

# Labour Market Integration Policies to Enhance Social Cohesion

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During the 1970s and 1980s we had become accustomed to the idea that, despite the race to urbanisation across the developing and industrialising world, in mature societies modern communications were making major cities obsolete as a form of development. Worse still, they were a drain on the rest of the society, since their chronic economic decline produced deepening concentrations of social problems in their cores, which required major commitments of public expenditure to avert open conflict. In particular action seemed necessary to reverse the continuing flow of business capital out of cities which pure market judgements warranted. Some of the real issues highlighted in this pessimistic view clearly remain. But, during the last decade and a half, general attitudes to cities, and the policy issues which they raise for OECD countries, have developed in ways that reflect three major steps forward in our understanding of their roles.

First, there is a renewal of the perception that *many* kinds of city have the potential for economic success in the contemporary world, both on their own account and as key sources of strength for their national and regional economies. Their *density, diversity and openness to change* are again being seen as the keys to success, rather than the roots of urban pathologies. These qualities are, however, no longer a monopoly of the traditional urban cores, but can apply more widely across extended metropolitan regions where their high order business functions now operate on a networked basis.

Second has been the recognition that the degree to which particular cities can realise and sustain this potential for economic success has much more to do with making them function better than with simply sucking in more investment in the form of mobile firms. A simple empirical observation is that the difference between places which prosper and those which fail, even in crude employment terms, lies preponderantly in the growth performance of their existing businesses not the flow of establishments in or out (Cheshire and Gordon, 1998). Less simply, it has been very persuasively argued (from

Porter, 1990 on) that the keys are to make the most in qualitative terms of the assets associated with density, diversity and openness, and to build around potentially distinctive sources of strength in a particular metropolitan region. For the local public sector this implies a degree of strategic selectivity combined with a strong focus on identifying and attending to areas of both market and governmental failure.

Third, following on from this, is that the quality of social/institutional relationships of various kinds can be very important for urban competitiveness, alongside the more obvious economic assets. This has been a common thread in a range of otherwise quite distinct analyses of urban and economic systems during this period. Various these have highlighted institutions, social capital, untraded interdependences, networks of trust and business milieux as key factors in the differing capacities of specific places to prosper in an increasingly competitive environment. The central shared argument is that there is a whole series of requirements for successful business, and especially for innovation and quality-based competition, which conventional markets cannot assure. In some circumstances many of these might well have been adequately provided within the framework of large corporations – but in a more flexible economy this can no longer be counted on. And, in any case, places which can provide these assets through distinctive forms of locally co-operative competition should be much less at the mercy of mobile capital, and of the potential for getting caught up in “races to the bottom”, than where local firms are each self-sufficient. In this context it seems to be the urban scale which matters most – though this may be narrowly or more broadly conceived depending on the particular activity involved. Hence this kind of argument provides some of the strongest reasons for believing that cities/metropolitan regions can now represent crucial assets (rather than liabilities) for their national economies.

The notion of “social cohesion” – as a shorthand way of indicating all the various respects in which social relations within particular places can (increasingly) make a difference to their economic performance – may be more of an obstacle than a help to taking these further steps. There is a real temptation (within a new conventional wisdom about policy for cities) to see this as actually representing some single kind of quality which places can develop in order to simultaneously remedy the shortcomings of markets in terms of both social outcomes and economic performance (Gordon and Buck, 2005). At one level this may be helpful in building consensus, but at the same time it can obscure real and difficult issues, since within the urban policy arena uses of social cohesion typically seem to refer to one or more of four quite separate elements :

- fairness in the distribution of rewards/conditions of life;

- connectedness with others and across urban society;
- social order and individual security; and
- some sense of collective identity.

