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MORE JOBS BETTER CITIES

**WHAT CAN CITIES
DO TO SUPPORT
AND GROW NEW JOBS
IN THE RECOVERY?**

.....
BY MIKE CAMPBELL
AND ALISON PARTRIDGE
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This article explores the central question of what cities can do to support and grow new jobs in the recovery and how they can use these jobs to develop a sustainable economy, where citizens and businesses can prosper. It has been produced based on the initial work of the URBACT More Jobs Better Cities workstream which has included desk work, an open call for evidence from cities and two evidence hearings where “thinkers and do-ers” from across the EU were invited to share their thoughts and experiences on this issue.

What’s the problem?

Across Europe almost one in ten of the active population is unemployed – 23 million people are without a job. At the same time employers continue to report recruitment difficulties and a shortage of talent in the labour market. **More jobs are needed** (almost 18 million by 2020, if EU2020 targets are to be met) and URBACT believes that cities have an important role to play in supporting and growing new jobs,

which lead to economic growth and resilience, and addressing this mismatch.

But what **margin of manoeuvre** do cities actually have to make a difference when so many of the policy decisions which affect economic growth are rooted at national and international levels? Two thirds of Europe’s workforce lives in urban areas and a quarter live in around 40 agglomerations of more than 1 million people (Brinkhoff, 2012)¹. Cities are

seen by many as being at the core of the economy in terms of jobs, competitiveness and growth. This is a vital area for city action.

DG Regio’s **Cities of Tomorrow** report (DG Regio, 2011)² argues that the present growth model, with its decoupling of economic growth from employment, has led to a larger share of the population being either pushed out of the labour market or having to accept low paid jobs in non qualified service sectors.

It goes on to say that global competitiveness has to be combined with sustainable local economies by “**anchoring key competences in the local economic tissue**”. It describes the challenge as one where the loss of manufacturing has not only resulted in a loss of unskilled jobs but has also hollowed out many skilled and semi skilled job opportunities. There has been a growth of highly skilled professional jobs in financial and business services and the knowledge economy coupled with more unskilled, low paid and frequently insecure jobs in basic services. The solution, according to the report, is to create more **resilient inclusive city economies** – sounds simple doesn't it...

International policy response

The EU jobs agenda is rooted in the EU2020 strategy's objective of securing smart, sustainable and inclusive growth. The headline target is for 75% of 20 to 64 year-old to be employed and the EU has agreed a set of guidelines to drive long-term action which include **driving demand**, increasing **labour market participation** and developing a **skilled workforce**.

The EU Employment Package³, published during April 2012, sets out a range of cross cutting measures which, together, the Commission believes will drive new **job creation**. It identifies a number of sectors with greatest potential for growth and job creation – **the green, white (health and social care) and digital (ICT) economies** are all included here.

All of this seems to assume a level of public sector intervention to kick start growth but how is this possible in the current context of austerity and when no additional resources are on offer?

Entrepreneurship, self employment, social enterprise and business start ups are all mentioned by the Commission as offering potential for job generation and work from the

OECD concurs that entrepreneurship is part of the solution to the jobs crisis (OECD, 2012a)⁴. But what can cities do to help create the conditions for resilient entrepreneurship when there is a crunch in both credit and domestic demand?

On the supply side, the Communication calls for flexibility in the labour market and **effective transitions** both from school to work and from unemployment to employment. It recognises the importance of **anticipating economic restructuring, lifelong learning** and the provision of **opportunities for young people** as central to skills, jobs and growth in the 21st century economy. Similarly, it states that it is vital to gather stakeholders around a common objective and to pool resources and focus on **effective partnerships**.

Investing in skills, anticipating skills needs and improving the links between skills, education and the world of work are all cited as priorities and this need to put people and skills at the heart of economic recovery and growth is also the central message in the OECD skills strategy (OECD, 2012b)⁵. The strategy focuses on what countries can do but many of the recommendations are also relevant to cities. **Understanding the needs of employers** and the state of the labour market is identified as a key success factor and **activating people** is said to be at the heart of effective skills development. Cities need to better understand why inactive people are inactive. They may have skills but “for a variety of reasons they may not be willing or able to supply them to the labour market”. Skills also need to be used effectively – this makes economic sense. Employers and individuals both stand to gain. The “scarring effect” of labour market exclusion faced by many young people at the moment might be alleviated if the **transition from school to work** was more effectively managed or if incentives were available for employers to hire young people who need “on the job training”. **Quality careers advice** is also a core part of this. The strategy also calls for more to be done to **foster entrepreneurship** stating that “entrepreneurs are made; not born”.



