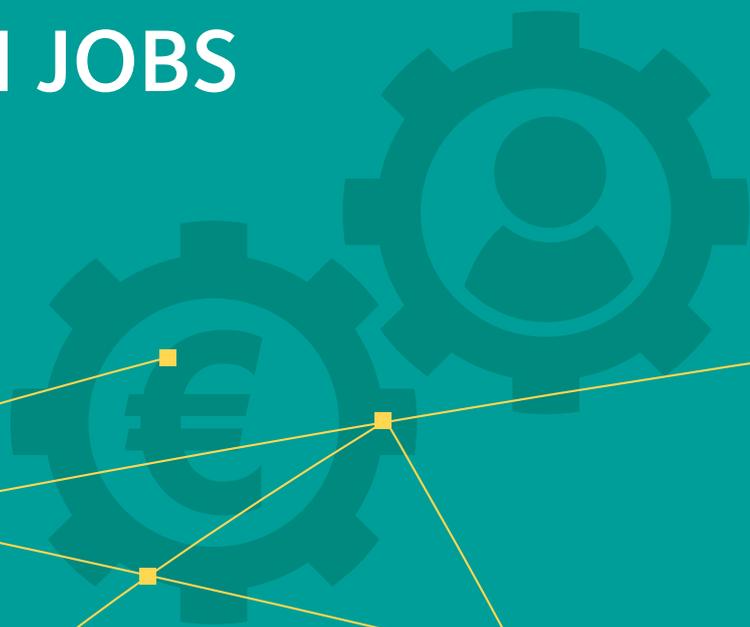


URBACT II

MORE JOBS:
BETTER CITIES
– A FRAMEWORK FOR CITY
ACTION ON JOBS



Cities of Tomorrow – Action today. URBACT II capitalisation. More jobs: better cities – a framework for city action on jobs

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MORE JOBS:

BETTER CITIES

– A FRAMEWORK **FOR CITY**
ACTION ON JOBS

Professor Mike Campbell and Alison Partridge with Paul Soto

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Foreword

The 'Cities of Tomorrow' reflection process, which I initiated in 2010, culminated in a report which provided inspiration for urban development policy-makers and practitioners alike, whether at local, regional, national or European level. It is good to see URBACT now taking on the challenges it outlined, and through its broad network of urban experts and city partners, trying to find possible solutions. URBACT is building on the lessons learnt during these years of work, including last year's conference in Copenhagen, while working closely with other EU-funded programme partners in ESPON, INTERACT, INTERREG IVC, European cities associations such as EUROCITIES and Energy Cities, and the OECD.



In this way, URBACT is actively seeking concrete solutions to the six interlinked challenges that rank high on the agenda of European cities: shrinking cities, more jobs for better cities, supporting young people through social innovation, divided cities, motivating mobility mind-sets, building energy efficiency.

I am pleased to present this series of six reports that provide evidence of sustainable urban development strategies pulling together the environmental, social and economic pillars of the Europe2020, while also adopting an integrated and participative approach, essential in these times of scarce public resources.

More than ever, cities need an 'agenda for change' to focus on decisive action that will boost growth, to tap into their existing potential, and to rethink their priorities. Better governance, intelligence and changing of the collective consciousness are all part of it. Cities of tomorrow need action today. URBACT is all supporting cities to make this happen so... don't be left behind!

Johannes Hahn

Member of the European Commission in charge of Regional Policy

Abstract

This paper from the URBACT 'More Jobs: Better Cities' workstream provides a framework for city action on jobs, which aims to help cities support and grow more and better jobs for the recovery. It is aimed at practitioners and policy-makers at the city level, as well as those at national and international levels, concerned with urban employment and skills policy and practice. It asserts that cities need to address three broad sets of issues – jobs and the economy, people and the labour market, and the connections between them (such as governance, intelligence and capacity) – to achieve economic recovery, growth and resilience. It examines each of these in turn and includes examples from a wide range of cities, projects and organisations. It sets out a whole system approach, a strategic, coherent, systematic and integrated means of creating more and better jobs. This is a new approach for new times, which can secure better outcomes from city actions. It can be used as a tool to review and develop existing approaches, stimulating a rethinking of city action and providing advice and guidance to policy-makers and practitioners.

Keywords

Jobs, growth, economy, demand, economic structure, labour market, skills, connections, competitiveness, labour mobility, people, intelligence, governance, capacity



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Executive summary

Challenges and opportunities

URBACT's More Jobs: Better Cities paper provides a Framework for City Action on Jobs which can help cities support and grow more and better jobs for the recovery. It is aimed at practitioners and policy-makers at the city level, as well as those at national and international levels, concerned with urban employment and skills policy and practice.

With more than 25 million people unemployed, or more than one person in ten, and with 18 million new jobs required to reach the Europe 2020 employment rate objective of 75%, the jobs agenda is a top priority across the European Union. More than **two-thirds of the European Union's workforce live in cities** and one in four people lives in just 40 agglomerations of more than one million people. **There can be no European solution to jobs without a cities solution.** Cities are the main engines of growth, competitiveness, innovation and jobs. But some cities' jobs performance is strong, while others' is weak. **Cities all need to do better if we are to achieve our employment ambitions.**

And yet we are in **turbulent times**. The economic crisis has been followed by a period of economic and fiscal austerity and recovery is slow. This not only means that creating more jobs is highly necessary, it is also extremely difficult. The economy and labour markets of our cities are changing not only because of the crisis, austerity and the recovery, but due to longer-run structural changes such as globalisation, technological change and demography. These forces are changing city economies, the jobs that are available and being created, and the skills we need to do them. At the same time, public agencies, including those at city level, are increasingly resource constrained and need to prioritise their actions more than ever. **We need to adapt to these changes.** 'Business as usual'

is not an option. We need to take a new approach to the jobs challenges cities face, a systematic, coherent approach for these new times. This is why we have developed this framework for city action on jobs, **a whole system approach to help cities make a real difference** and be more successful in generating more and better jobs for their people in the years ahead.