Clearly these do not necessarily go together and do not always fit straightforwardly with the dictates of competitiveness. For example one UK study reported that of six plausible channels connecting aspects of cohesion at a local level to a stronger competitive position for the cities concerned, only one (via educational outcomes) currently appeared to be of practical significance (Gordon, 2005). There are also radically different visions of what are the most appropriate combinations of connectedness and social order to secure urban competitiveness, with Putnam's (2000) version of social capital implying more formal associations and a more recognisably suburban set of shared social norms than Florida's (2002) tolerantly bohemian cities. In the literature on urban environments favouring successful innovation, there are similar tensions, with contrasting models, each of which might actually be optimal for different types of product and business (Gordon and McCann, 2005). In the labour market too there are tensions between the values of flexibility and stability, with higher rates of turnover in more flexible (highly connected) labour markets possibly discouraging investment by employers in training activity (Brunello and De Paolo, 2004; Brunello and Gambarotto, 2004). There can also be major conflicts within any one of the elements we have distinguished – for example one group's connectedness (or social capital), within the labour market for instance, may often actually generate disconnection/exclusion for others.

To recognise the relevance for economic as well as social goals of issues falling under the umbrella of “social cohesion” (or of social capital or inclusion) is then only an entry point to understanding the issues that have to be faced and the kind of actions that do (or do not) have a potential to advance these goals.

## Centrality of the labour market

The labour market is a really central arena for addressing competitiveness, cohesion and the ways in which these intersect at an urban scale, for three main reasons. Firstly, paid work is the key source of both economic resources and of social status/identity in modern societies – for individuals, for households, and collectively for communities. Secondly, in all the processes around paid work – recruiting, motivating, developing controlling – economic and social factors are deeply intertwined, so that information, expectations, identities, stereotypes and so on all play crucial roles alongside hard-headed calculations about productivity, turnover and pay. Thirdly, the range, flexibility, openness and depth of urban labour markets are potentially the

most crucial asset that cities have to offer, both to those who live and those who run businesses there. Analyses of urban economic performance find human capital availability as the most consistent predictor of, for example, population growth (Glaeser and Shapiro, 2001). Urban labour markets are crucially important then for the development of cities, in ways that cut across the divide between social and economic processes – though they cannot be counted on to satisfy the various dimensions of “cohesion” and competitiveness simultaneously. And policy-makers are clearly very well aware that they have to pay attention to them. But this is much easier said than done, and practitioners as well as researchers have learned – both from study and from experience – that this is a very complex arena in which to operate effectively. There are basically two reasons for this, both of which involve rather contradictory characteristics of urban labour markets.

The first of these relates to their character as very powerful, but quite peculiar markets. On both the demand and supply side of these labour markets, people adjust strongly to all kinds of change, and interventions which ignore this are very unlikely to have the intended results. This can be the case at a macro-level, as when it is assumed that unemployment figures represent a simple measure of the gap between labour supply and demand, and thus of the scale of action (for example of job creation) required to fill that gap, or that part of it which is regarded as unacceptable, from either a competitiveness or a cohesion perspective. In practice, the hole always seems to take very much more to fill it than this calculation suggested us, because other elements of supply and demand respond to the intervention in ways that require more. One factor is that demand “leaks away” to other areas (or perhaps more realistically, supply “leaks in”), as in-commuters or new migrants respond to opportunities newly created by public interventions. Such adjustments have probably been going on all along, which is why the immediate “gap”, in terms of numbers of unemployed, tends not to be nearly as large as the shocks which gave rise to it in the first place. But there may also often be asymmetries of a seemingly malign kind, such that the “adjusting” market responses operate more strongly in the upswing and in circumstances of expansion than in the downswing, particularly in the context of large numbers of involuntary job losses occurring in an already slack labour market. In this case, with a stronger “leakage” being stimulated by the remedial measures than by original job losses it may well take creation of several times as many jobs in a particular area to undo the local effects of a given original job loss (Gordon, 2003; Gordon and Turok, 2005).