Many of these themes resonate with the OECD LEED Forum's work which aims to create **more and better jobs** (Froy and Giguère, 2010)⁶. Drawing on over three decades of research in local employment and economic development policy, LEED has identified a set of principles which “should underpin government and community action in the post-downturn economic context”. These include:

- ▶ creating an adaptable skilled-labour force;
- ▶ better utilising skills in the local economy;
- ▶ supporting employment progression and skills upgrading;
- ▶ gearing education and training to emerging sectors and;
- ▶ putting in place good local governance.

So what can cities do?

When considering the central question of what cities can do to support and grow new jobs, it is important to consider what we mean by a “city”. Integrated urban development is at the heart of the URBACT programme so here we mean all actors with a stake in the city's economic future including but not limited to: the municipality, education and training institutions, business, and business intermediaries, public employment services, financial institutions, research agencies and civil society.

All of this seems to assume a level of public sector intervention to kick start growth but how is this possible in the current context of austerity and when no additional resources are on offer?

Surely with two thirds of the EU's population living in urban areas, cities have a duty to reflect upon, and use, the policy levers open to them to try and generate new jobs.

Margins of manoeuvre

It is also important to consider what policy levers are available for city use – and what their margins of manoeuvre may be. The ESPON FOCI project (Future Orientation of Cities) has done some interesting work on this issue and has concluded that policy levers are actually quite limited (Lennert, Van Hamme and Patris, 2010)⁷. How can cities, for example, really improve their human capital, when education is rarely their responsibility? Strategy, vision and mobilisation are cited as areas of potential leverage and FOCI concluded that fostering good **quality of life** is probably one of the most important levers for cities. But do you agree? How can we say on the one hand that cities are the engines of economic growth but on the other that they have such limited power to make it happen? Surely with two thirds of the EU's population living in urban areas, cities have a duty to reflect upon, and use, the policy levers open to them to try and generate new jobs for these people. That is certainly

one of the emerging conclusions of the More Jobs Better Cities work.

A framework for city action on jobs

The challenges and potential solutions for city action on jobs are well versed but high levels of unemployment persist and there are limited signs of sustainable recovery across the EU. Cities are faced with a wide range of trade-offs and choices they have to make, taking into account their particular contexts. e.g. What policy levers are open to them? Where should they focus their limited resources? Is investing in improved quality of life or access to business finance more effective? Should they promote job rich sectors, diversify their economy or nurture conditions for enterprise and entrepreneurship?

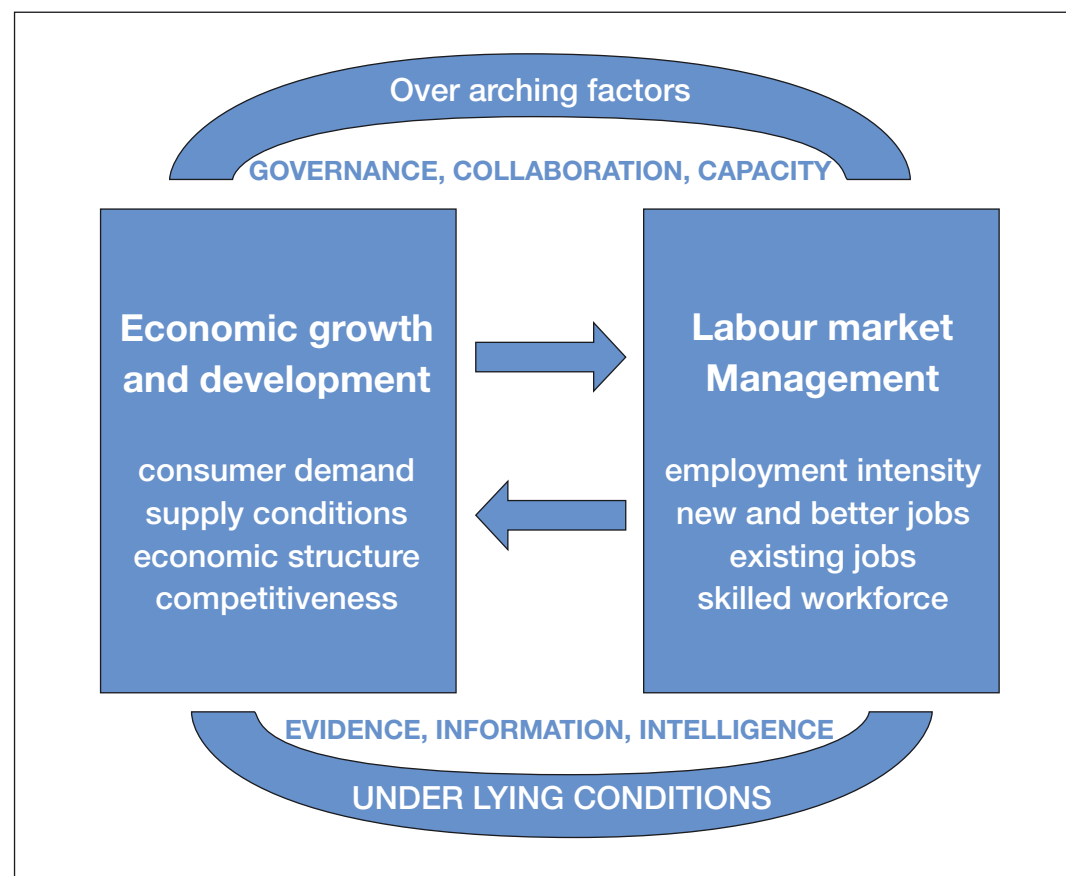
The URBACT group working on this conundrum believes that cities need to tackle this challenge from a number of angles. It is a