The framework for city action on jobs

All cities are different to some degree in the problems they face, the opportunities they have as well as the resources and powers available to them. There is no 'one size fits all' solution, no silver bullet. Needs and outcomes will vary from place to place. There are choices to be made. But **many cities also have much in common.** The framework is a set of principles, a structure, which provides support, guidance and ideas that can be adapted and used in most situations. It is a tool box that can be used to review existing approaches and develop new ones. Above all it is developed to help **rethink what we do**, and what we could do, to generate new jobs initiatives.

Cities need to address three broad sets of issues, represented by the three spheres in the framework.

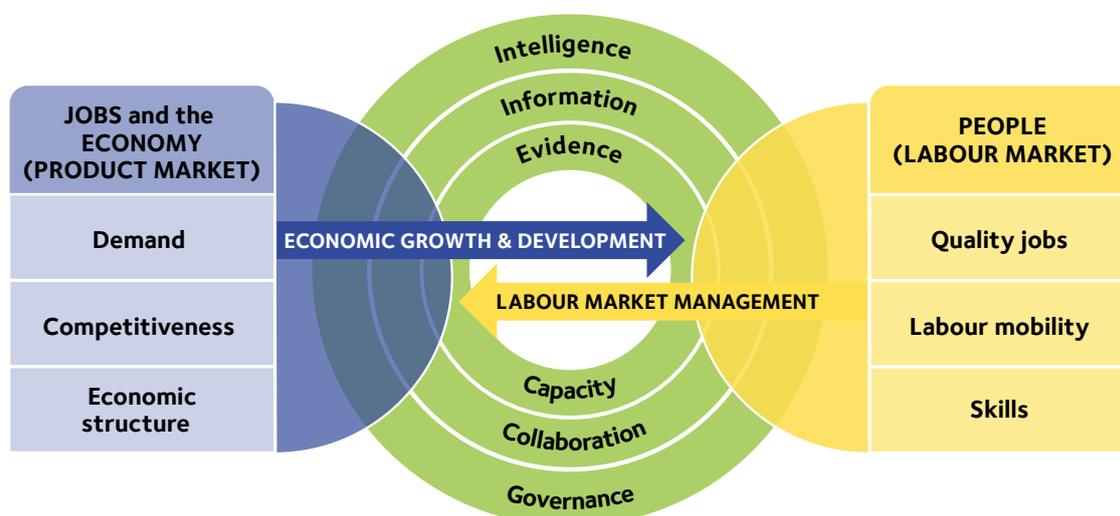
1. Jobs

It is the **size and growth of the city's economy** that primarily determines the number and growth of jobs available. **Jobs are a derived demand** from organisations producing goods and services, so a successful product market is crucial to jobs growth.

Where do new jobs come from? Ultimately they arise from **the demand for goods and services**: more businesses selling more goods/services to more people who want and are able



Figure 1. A framework for city action on jobs



to buy them, either from within the city or from elsewhere in the country or abroad. This demand can be stimulated in first place by businesses and consumers **spending more locally**. This can be encouraged by campaigns ('buy local'), the creative use of public procurement (including social/employment clauses), the use of local supply chains to integrate the local economy more and build trading connections between local companies, and the use of 'community currencies'. In these ways leakages from the local economy are reduced. Secondly, **external demand** and exports (including tourism) can be positively influenced by the marketing and positioning of the city, support for smaller local businesses in accessing international and public procurement markets, and encouraging an outward looking, international business (and citizen) culture which secures strong connections to the wider national and international economy and institutions.

But **supply conditions** matter too. Businesses need to be **competitive** to survive and thrive and take advantage of the opportunities created

through increased demand. Cities can help create these conditions in the local economy by: i) supporting existing businesses, paying close attention to their needs in respect of information, advice, property, planning and so on, as well as building strong relationships with representative business bodies; ii) providing a business friendly environment and competitive local conditions to encourage business attraction and inward investment; iii) encourage more business start-ups and help sustain them. A strong entrepreneurial culture can assist here as well. In the end, local businesses need to produce better or cheaper goods and services to survive and thrive. That means lower costs of production (in markets where price is key), higher productivity, moving up the value chain, and positioning in higher value markets. **Product differentiation, cluster development, innovation, business strategies and the quality of business management and leadership** are all important to long-term competitiveness. All of these can be affected by city action, working in collaboration with the business community.



A city's overall **economic structure** is also important, because different sectors grow at different rates over time and some are more resilient than others to external shocks or to recession conditions. Cities can seek to specialise in what they do best where they have a competitive advantage or a long-standing reputation. Such **specialisation** has advantages but may involve bearing more risk than a more **diversified** economy which can provide more balance and be less at risk from changing market conditions. Different sectors also offer different job quality in terms of earnings and working conditions. Important choices have to be made.