Unforeseen consequences may also follow, for rather similar reasons, in response to more micro-level kinds of intervention. Thus actions to build economic capacity on either or both the supply and demand sides of the labour market may have much of their expected effects off-set through

“displacement”. On the demand-side, businesses which are assisted to improve their competitiveness may well succeed in part through taking local market shares from established local enterprises. That is really a product rather than labour market issue. But similar kinds of displacement can be expected in the labour market, in response to supply-side action, as when training or employability programmes boost the capacities, and hence the competitive power of some, currently less-advantaged member of the local labour force. Because this is an intervention in an active market, not simply a step toward filling a (measurable and exogenous) “skill gap” or case of “skill mismatch”, these work largely through enhancing the competitive performance of some individuals within a labour market, which may be in large part local. Though the effects should not actually be zero-sum, since some real additions have been made to usable human capital, the fact is that some others' competitive prospects will have been weakened in the process – unless in the particular context there is an especially elastic demand for this kind of labour. In the worst cases, particularly when supply-side interventions are effectively targeted at some specific segment of the labour market where demand is not particularly elastic, the effect may well be an almost zero-sum kind of “churning” among the target group and their peers (*cf.* Sunley *et al.*, 2001). At best, the overall effects may simply be substantially less than hoped for. But in any case there is a need to take a serious account of the market context, and how supply and demand may reasonably be expected to adjust in a particular situation if there are to be realistic expectations of effects, and design of reasonably cost-effective initiatives.

On the other side of this contradiction is the fact that labour markets in general are quite peculiar kinds of market, because of the heterogeneity and self-consciousness of the particular commodity in which they deal. Employment practices have to be adapted, in one way or another (depending on circumstances) to the sheer difficulty of evaluating what capacities and productivity a worker will actually deliver and designing circumstances to enhance the chances of them doing so effectively and reliably. A consequence is – as Thurow (1972) pointed out long ago – that a large part of the labour market operates not on a simple model of “price competition”, where the cheapest satisfactory workers are hired (with floating wages), but rather on a version of “job competition” where those who are perceived to be most suitable are recruited from among those responding to an advertisement offering a fixed salary.

This has many consequences, including a large role for stereotyping, signalling and subjectivity in key processes, and the importance of *quantity* signals in terms of the availability of discrete opportunities. But a particularly significant effect is the process characterised by Reder (1964) as “bumping down”, whereby in a slack labour market unemployed workers may effectively

“price themselves back into” a job, not by renegotiating a particular wage, but by stepping down a tier in the market and successfully presenting themselves as the (qualitatively) best candidate for a job which has always attracted a lower salary. This second best kind of adjustment process (from a neo-classical perspective, which would prefer flexible wages) effectively minimises the wastage of human capital during such times and places, by concentrating unemployment among those with the least desired talents at the bottom of the market, where a willingness to take wage cuts would not get nearly enough of them into work in a part of the market acquiring a gross excess of supply. The problem – beyond the inequity of the way in which suffering is distributed – is that it may be not nearly as easy to reverse this process when demand starts to recover, or when supply-side interventions have upgraded the capacities of a proportion of those at the bottom of the market. This is admittedly not a very sophisticated model of market behaviour, and too crude in its assumptions about wages, but it does actually capture some very important aspects of the issues facing those addressing under-employment in some core parts of metropolitan regions. In particular, it highlights the fact that there *are* crucial market processes which need to be dealt with, but not ones which can be understood simply in terms of price mechanisms.

The second tension stems from a very obvious diversity within urban economies and labour markets, both in terms of activities/occupations and spatially, combined with the fact (not always quite so obvious) that everything is connected to everything else, by a complex of indirect paths, as well as the more evident direct connections. Neither of the straightforward textbook alternatives actually works in this context. These are of treating “the” labour market either 1) as though it was indeed fully integrated, effectively singular and homogeneous; or 2) as though it comprised a set of identifiable and separable sub-markets for particular categories of job in particular “labour market” areas. So there is a need to understand on a more empirical basis quite how strong connections and differences actually are in particular cases and situations, and work through the implications of these.

Arguably, this is an important characteristic of all labour markets, but viewing them spatially does make a difference, since it becomes evident that:

- regional contexts have a major effect on outcomes;
- some places are more isolated or less well connected than others; and
- no sub-market is ever closed to commuting and migration flows, which are by no means fixed but rather respond to spatial shifts in the pattern of supply and demand.