complex problem and requires a comprehensive solution. There is no “one size fits all” solution. The key thing is that cities need to avoid being over ambitious, be realistic and try to swim with the tide rather than against it.

The diagram below sets out a framework for city action on jobs within which there is a dual focus on labour market management and economic development and growth, underpinned by a number of conditions and framed within a range of over arching factors. These are explored briefly in the next section and will be unpacked in more detail in the final report from the More Jobs Better Cities work, to be published in 2013. The framework sets out a panorama of the desirable components of a coherent strategy – a range of choices and actions – the precise configuration of which will depend on a city's analysis and evidence of its prospects.

Growth and development – the City Economy

One of the key questions facing cities is “**where do jobs come from?**” Clearly a range of factors are at play but there is no doubt that **consumer demand** for goods and services is central. This comes both from within and outside a city, from the public and the private sector. Whilst a city is limited in terms of its ability to affect external demand, there is still some opportunity for influence e.g. through effective “**positioning**” of the city in relevant markets and through the provision of **business support** to help companies access international markets. Within the city itself “**buy local**” initiatives may stimulate local spending and many cities have also developed **local procurement initiatives** which encourage large buyers to source local suppliers when procuring certain goods and services.



Where do jobs come from?

Cities also need to consider how to **create the conditions** in which businesses prosper. A reputation for a **business friendly environment** and good **business support** services for example can make a difference when attracting and retaining **international investors**. Another important element is the encouragement of **business start ups** e.g. through incubator support and enterprise advice or business mentoring programmes.

The case of Barnsley, partner in the URBACT CREATIVE CLUSTERS networkⁱ

Barnsley (UK), has a population of 227,600 people and is home to 68,864 employee jobs of which 36% are currently in the public sector. There are 6,175 employers which is considered too few for a population of its size. Adapting to the decline of mining, it has chosen to promote economic diversification within its recovery and growth model. It wishes to restructure the borough not only away from its reliance upon the public sector, but also away from its low wage / skill occupations profile.

As part of this it has recognised the importance of the creative and digital economy and the fact that new types of dialogue are important if the value of this sector to the city is to be maximised. It has a comprehensive business support offer to start-up and micro-enterprises which includes an online meeting place to encourage businesses to talk to the local authority and share information and intelligence.

A recent innovation has been the provision of social media training for businesses.

The Connected Business Days have been popular and often oversubscribed. Intercompany collaboration is also encouraged, both through the online platform, using social media and through the provision of collaborative business environments.

The city also recognises the power of lifestyle opportunity and emotional attachment to the city and has found that new companies with growth potential are often created by “Barnsley Alumni” who have come back to the city, bringing investment and opportunity with them.

“We are trying to be realistic about what is achievable. The digital economy is a huge opportunity but it has its limits in terms of job generation. We are thinking long term and incremental – a slow burn solution – and transforming Barnsley into a sandpit of ideas” Tracey Johnson, Sector Specialist Creative and Digital Industries, Barnsley Development Agency.