Cities can also seek to secure a more 'job-rich' pattern of growth by: i) making it easier for employers to hire more people, by working with them and the public employment service on recruitment practices; ii) fostering job-rich sectors and occupations, for example as the European Commission has suggested, in the green economy, health, adult, youth and childcare, ICT services, and household services. Moreover jobs in the **public and third sector** are important in many cities. Cities can also encourage their establishment, development and retention, many of which are also important in meeting local needs.

2. People

On their own, policies to develop the local economy are insufficient because economic growth may not create enough jobs; or the jobs may not be of sufficient quality to provide decent living standards; or local citizens may not easily be able to access the job opportunities that do exist. **Cities therefore need to manage their local labour markets** to get the most benefit they can from economic growth.

The **quality of jobs** in terms of earnings, working conditions, career progression and skill levels is an

important issue. Around one person in five who is in work remains in poverty due to their jobs being precarious, temporary, part-time or low-paid. Possible actions to improve job quality can include: i) sectoral or occupational targeting to improve the balance of jobs; ii) working with employers to agree the inclusion of conditions in public procurement contracts; iii) campaigns/charter on a minimum living wage to which employers can sign up and encourage through their supply chains; iv) building career ladders/pathways to improve the transition to better jobs. However, overall, cities will get the job quality that the local economy 'deserves'. So, key to creating better jobs is to improve the quality of goods/services and encourage moves up the value chain to improve productivity and the scope for higher earnings.

It is also important to remember that most job openings in a city are not, in reality, new in the sense of being additional. Rather, they are **replacements** caused by voluntary labour turnover as people move jobs, leave the city or retire. It is crucial to ensure that such openings are available and accessible to a city's citizens. Sound information, advice and guidance, good employer links and labour mobility are important, but most of all, it is key to ensure that the skills of the workforce are appropriate.

The labour market needs to be flexible enough to adapt to structural changes in the economy and changes in the types of jobs available. **Labour mobility** (geographically across the city and between occupations and sectors) is crucial to secure a good match between demand (the jobs available) and supply (the people who want them). Otherwise there is a risk that skill shortages and unemployment could exist side by side, harming both people and business. Labour market action can operate on both these sides of the market. In particular a better link between the worlds of education and work can help job matching, as can





Photo: Toby Johnson

high-quality information, advice and counselling services, good transport links and residential and business location planning. Without such measures there is a risk that many new jobs may not be taken by, or be accessible to, the city's citizens and instead may be taken by commuters from other places or by migrants attracted to the city by the jobs available. Both offer benefits to the city, but to manage the benefit of jobs growth to the city, and to ensure the city's social groups and communities are not marginalised, disadvantaged or excluded from the jobs market, it is crucial that they have access to job opportunities.

Indeed, the skills of the city's workforce are not only vital in respect of job replacement. **People have to have the skills that employers need** if they are to be successfully employed. Skills are also important in attracting new businesses (especially more productive, higher value added businesses) and building new businesses. Jobs are, overall, becoming more knowledge intensive, requiring higher levels of skills, both technical (job-specific)

and transferable skills. Those with low skills are increasingly facing major obstacles to employment. The provision of high-quality education and training at all levels, in schools, colleges and universities, matched where appropriate to evolving labour market needs (**skills for jobs**), with close collaboration between employers and providers in the city, is vital to success for the city as well as individuals and businesses. **Upgrading** skill levels and better **matching** to labour market needs are both valuable. But, in some cities it will be valuable to seek to shape or raise the **demand for skills** too, if there is a risk of being locked into a **low-skills equilibrium**. This is where employers currently require relatively low-skilled labour (because of the sector or business model they use), and that is what the skills system provides and what individuals acquire or aspire to. Stimulating skills demand, working with employers to move up the value chain, encouraging skills investment to improve competitiveness, can help move a city into a more **virtuous circle** of economic and skills development.



3. Connections

These two sets of actions cannot be taken in isolation from each other. They need to be aligned so that they work together and create an **integrated system** which overcomes policy and institutional 'silos'. Mechanisms need to be put in place to coordinate the different parts of the system. This requires both **shared intelligence** and **good governance** to manage the system as a whole and encourage collaboration in order to achieve the best outcomes from our actions.

It is important that all the key stakeholders in the city – policy-makers, practitioners, employers, education and training providers and members of the workforce – are **well-informed** and enabled to make good decisions about the economy, jobs and skills. Good information on job opportunities, skill needs, and so on, will help people make informed choices and decisions.

The city also needs good **economic and labour market intelligence** on the changes, challenges and opportunities that are currently, and may be in the future, occurring. The city needs to know its key strengths, weaknesses and where it stands (**benchmarking**) in relation to similar cities. This helps to provide an **evidence base** for policy and action, and to set SMART objectives and shared measures of success for jobs in the city.

How things are done is as important as **what** we do. We need to fit together all the pieces of the jobs jigsaw in a systematic and coherent way across the institutions in the city. This is a challenge because organisations have their own responsibilities and objectives, and often operate at different geographical levels, including beyond the city. Bringing together the key actors, however, enables greater policy coherence and connections to be made across policy and institutional silos. Strategy can be determined, a shared vision developed

and **common purpose** established. Developing collaborative working arrangements encourages trust and further cooperation, deepens mutual understanding, and thereby increases the city's **social capital**. This can provide the foundation for the development of formal **partnership** arrangements and the flourishing of more informal **networks** so crucial to city success.

The framework for city action on **jobs, people and connections**, taken together with the changes in economic conditions and fiscal austerity, also means that the **capacity** and **capability** of city institutions are key to success. This entire agenda requires effective **leadership** – political, business and organisational.