Similar observations might be made in relation to the structure of occupational sub-markets, where there are similar relations of proximity, in the sense that it is easier for workers to switch between some sets of “nearby”

jobs than between others with more radically different requirements and entry criteria.

But in the context of big cities what is especially important – and indeed characteristic – is that there are extended areas across which there is a dense overlay of sub-markets. At the micro-level each individual worker and/or each employer might be seen as at the centre of a kind of sub-market (or field), representing the area within which they would expect to find a job or a recruit for their jobs. More realistically perhaps, this view might be applied to each residential neighbourhood and/or employment centre, with fields varying in size according to the types of job and worker involved. These fields *are* likely to represent the market context within which individual parties think they are operating, and may reasonably be seen as reflecting spatial constraints on their individual ability to adjust to changes in the pattern of opportunities. But since, particularly in and around major cities, these fields overlap with a number of others, indirect effects arise, via vacancy (or displacement) chains. These may occur when a job (in one field) is filled by a worker who has a current job (in another), leaving a vacancy to be filled by a worker who has a current job (in yet another), and so on, until a job in the chain is filled by a long term unemployed worker. As cities have turned into metropolitan regions with decentralisation of both jobs and people to centres beyond the original suburbs, the potential for such chains to diffuse the impact of supply or demand changes a long way from their origin has clearly become very great, at least in principle. The real test, as to how far afield this goes, has to be an empirical one, however – for example by examining the degree to which labour market outcomes in one place are actually determined by supply/demand shifts in the immediate vicinity, in the adjacent ring, or a whole series of others beyond that. In British studies, at least, the evidence from such analyses is that the effective labour market area can be very extensive, stretching well beyond the bounds of the city (or even OECD metropolitan regions), and in London's case embracing most of South Eastern England (Gordon, 2003).

This kind of observation has some very obvious policy relevance – or perhaps more accurately some obvious implications about the irrelevance of particular kinds of policy seeking to relate urban economic development to social cohesion. Specifically, it implies that there may be little advantage in targeting job promotional initiatives specifically at those areas where improved employment rates are required, if there are less costly alternatives elsewhere within the extended metropolitan labour market area, since the impacts would be much the same. And, in a context where economic development initiatives are largely undertaken on a bottom-up basis, it suggests that the temptation for many areas, in and around cities, each to promote such initiatives to address local concerns over employment

opportunities, may not simply involve wasteful forms of “zero-sum” competition but actually produce very little advantage for workers in the winning areas (even if there are gains for local landowners). An understanding of this implication should make localities much more willing to co-operate in the pursuit of integrated economic development and employment policies across the metropolitan region.

This is actually far from a novel argument (see *e.g.*, Cheshire, 1979), and strong evidence in support of it has been available in the United Kingdom since at least the 1980s, without apparently having had much impact on either central or local policy. These continually return to an emphasis on the employment benefits of locally targeted regeneration projects. There may be a variety of reasons for this, possibly including the fact that the task of resolving the underemployment issue in major cities *seems* more tractable if it can be addressed on a targeted local basis. But there are two kinds of evidence which are commonly (and repeatedly) produced in defence of this approach. The first is that there are typically strong and persistent concentrations of underemployment (and associated kinds of deprivation) to be found in particular parts of cities, whether in actual ghetto areas, in other inner city localities, or in more peripheral social housing projects. Sometimes these are actually close to areas of major job loss, or maybe far away from areas of growth in relevant employment opportunities. But in any case the existence of such concentrations hardly seems consistent with the proposition that there are highly integrated metropolitan labour markets. Or, this would be the case, were it not for the fact that such integrated markets still produce very different outcomes for different types of people, and that those in the weakest position in the labour market tend also to be in the weakest position in the housing market, and consequently to be concentrated in quite specific areas with the kinds of housing to which they have access. Hence, unsurprisingly, studies have shown extremely high levels of correlation between the spatial pattern of underemployment within metropolitan regions and the residential distribution of those with characteristics – in terms of class, ethnicity, marital status, education, occupation, health, housing tenure, etc. – which are known to be individually disadvantageous in job competition.