(i) <http://urbact.eu/en/projects/innovation-creativity/creative-clusters/homepage/>



companies and the city economy generally need to improve productivity so as to be able to compete in national and international markets.

Labour market management – the City People

A **job rich recovery** is surely vital – what other sort of recovery could there be? Cities can help here by making it easier for employers to hire more people and for citizens to access jobs. They can also foster the growth of specific **job rich sectors and occupations**. They may also choose to focus on sectors where the mix of jobs best match the needs of the local workforce or those that meet a city’s unmet local need e.g. adult social care or health – thereby enhancing the quality of life at the same time as creating jobs (European Commission, 1995).

Better quality jobs are also important and cities can work with employers to improve jobs quality – e.g. through public procurement – and in particular to drive **employer ambition** which leads to more career progression opportunities for individuals.

A job rich recovery is surely vital – what other sort of recovery could there be?

Cities can support the development, retention and attraction of a **skilled workforce** – working with employers and education and training providers to better understand the current and future needs of employers and working with education and training providers to reframe the training offer to better **match labour market needs**.

Encouraging **labour market mobility** – both between occupations, jobs and sectors and between different locations – is also important – it makes the local labour market more fluid, flexible and responsive to change. It also makes people and businesses more adaptable so that they can take more advantage of opportunities. The provision of sound **information, guidance and counselling services** has a valuable role to play in facilitating transitions into, and through, working life.

Relevant to all of this is of course the simulation of an enterprising or **entrepreneurial culture**, which encourages and supports people in establishing and growing business. Cities can play an active part here e.g. by encouraging entrepreneurial education, attitudes and behaviour in local schools, colleges and universities.

According to Jonathan Potter from the OECD’s Centre for Entrepreneurship, SMEs and Local Development, policy action for entrepreneurship must be based on robust evidence and diagnostics. When asked the question – “what can cities do to generate jobs from entrepreneurship?” – He gave the following suggestions:

- ▶ Improve **access to finance** – risk capital, loan guarantees – e.g. through collaboration with banks and venture capitalists.
- ▶ Improve **entrepreneurial attitude**, education and skills e.g. by working with schools, colleges and universities.
- ▶ **Measure** the cost of policy measures against employment achieved.

▶ Foster **collaboration** e.g. between industry and university by providing incentives for researchers to collaborate with business.

▶ **Consider displacement** – one city’s gain could be another city’s loss.

The **structure** of a city’s economy – its industrial/sectoral make-up is also clearly an important determinant of its economic growth. Some cities are focusing efforts on the development of high growth, cycle-resistant sectors and see this more **specialised economy** being the answer e.g. green economy, digital economy, white economy. Others favour a more **diversified** economic model which they believe will be more resistant to change or at least where negative impacts will be less widely felt. Perhaps cities need to consider a balanced approach of flexible or “smart” specialisation. The **public and third sector** are also important sources of new jobs, particularly in areas of public service provision where demand is growing (health care, personal and care services). **Competitiveness** is clearly a core issue –

Cross-cutting factors

For city action on labour market management and job creation to work, a number of other underpinning conditions need to be in place. A good **evidence base** combining information and intelligence on the economy and the labour market is therefore a prerequisite of success. The various actors need to come together using the same body of common evidence to **inform decisions**.

Cities also need to be attractive to businesses and citizens – they need to effectively **position** themselves locally, nationally and internationally. In order to do this they need to develop **connections** – physical and virtual – at all levels and establish effective collaborations between the relevant

A good evidence base combining information and intelligence on the economy and the labour market is a prerequisite of success.

stakeholders to engender the social capital of **cooperation and trust** crucial to success. **City governance** is also hugely important and, in the context of the “more jobs better cities” agenda, coordination is vital. A range of different policies, often operating at different geographical levels, need to be clearly aligned and, to use OECD LEED parlance, policy makers and practitioners need to “**break out of policy silos**”. This, in turn, requires a new way of working and new skills, **capabilities and capacities**.

Conclusions

This article has set out the challenge, explored the policy context in which Europe’s cities are operating and starting to unpick the central question: what can cities do to support and grow jobs? It has provided a couple of examples of what cities are doing on the ground and sought to be thought provoking on what options are available to them in the future.