Final words

City Action on Jobs provides a whole system approach, a strategic, coherent, systematic and integrated means of creating more and better jobs. It is a new approach for new times which can secure better outcomes from our actions. It can be used as a tool to review and develop existing approaches, stimulating a **rethink** of city action and providing advice and guidance to policy-makers and practitioners. It may also help in accessing and using the EU Structural Funds, in particular through the Integrated Territorial Investments and in Community-Led Local Development.

Cities can make a real difference. Achieving success will not be easy but using this framework can help cities meet the challenge of creating more and better jobs for their citizens.



1. Challenges and opportunities

1.1 Why cities and jobs matter

How can cities best help to create, generate and support more, and better, jobs for their citizens in the economic recovery? This is the question that URBACT seeks to explore in this paper. With 25 million people unemployed throughout the EU – more than one in 10 of the economically active population – we need to create many more jobs. Indeed, if the EU is to hit its Europe 2020 target of a 75% employment rate, we need around 18 million new, additional jobs: more than 2 million every year. In this context, measures to help the unemployed into work are simply not enough and, on their own, just redistribute the existing stock of jobs. Similarly, supply-side measures to improve training or encourage more people into the labour market do nothing to make more jobs available. The priority has to be to raise labour demand by creating more and better jobs.

Cities are pivotal to this agenda for five reasons:

- **More than two-thirds of the EU's workforce live in urban areas.** One in four people live in around 40 agglomerations of over one million people.
- **Cities are the core of the economy** not only in terms of jobs but also competitiveness and economic growth: “Urban areas are home to the main drivers of innovation and economic growth” (ESPON, 2010). Cities often outperform the countries of which they are a part. Enterprises in cities benefit from substantial ‘agglomeration’ economies: the benefits that derive from people “living, working and thinking” together (Glaeser, 2010).
- **Not all cities do so well** (OECD, 2011). For example, whilst many ‘second tier’ cities out-perform even their capital cities (e.g. in Germany, Italy and Austria) some do much

less well (e.g. in Denmark, Sweden and most Eastern European countries) (ESPON, 2012, Parkinson et al.). To achieve our jobs ambitions, more cities need to do better.

- **Many cities also exhibit a ‘dual personality’** of economic strength co-existing with weak labour demand, insufficient jobs and, therefore, high levels of unemployment.
- **The position of EU cities in the world is changing.** Their competitiveness is under threat both externally, from globalisation and new sources of competitive strength, and internally, from an often ageing and declining workforce.

On top of this much of the EU, and many cities, have endured three or more years of serious recession, after many years of economic and jobs growth. We are now also facing a period of fiscal austerity where public resources are heavily constrained. **Government spending cuts** have increased job losses dramatically in the public sector and this can also have serious knock-on effects on the rest of the local economy.

Of course there is a real **diversity of situations** between EU cities, and some are in a much more serious position than others. In Spain, for example, since the outbreak of the economic crisis in 2008, unemployment at national level has risen from 8% to nearly 25%, more than double the European Union average. Amongst young people it has risen from 22% to 53%. In the poorer regions, including Extremadura, the Canary Islands and southern Andalucía, the unemployment rate is approaching 35%. Particularly badly hit is employment in the construction industry as a result of the collapse of the housing boom. At the other extreme, unemployment in Austria and Netherlands is just 5%.



So, cities are both at the heart of the challenge and of the solution. What can they do to support and grow more jobs?

Many focus on trying to protect the jobs that still remain or on assisting the unemployed in getting back to work. But, without many more new jobs, this only ‘holds back the tide’ and redistributes the existing insufficient stock of jobs. It also does nothing to adapt to dramatically altered economic conditions or to actually improve the overall situation. This requires more, and different, and better, jobs.

Cities face a number of dilemmas in trying to create and support new jobs. Not only do they have limited financial and human resources, often more limited than previously, but they also need to **prioritise** what they do and how they do it, to achieve maximum impact. They have limited margins for manoeuvre and whilst economic development and employment is seen as a normal city function in some parts of Europe, it is not in others. Many cities do not have access to all the relevant policy levers that could potentially make a difference, as many key policy decisions are taken at the national and international levels. In any case, the big economic decisions – firm closures and openings, moves in/out of cities, redundancies and recruitment, expansions and contractions – are taken by private enterprises, sometimes in the city, but often in headquarters in another part of the world. In short, they often see their scope for effective action as limited.

Cities must also face the ultimate difficulty: they are under threat from exposure to new sources of competition across the world, a **world which is increasingly interdependent** and open to global shocks. At the same time they have to recognise that access to national and global market opportunities, to connections between cities and companies and to enterprises of global importance, can be a major source of future success. Threats and opportunities abound.

Competitiveness becomes the key to growth and even long-term survival.

But, on its own, competitiveness is not enough. In fact, sometimes it may mean, in the short term, fewer jobs. Cities therefore also have to ensure that growth is ‘rich’ in new and better jobs for their citizens. Action to stimulate economic growth and development, in tandem with action to manage their labour markets, can help grow more jobs. Whilst they should not over-promise, and national and international action have vital roles to play, **cities can** themselves make an important contribution to creating their own success. Innovation is required. New times require new thinking and new action. Business as usual is not an option. Cities need to **adapt** to the new economic and fiscal realities and **adopt** a different approach. This is what this City Framework is all about: How to go about increasing jobs in the new conditions of the second decade of the 21st century.