The immediate upshot of these arguments is that neither text-book theory nor everyday experience (within particular parts of this system) is much of a guide to telling us either what is going to be a problem, or (still more) what is going to be effective by way of intervention. The reasonable implication is that policies need to be grounded in hard empirical research of a fairly sophisticated kind, and in the kind of general understanding of urban labour market processes that we have just outlined, and applied to specific local situations and the circumstances of different groups within these markets. But, at a more strategic level, there are already a series of quite clear



policy-relevant conclusions that can be drawn from the more general analysis, and from existing local and regional studies undertaken within this framework.

## General lessons from urban labour markets research

The very large body of policy-related research from the last decade or so on general labour market initiatives clearly has some implications at the urban scale. In particular active labour market policies (as reviewed by Martin, 2000) commonly require some implementation at the local level – ideally integrated in “one stop” offices linking them to local opportunities. More specifically, such approaches as the use of “profiling” for early identification of new claimants at risk of longer term exclusion from employment have particular, distinct implications in places with different employment structures and histories. Understanding their applicability to the particular challenges of making city labour markets work more effectively at resolving the particular problems of under-employment in some metropolitan regions requires a different kind of analysis. Here we shall concentrate on the broad implications of this, in relation first to three simple general principles, and second to some of the kinds of action which are more likely to have a significant impact at this scale.

### ***Big problems normally have big causes and will take equally big action to resolve***

This seemingly banal piece of common sense has a particular relevance at the urban scale, because of the fact that spatial sub-national labour markets are characteristically open, with the potential for strong adjustments to operate through migration and commuting. Unless there is an obvious immediate cause for disequilibria, it is to be expected that significant disparities in employment outcomes between places reflect either an equilibrium differential produced by continuing long term differentials in competitiveness (*e.g.*, in terms of employment growth rates) or the structural residue of large scale past changes, the bulk of which had been absorbed through spatial adjustments. In either case, the scale of the forces which created the problem (and in the first case are continuing to reproduce it) are likely to be substantially greater than the currently visible problem suggests. If the current problem is really one of demand-deficiency, the required response in a spatial labour market is not going to be simply a one-off stimulation of demand (however large), which will eventually all get absorbed by migration and commuting shifts, but of raising the long term rate of growth (underpinned by a shift in competitiveness) relative to other parts of the national economy. Alternatively the current issue may be one of structural unemployment, involving a larger part of the local labour force who are

personally disadvantaged in competing for jobs, wherever they happen to be resident, as a residue of past periods of demand-deficiency. The corresponding requirement would then be something like the maintenance of a full employment pressure of demand for a broadly equivalent period. A serious approach to such problems at a metropolitan scale involves:

- uncovering the forces which have acted to create them, over whatever period they have operated;
- recognising that it is going to take an at least equivalent scale of action (maybe substantially more) to reverse their impact; and
- making an appropriate commitment to pursuing this on a continual basis, and adopting realistic expectations both as to the likely scale of impacts and the period over which action would need to be sustained.

The temptation is to believe that “cleverness” – the exercise of reasonable intelligence – can get round this. But where the basic problems are quantitative ones (*e.g.*, shortfalls in labour demand or in relevant human capital) the most that can be hoped for on this count is avoidance of waste of resources.

***Although problematic outcomes are concentrated around specific-labour sub-markets the basic causes will often not lie there***