It is clear that cities are faced with a series of dilemmas and that there is no easy, single, quick fix for the economic challenges they face. They have difficult decisions to make – for example:

- ▶ How do we allocate limited resources and focus efforts for maximum impact?
- ▶ How do we deliver short term impact without losing sight of long term strategy?
- ▶ Do we focus our efforts on diversity or specialisation?
- ▶ Which policy levers are workable in our city?



Juhász Photo

The case of Sabadell, partner in the URBACT ESIMEC network⁽ⁱ⁾

Sabadell (Spain), has a population of 207,720 and is trying to adapt to the decline in the textiles industry by developing food packaging and health clusters with a focus on innovation.

Sabadell has an integrated approach to economic growth and the labour market with the city’s employment and economic development functions coming together under the single banner – Vapor Llonch.

It works closely with employers – e.g. hospitals or health tech companies – and the educational system to identify current and future skills needs and is trying to adapt its training offer to match these.

Sabadell’s URBACT Local Action Plan focuses on the integration of training, skills and workforce development issues in its business support offer.

The key success factors are seen to include collaboration, a common language and shared intelligence.

It is also important to be able to develop short and long term actions and to be able to act and react quickly to events whilst keeping the long term goal in sight.

“Money and resources are really tight but we are finding that austerity has led to an increased sense of commitment to the city and more collaborative approaches to the challenges we face”.

Iolanda Repullo, Business Dynamics and Activities, Vapor Llonch, Sabadell.



(i) www.urbact.eu/esimec

The URBACT network ESIMeC

ESIMeC has explored how workforce development and demand-led skills provision can be the main drivers for economic recovery and resilience.

Many of the discussions at transnational events have focused on what cities can do to address the mismatch between the supply of labour (high numbers of unemployed people) and the demand for workers (employers reporting difficulties finding skilled workers).

Transnational events have also looked at how cities can generate and prepare their workers for the needs of existing and future employers.

In Gävle (Sweden) for example, a wide range of initiatives exist to promote entrepreneurial attitudes in young people and to better link secondary education with the world of work.

The municipality's primary focus in this area is to prepare young people for the world of work. Employers are engaged in all areas of the curriculum – from design to delivery – to help make this a reality.

The network has also considered the job generation potential and skills needs of different sectors.

In Besançon (France), for example, partners heard about the city's plans for maximising the economic potential of its cultural and creative industries by developing a whole system approach to skills and business support linked to the new Cité des Arts.

In Albacete (Spain), they learnt about how the city is developing a plan to re-skill workers who have lost their jobs in construction to develop new green construction skills.

The city has ambitious sustainable development targets for its public buildings and hopes to use these newly trained workers to work on energy efficiency projects which will contribute to these.

ESIMeC has also explored some of the cross cutting issues like skills forecasting, partnership working and integrated approaches to employment and economic development.

Basingstoke and Deane's (UK) experience of delivering integrated solutions through a multi-stakeholder strategic partnership provided real food for thought for other partners and demonstrate the importance of inter agency connections and strong leadership.

Network findings have informed the partners' 8 Local Action Plans which were published in the Autumn of 2012. Whilst each has a different focus, all promote a whole system approach to economic development and place jobs, growth, the labour market and skills at the centre of future strategy and action.

ESIMeC's findings are published in a "cookbook" of recipes for success and are available at: www.urbact.eu/esimec along with the ESIMeC Skills Forecasting Tool.

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MORE INFORMATION

URBACT 2012 conference website:
<http://www.conference2012.urbact.eu/workshops/about-conference/themes/more-jobs-better-cities>

- ▶ Should we be ambitious and visionary, modest or realistic?
- ▶ How do we get more employers to take on more people in better jobs?
- ▶ How can we use EU structural funds to help with this?

These are just some of the many questions which the More Jobs Better Cities work will focus on in the coming months, culminating in the publication of a City Guide on what cities can do to support and grow jobs during 2013. ●

(1) Brinkhoff, T (2012), The Principal Agglomerations of the World, www.citypopulation.de

(2) European Commission (2010), Cities of Tomorrow

(3) European Commission (2012), Towards a Job Rich Recovery

(4) OECD (2012a) OECD Policy Brief on Youth Entrepreneurship – Entrepreneurial Activities in Europe

(5) OECD (2012b) Better Skills, Better Lives: A Strategic Approach to Skills Policies

(6) Froy, F and Gigère, S (2011) Putting in Place Jobs that Last. A Guide to Rebuilding Quality Employment at Local Level, OECD

(7) Lennert M, Van Hamme G, Patris C (2010) Future Orientation of Cities Final Report