“We need to think outside the building. Outside the box isn’t big enough.”

– Rosabeth Moss Kanter, CEOs for Cities

Source: Twitter

The framework does not answer all the questions however. City action on jobs has to be connected to city action on **social inclusion** and **community cohesion**, to bring the most disadvantaged groups and neighbourhoods closer to job opportunities. It is, however, easier to ‘share gain rather than pain’. Nor does this framework necessarily guarantee a more **sustainable** city, though jobs growth can make a major contribution to it, without specific action to do so. These issues are explored in the five other papers published alongside this framework, as part of the URBACT Capitalisation exercise:



- 'Supporting urban youth through social innovation: Stronger together'
- 'From crisis to choice: Re-imagining the future in shrinking cities'
- 'Against divided cities in Europe'
- 'How cities can motivate mobility mindsets'
- 'Building energy efficiency in European cities'

1.2. Cities are key actors in Europe 2020

The Europe 2020 strategy provides a common framework, agenda and priorities across the EU in order to secure 'smart, sustainable and inclusive' growth. It includes the headline target of a 75% employment rate, a set of guidelines for Member States to help drive long-term action, and several European flagship initiatives including *An Agenda for New Skills and Jobs*. The employment dimension of Europe 2020 focuses on the four key priorities (European Commission, 2011a) of functioning labour markets, a skilled workforce, better quality jobs and working conditions and job creation / labour demand. All of these are crucial to cities, and cities will play a vital role in delivering them.

These priorities are being carried forward through the European Commission's recent communication, *Towards a Job Rich Recovery* (European Commission, 2012), which proposes three linked areas of employment policy action to support economic growth, and highlights green jobs, white jobs (health and social care) and digital jobs (ICT) as key areas of potential growth. In this document we will show where cities can make an important contribution to the Europe 2020 strategy.

1.3. This framework is for you

If you are a policy-maker, policy official or practitioner working in cities on the economic, employment or skills agendas, then this framework

is for you: to help you do more and better, to grow more jobs for your city. If you are a policy-maker or official at the national or European levels, the framework should also help you in developing your relationship with cities and your urban economic and employment policies.

This framework does not aim to be a template or a 'to do' list, still less is it a 'pick and mix' approach. Every city is different to some degree, in its assets, its weaknesses, its history, its institutions and its resources. Some are performing well economically and in terms of jobs; some are performing much less well. Some have better prospects; some worse. Each city has a distinctive, particular configuration of needs and the specific nature of the actions required will differ from place to place. But this framework offers a new perspective, some guidance and an orientation that will be valuable to most, if not all, cities. This is a starting point for future action, one that, we hope, can be built upon and enriched as URBACT and other cities try new approaches, learn lessons and better establish what works best in the recovery. It promotes a long-term, strategic approach to job generation rather than quick fixes to alleviate our unemployment crisis or paper over the cracks in the economy.

How can you use this framework? Primarily as a tool to help you develop and apply real action to stimulate job growth in your city. You can use it to review your existing approach(es), holding it up as a mirror to your current activity. It offers a way of 'auditing' what is done and what could be done. Strengths and weaknesses could be identified and examined. It could be used in capacity-building, in strategy workshops, in networks or partnership meetings, to stimulate thinking and provide advice. Equally, it can be used as a framework for preparing an integrated strategy for growing more and better jobs in the context of the new European Structural Fund programmes in 2014-2020.

2. A framework for city action on jobs

Cities need to address **three broad sets of issues** to successfully generate new jobs (see Figure 1). These are:

- Jobs and the economy – the product market
- People – the labour market
- The connections between them – governance and intelligence

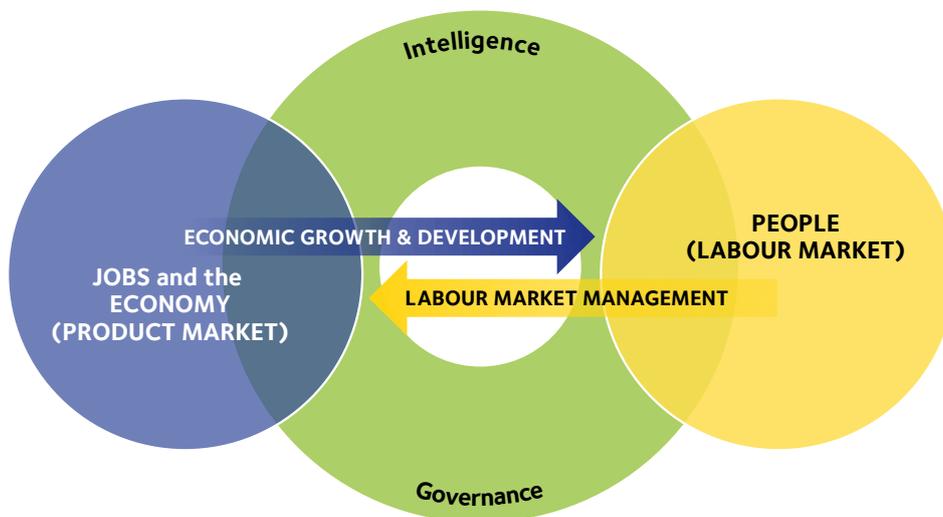
The Jobs Framework below has been developed in the URBACT Capitalisation Workstream (see Annex 1) to provide a framework within which to explore these issues and to start to provide some thoughts on “What can cities do to create more and better jobs?”. It is used throughout this paper to navigate the reader around the different elements and to provide a coherent, integrated approach.