This also follows from the expectation, and evidence, that in spatial labour markets adjustment processes are strong, but this time in a more local context (within metropolitan regions), where there is an even stronger presumption that internal disparities in supply-demand pressure ought to be eliminated. In the spatial case, where strong concentrations of under-employment are found in particular sets of localities within a metropolitan region, the most general explanation is that this pattern reflects social/structural unevenness, rather than geographical ones, with under-employment simply concentrated where the least advantaged/competitive groups live. These might in principle be exacerbated by local spatial externalities in the labour market, if (for example) residents in areas of concentrated unemployment were further disadvantaged by a weakened local access to informal channels of information about job opportunities. In practice, however, available evidence about such effects suggests that they are weak relative to the direct effects of individual characteristics as in conditioning labour market competitiveness. The implication is that the effective causes of strong spatial concentrations of under-employment lie not in the areas concerned, but in a combination of: disparities across groups in marketable human capital; discriminatory practices in the wider labour market; and shortfalls in the pressure of demand for labour at the aggregate level across the metropolitan region. Beyond this, the bumping down

processes mean that inter-group disparities in competitiveness may also reflect wider forces; in the context of deficient demand they serve to translate rigidities in mainstream labour markets into unemployment for groups at the bottom/margins of the market. In such cases it is unlikely to be effective to concentrate remedial action around these sub-markets, for example by increasing the efficiency with which they work.

**Targeting job growth or supply-side initiatives heavily on particular sub-markets is not generally a solution to the “effort” problem**

Targeting has been a very strong theme within labour market policy initiatives in recent decades both in cities and outside, for a combination of good and less good reasons. Among these has been the danger of substantial deadweight when public funds end up subsidising activities or placements which would have occurred in any case, or where they produce inflationary outcomes by enhancing demand in markets already experiencing capacity constraints. A rather general consideration has been evidence that untargeted initiatives on any sizable scale have proved relatively expensive (in terms *e.g.*, of cost per job) because effects are spread across markets in most of which there is no problem. An underlying belief is that, if there are problems of structural unemployment, it must be because there are groups and sub-markets that are effectively disconnected from the mainstream. In that case it should be possible to achieve proportionately greater effects (within affordable budgets) from initiatives by concentrating efforts and expenditure there. In the case of spatial targeting of demand-side initiatives, the counter to this is the evidence that the sub-markets of targeted areas are by no means disconnected, but rather leaky buckets, from which a very large part of the benefits get dispersed as most worthwhile jobs end up with stronger contenders from outside the area. In the case of targeting supply-side initiatives on particular groups in weak labour market positions, the problem is rather the reverse: there are too few knock-off effects beyond the immediate low-end sub-market, with the major overall effect being to produce intensified competition for opportunities within that sub-market.

## Relevant policy approaches

While all these principles tend to suggest (rather negatively) that there are no easy options in dealing with under-employment issues in urban labour markets, the same lines of analysis do suggest that there are particular policy approaches which should be especially worthwhile (if not easy).

*Equal opportunities policies.* Analyses of the incidence of unemployment within metropolitan regions, both across individuals and across areas, show strong associations with many different individual characteristics, ranging between those which seem to be obviously related to productivity and those

which seem not to be. At one extreme would be educational qualifications and (maybe) the skill characteristics of a past job. At the other would be ethnicity which, when all such characteristics have been controlled for, seems likely to reflect the kind of prejudicial discrimination for which more direct evidence can still be found in experimental studies. Between these extremes lie a series of attributes, including factors such as (in the British case) marital status, gender, age, housing tenure etc., where the connections with productivity are unclear, and where there is also a strong potential for prejudice to play a substantial part in the “job competition” process. As Duster (1995) has argued, the significance of such factors seems to have been substantially increased with deindustrialisation, since in many service activities a worker's social identity seems to matter much more than it did in manufacturing. These factors are strongly associated with spatial concentration of underemployment, as well as with more fundamental “cohesion” questions about fairness of allocation of opportunities. And, as was noted in the last section, there are important issues about the effective integration of new immigrant flows, which also underline the importance of a vigorous application of equal opportunities policies in metropolitan labour markets. The issues may, however, generally be as much of class and age as the traditional dimensions of ethnicity and gender, and certainly involve questions about the allocation of training and promotion opportunities as well as hiring and firing.

