOs	Business Links Operators (UK)
CEGEP	Collège d’Enseignement Général et Professionnel (Quebec)
CET	Continuous Education and Training
CPPI	Canadian Petroleum Products Institute
CTHRC	Canadian Trucking Human Resource Council
CVT	Continuing Vocational Training
DDMI	Diavik Diamond Mines Inc. (Canada)
ERIC	Effective Reading in Context (Canada)
ESF	European Social Fund
ESRP	Essential Skills Research Project (Canada)
ESWL	Essential Skills and Workplace Literacy (Canada)
ETPs	Employer Training Pilots (UK)
FOA	Public Employees’s Union (<i>Forbundet af Offentlige Ansatte</i>) (Denmark)
FVU	Preparatory Adult Education (<i>Forberedende VoksenUddannelse</i>) (Denmark)
GCSEs	General Certification of Secondary Education (UK)
GED	General Equivalency Diploma (Canada)
GVU	Basic Adult Education (<i>Grunduddannelse for voksne</i>)
HF	Higher Preparatory Examination
HHX	Higher Commercial Examination
HTX	Higher Technical Examination
IAG	Information Advice and Guidance
JARC	Jane Addams Resource Corporation (US)
KAD	Women Workers’ Union in Denmark (<i>Kvindeligt Arbejderforbund</i>)

LIRI	Local Industrial Retention Initiative (US)
LLL	Lifelong Learning
LMDAs	Labour Market Development Agreements (Canada)
LSEq	Low Skill Equilibrium
LO	Danish Federation of Trade Unions (<i>Landsorganisationen i Danmark</i>)
LSCs	Learning and Skills Councils (UK)
MOWD	Mayor's Office of Workforce Development (US)
NNSP	The National Network of Sector Partners (US)
NVQs	National Vocational Qualifications (UK)
PES	Public Employment Service
RAR	Regional Labour Market Council (<i>Regionale Arbejdsmarkeds Råd</i>) (Denmark)
SERV	Flemish Social and Economic Council (Flanders)
SID	General Workers' Union in Denmark (<i>Specialarbejderforbundet i Danmark</i>)
SSDA	Sector Skills Development Agency (UK)
SMEs	Small and medium-sized enterprises
STC	Sub-regional Employment Committee (Flanders)
TANF	Temporary Assistance for Needy Families (US)
TIF	Tax incremental financing (US)
TOWES	Test of Workplace Essential Skills (Canada)
UPL	Educational Planning (<i>Uddannelses Planlægning</i>) (Denmark)
VDAB	<i>Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding</i> – Name of the Flemish Public Employment Service
VET	Vocational Education and Training
VESOC	Flemish Economic and Social Consultative Committee (Flanders)
VET	Vocational Education and Training
VEUD	Adult Vocational Education and Training (<i>Voksenerhvervsuddannelse</i>) (Denmark)
VEU-reform	Adult Education Reform (<i>Voksen- og Efteruddannelsesreform</i>) (Denmark)
VUC	General Adult Education Centre (<i>Voksenuddannelsescenter</i>) (Denmark)
VUS	Act on Educational Support for Adults (<i>Voksenuddannelsesstøtte</i>) (Denmark)
VVU	Further Adult Education (<i>Videregående VoksenUddannelse</i>) (Denmark)
WIA	Workforce Investment Act (US)
WLP	Workplace Learning Program
WRTP	Wisconsin Regional Training Partnership (US)



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