It is the **size and growth of the local economy** that primarily determines the number and growth of jobs available. The demand for labour is a ‘derived’

demand from the requirements of organisations to produce goods and services. Economic growth (and decline) and jobs growth (and decline) are clearly correlated over time, as we have seen from the boom years and subsequent recession. So, a successful local economy, a successful ‘product market’, is crucial to jobs growth. City policies to build the local economy are vital.

On their own, however, such policies, while necessary, are not sufficient. Why? The economic growth may not create enough jobs; local citizens may not be able to access the job opportunities generated; and the type of jobs may leave the labour market polarised with too few high-quality, well-paid jobs or too many insecure, low-paid jobs. **Cities also need, therefore, to ‘manage’ their local labour markets** to help make the most of this economic growth and to create the sort of growth that cities need – one that is inclusive and responsive to change.

Figure 1. Outline framework for city action on jobs





Photos: www.enterprisingbarnsley.co.uk

These two sets of actions cannot be undertaken in isolation. They need to be aligned, to connect, so that they can work together and complement each other. They need to be seen as a 'whole system', an integrated set of actions which creates synergy. This is rarely the case at city, regional, national or EU level. Addressed separately, they may not join up properly, which may lead to gaps, overlaps or opportunities not being taken. They may even be in conflict with each other. To avoid such **policy silos** and to help create a coherent, integrated approach to city action on jobs, cities need to put in place **mechanisms to**

connect the different parts of the system together. We need **shared intelligence** about the economy and labour market, so that we are knowledgeable about the particular conditions, issues and priorities in the city and so that the knowledge is available, understood and agreed by the main local stakeholders. We also need **good governance**: a means of managing the system as a whole so as to encourage collaboration and achieve the effective coordination required to obtain the best outcomes from our actions. Shared intelligence and good governance provide the **glue** to hold the system together.

The implications of this framework include:

- It is important to **see the big picture**, the whole system, and how it fits together.
- Action is required across **all three spheres** of activity and it needs to be interlinked.
- **A balanced, integrated approach** which is well managed is most likely to be successful. It is an antidote to actions which are one-dimensional, currently fashionable, or driven by the availability of public funding.
- There is no 'one size fits all' solution for every city. This is a framework, not a straitjacket. The specifics of local action depend on local conditions, particularities and history.

Each of **these three spheres of activity will be explored in turn in the following sections of the city framework**. Some of the ingredients will be familiar to many, but some may not be. In any case we need much more than just ingredients. By having all the ingredients and making them available to everyone, we will then be better able to combine them together into a new, improved recipe for success. But even then the best recipes still require a good chef: you.

3. Encouraging economic growth and development: JOBS

3.1 The JOBS agenda and some illustrations

The number and growth of jobs depends in large part on economic development and growth. What does economic growth depend on? Figure 2 sets out the key elements which make up the economy and these are explored in this section of the paper:

- demand
- competitiveness
- economic structure

Demand matters

Economic growth depends on the **demand**, from both consumers and other businesses, for the goods and services that the local economy produces. This demand comes a) **from within the city** itself, especially for goods and services that are not widely tradable, b) **from elsewhere** in the country, the rest of the EU and across the

world. In other words it depends both on internal, but largely on external, economic conditions. In addition, **government spending** (internal and external) represents over 25% of GDP and jobs in many EU countries. Especially in times of austerity, we cannot ignore the implications of this part of demand and the multiplier effect it can have on the rest of the economy.

“Weak demand is the central problem.”

– Alexandra Jones, Chief Executive, Centre for Cities (UK), More Jobs: Better Cities evidence hearing, 2012

Cities can affect internal **demand within the city** itself in a range of ways. They can work to protect and stimulate local spending, particularly on locally produced goods and services, e.g. through ‘buy local’ campaigns or ‘community currency’

Figure 2. Encouraging economic growth and development



schemes which keep money circulating within the city. Temporary measures to protect employment levels will also keep spending higher than would otherwise be the case.

Another way of keeping spending within the local economy is to reduce imports into the city by developing 'import substitution' industries locally. Cities can also work to **integrate** the local economy more, building trading connections between local companies, so that increases in demand are felt more keenly throughout the city's economy. This can be done through **local public procurement initiatives** that strengthen local supply chains (e.g. through clauses assuring that smaller local companies have access to public contracts and through social clauses about the employment and training of local people). Trading links also create a deeper local economy which keeps spending circulating locally and prevents 'leakages' from the city's economy ('my spending is your income'). However, building a more interdependent economy like this has limits – particularly in smaller, poorer cities where internal markets are small and the potential for expansion is minimal.

“Cities are sites of consumption (e.g. retail, hospitality) as well as production.”

– Cristina Martínez-Fernández, Policy Analyst, OECD LEED Forum, More Jobs: Better Cities evidence hearing, 2012

While cities can obviously do little to directly or significantly increase overall external demand, they can 'bend' it in a number of ways:

- Firstly, effective '**positioning**' and marketing of the city in key consumer, business and geographical markets (including tourism and higher education) can stimulate **exports**.

According to the URBACT ESIMeC Thematic Network,¹ it is key to reach agreement on how the city wants to be perceived and identified (knowing what is realistic), and to come to a shared understanding of the current and potential target market. Cities need to identify the needs and wants of their potential 'customers' and then develop and use a brand / visual identity and marketing tools to change community participation and perception. This is also the central theme of the URBACT CITYLOGO Thematic Network,² which explores how cities are seeking to position themselves better in the new economic landscape to help them emerge from the economic crisis.