*Sustaining a strong pressure of demand across metropolitan regions.* There are two important points here. The first is simply that with effective integration of the sub-markets of more local areas, the scale at which the aggregate balance of supply and demand actually makes a real difference (even for those at the bottom end of the labour market) is no smaller than that of the metropolitan region – and probably broader in some cases. The second point is that strong demand does not just directly involve a better use of available labour resources with less underemployment, but is also a condition for labour markets to operate effectively. Slack demand is the context which produces bumping down and the *progressive* concentration of underemployment (and thence effective exclusion from the labour market) among the weakest groups so long as it persists – a hysteresis. It also serves to discourage the mobility between employers which is the basis for metropolitan regions particular flexibility, and a major motivator for on the job human capital development.

*Minimising risks of large scale redundancy.* There is evidence of a substantial asymmetry in adjustment processes particularly in spatial labour markets. Specifically, it appears that the effects of employment growth are most effectively dispersed, with availability of identifiable job opportunities and vacancy chains stimulating migration and commuting. Forced job losses, on the other hand, appear to produce the weakest adjustment responses, particularly when large and in the context of already depressed labour

markets. The implication is that, other things being equal, job preservation can make a proportionately greater contribution to mitigating underemployment at a metropolitan scale than can stimulation of employment growth. All is not equal, of course, and there is a bad track record in several countries of efforts to save collapsing firms, in which good money ends up getting thrown after bad. Crisis responses typically make for bad policy. But outside the context of such extreme cases and situations, the principle is a good one, namely that reasonable actions to reduce the risks of possible future large scale job losses, particularly where these might be caused by governmental failure, are more likely to be worthwhile than efforts to boost employment levels.

*Promoting upward mobility at all levels in the workforce.* The point of departure here is the evidence that in the wake of periods of deficient demand, the effects of bumping down may not rapidly get reversed, so that there is both a pervasive tendency toward qualitative underemployment within the workforce and an overcrowding of entry-level sub-markets which slows re-absorption of the quantitatively underemployed. In order to both raise productivity and employment rates, it is therefore appropriate to encourage movement “on up the car” (as in a metro train with congestion around the doorways), rather than concentrating human capital development initiatives heavily on those currently out of work (to give them access to the “doorway”). In the highest segments of the labour market where vacancies are habitually filled from much wider labour markets, the case may be weaker, but in principle actions to encourage upward mobility right through the occupational hierarchy are to be encouraged from this perspective.

*Securing adequate levels of educational achievement among the mass of the local population in relation to the requirements of worthwhile jobs in the local economy.* The relevance of formal educational qualifications to effective performance in a large proportion of mainstream jobs may be questioned. And, in the United Kingdom at least, employers, who increasingly seem to emphasise their need for “soft skills”, are unclear about their importance for non-graduate kinds of job. But they are one of the few objective kinds of information readily available to recruiters, especially for younger people and those who have not already occupied particularly responsible positions. And lacking at least some minimal level of achievement clearly increases individuals' chances of being out of work by a substantial margin. In cohesion terms at least this is clearly an important priority among urban policies with labour market relevance, while below the level where jobs are filled from national labour markets, the stock of reasonably qualified locals is liable to be a significant competitiveness factor.

*Attending to specific instances of demonstrable and intelligible market failure.* This seems rather a catch-all category for a list of “particularly worthwhile”

approaches. But there is, firstly, a general point to recognise about the difficulty of judging in the context of real, diverse and interconnected urban labour markets where intervention would actually be worthwhile and appropriate – so the market failure test is a caution. However, secondly, there are situations in which a *prima facie* case of this kind can plausibly be identified, and potentially checked with local information. One such example involves the issue of who (if anyone) takes responsibility for the training and socialisation of high turnover positions in activities with relatively weak quality competition, as may (for example) be the case in independent tourist hotels in centres where there is little dependence at that level on repeat business. In such instances there are both competitiveness and cohesion cases to be made for some form of intervention to identify and counter these specific market failures. This might take the form of inspection and grading as much as a training initiative.

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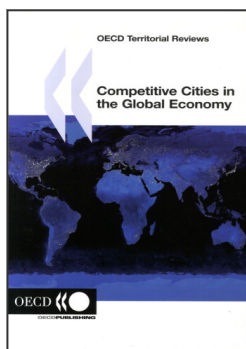
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