- Second, through **support for local companies** to access markets, especially international and public procurement markets.
- Third, through the encouragement of an outward looking, expansive, cosmopolitan business culture. Securing strong **connections** to the wider economy is a crucial dimension of growth, and an important precondition of it, given its size and potential compared to the city's own. Insularity is dangerous. "Cities need a foreign policy ... intelligent cities look far beyond their own patch." (Professor Michael Parkinson, *More Jobs: Better Cities*, telephone interview, 2012)

Sergio Barroso from the Research Centre for Regional and Urban Development in Portugal concurs that economic recovery and sustainability in Portugal's cities is all about international connections and exporting (More Jobs: Better Cities evidence hearing, 2012). Companies need to generate demand from outside the country. They need to reindustrialise the economy, to innovate and create new products using

1 www.urbact.eu/esimec

2 www.urbact.eu/citylogo



human capital and skills. Existing and emerging businesses in Portugal have an advantage here, having close links both culturally and linguistically with Brazil – by far the biggest economy in South America. The public role, according to Mr Barroso, is to create the new dynamics and governance structures that are required to achieve a culture of innovation and learning. The focus of public sector intervention needs to shift from funding infrastructure to developing new and innovative approaches, and from top-down approaches to customised **local solutions** adapted to the reality of local conditions. In the crisis many cities are trying to stimulate exports (including tourism) to countries with which they have a historical connection or language affinity.

Creating the conditions for competitiveness

Demand is only one part of the economic growth agenda, the other is supply – creating the conditions for competitiveness – whether by attracting new companies, establishing more new start-ups, or supporting existing companies. There needs to be the actual local production of goods and services for the demand to be effective, for it to be realised, for it to result in increased output and potentially in more jobs. So, it is crucial for cities to help **create the conditions** in which companies can invest and succeed in four main ways:

- Support for existing businesses and their growth (**business development**) is a key element of this which can be achieved through strong relationships between the city authorities and key business representative bodies, with close attention paid to their articulated needs. A wide range of measures are potentially available including business information and advice, property services and planning.
- A reputation for a business-friendly environment (e.g. in terms of regulatory and planning

requirements and fiscal conditions) and competitive local conditions will also encourage **business attraction**, inward investment from other locations or countries which can also help rebalance the economy and add to the local stock of management talent.

- A third important element in establishing strong supply conditions is the encouragement of more, and more sustainable, business start-ups, new micro-enterprises, for example through the availability of space and incubator units, access to finance as well as subsequent support, to enable businesses to become sustainable. Quality of place – and indeed quality of life – is another key element of an integrated strategy for competitiveness and growth – offering an environment with efficient infrastructure, good public spaces and so on attracts and retains both people and businesses.
- The development of an enterprising or **entrepreneurial culture** within the city is key – one which encourages and supports people in establishing and growing businesses. Entrepreneurial attitudes and behaviours can, for example, be encouraged in local schools, colleges and universities.

A good example of an initiative to develop an enterprising culture and attitude among young people is the **Summer Entrepreneurship** programme in the city of Sundsvall (Sweden), which has participated in a number of INTERREG programmes (IVB and IVC). It aims to give young people a platform from which to create jobs. As ‘summer entrepreneurs’ young people create their own businesses, using their own ideas and needs. The initial kick-off phase, which lasts one week, provides the opportunity to put ideas into practice whilst learning about entrepreneurship and enterprise. Following this, facilitators work with the young people for between six and ten weeks and a small amount of start-up capital is





Photo: Mike Campbell

also available. In 2012 alone more than 1,000 young people were given the opportunity to create their own jobs. Ulla Gredemyr, the programme manager, believes that not only does the scheme make people more entrepreneurial in attitude but it also empowers them and connects them to the local enterprise community, who start to think of young people as potential entrepreneurs or employees.

According to Jonathan Potter from the OECD's Centre for Entrepreneurship, SMEs and Local Development (More Jobs: Better Cities evidence hearing, 2012), 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 attitudes**, education and skills e.g. by working with schools, colleges and universities
- Foster **collaboration** e.g. between industry and university by providing incentives for researchers to collaborate with business

A further aspect of raising demand is working directly with employers to encourage them to invest more in the skills of their workforce and how these could be better used to **raise productivity** and enable firms to produce higher value added goods. The UK's 'Employer Ownership of Skills' pilot is a good example – it is a competitive fund open to employers to invest in their current and future workforce. Employers are invited to develop proposals that raise skills, create jobs, and drive enterprise and economic growth. The government will invest in projects in which employers are also prepared to commit their own funds in order to make better use of the combined resources.

But the **competitiveness** of a city's economy ultimately depends on how well businesses perform, whatever the sector in which they operate. In other words, business **competitiveness** – the ability to produce better quality or cheaper goods and services than others – is crucial to growth and jobs. Several factors are important in driving a city's competitiveness, only some of which are within the sphere of influence of the city itself. The range of high-quality products/services in higher value markets, **high productivity** which enables a competitive advantage, and relatively low **costs of production** (e.g. land, labour and buildings) especially in markets where price is a key factor, are all important. Competitiveness in the long term depends on much more than price. **Product differentiation** means that value is less subject to cost and price factors. **Innovation**, in processes and products, is central to driving adaptation to change or, indeed, creating the change in the first place. Increasingly **open innovation** has a part to play as businesses recognise that research and innovation are no longer the exclusive domain of universities and research institutions. The CLIQ INTERREG IVC project (which promoted the involvement of citizens in the innovation process through a



quadruple helix of government, research, industry and citizens) concluded that “public authorities can have multiple roles³ in relation to innovation, and these roles are often shared with other stakeholders within the innovation system, such as industry, knowledge institutions, banks and user groups” (CLIQ Toolkit, 2011).

The organisation of the workplace, management practices and local skills are also important here, as are technologies and scientific research (OECD, 2010). **Agglomeration economies**⁴ present in the city will also generate competitive advantage. The power of ‘proximity’, from people living, working and thinking together, spreads knowledge especially in cities with high skill levels (Glaeser, 2011).

Encouraging the establishment and development of **clusters** can increase competitiveness and build a reputation. Geographical concentrations of interconnected companies, often with associated institutions such as universities, can reach a critical mass providing a competitive edge, increased productivity, innovation, stimulation of new businesses and the attraction of related inward investment (Porter, 2000). Moreover,

³ CLIQ categorises these key roles under a number of headings: facilitating inclusion of citizens; communicating innovation; supporting access to finance; providing infrastructure and services; developing knowledge and competence; orchestrating activity; formulating policy and regulation.

⁴ Agglomeration economies refer to the benefits that firms and people derive from being close to each other (in cities). Proximity reduces the costs of exchanging goods, services and ideas, and clusters of economic activity are generated. They arise from three types of agglomeration or clustering effects: ‘localisation’, where specific activities/people with similar needs/profiles converge; ‘activity’, where different activities have substantial trading links with each other; and ‘urbanisation’ where the activities are related to the sheer scale of the population and economic activity. In short they arise from the scale of the economies and the network effects of cities and they give cities much of their competitive advantage and reason for their growth.

the establishment and development of business **networks** can create momentum, collective endeavour and the spread of good practice. Urban density helps create networks in highly skilled cities and has been shown to raise productivity through the sharing of ideas and creativity (Florida, 2012).

Companies’ **business strategies** are critical to their long-term success and, in a world of globalisation and rapid technological change, this will often involve moving up the value chain and upskilling the workforce. Astute **management and leadership** are central to success, so relations between businesses and local universities, business schools and research centres can be important.

In short, the constant search for **competitive advantage** is key. It is, however, mainly ‘tradeable’ goods and services that are most under pressure to be competitive on a wider than city scale, and some sectors and companies that are vital to competitiveness, productivity and growth may not employ large numbers of people. High-growth companies are not always high-job-growth companies especially in the short term. Other sectors and companies may be more labour intensive and job-rich e.g. retail, health.

It is important that cities develop a **balanced** approach to growth and development that uses the range of levers available to them in pursuit of the generation of jobs. The main thing is that, ultimately, jobs are created when companies take on people to produce goods/services that people and other businesses want to buy. So, new jobs come from more companies taking on more people, producing more goods and services that more people and businesses want.

Creating the right economic structure

Why might my city do better than others, beyond these overall demand and competitiveness conditions? The **structure** of the city’s economy, its



sectoral composition, is an important determinant of economic growth and jobs because different sectors grow at different rates over time and some are more sensitive to business cycles than others. Cities will want to develop high-growth (and cycle-resistant) sectors which, if successful, may also result in a more **specialised** economy. If a city is known to have strengths in certain sectors this may also help it to attract inward investors. But there are clearly risks of taking this too far. Over-specialisation means that should the sector(s) face external shock or changes in

demand, then they may turn into low-growth, or even declining, sectors, as has happened with extreme consequences to the construction sector in many parts of the EU, and happened in the past with cities that depended on textiles, steel, coal, shipbuilding, cars, wood (as addressed by the URBACT Wood Footprint Thematic Network⁵) and so on. Nowadays the mantra is that cities should focus on knowledge-based sectors and cultural industries associated with 'smart growth'. However, competition is fierce in these sectors from cities in both the developed



Digital economy – Barnsley, partner in the URBACT Creative Clusters Thematic Network

Barnsley (UK) has a population of 231,900 people and is home to 71,501 employee jobs, of which 27% are currently in the public sector. There are 6,315 businesses of which 5,040 are tax-registered employers, which is considered too few for a population of Barnsley's size. Adapting to the decline of coalmining, 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-low skill occupations profile.

It has recognised the importance of the creative and digital economy and the fact that new types of dialogue (particularly between micro companies and the city) 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 – which bring together small companies with social media experts and representatives in a learning environment – have been popular and often oversubscribed. Intercompany collaboration

is encouraged, both through the online platform, using social media, and through the provision of collaborative business environments e.g. shared office space, networking events etc.

The city recognises the power of lifestyle opportunity and emotional attachment and has found that new companies with growth potential are often created by 'Barnsley Alumni' who 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 short-term 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.

In 2012 alone the city has supported 68 companies employing nearly 800 people in the creative and digital economy and helped to create or safeguard nearly 40 jobs. 40% of these companies saw an increase in their workforce.⁽ⁱ⁾

(i) <http://www.barnsleydevelopmentagency.co.uk>



world and emerging countries. Not everyone can enter the ‘champions’ league’ and cities have to measure their human and technological resources realistically. Barnsley provides an example of such a step-by-step approach.

Growth sectors change over time and some cities also have local conditions or assets that are more or less conducive to their development or attraction. A more **diversified** economy may also be more resilient providing more ‘balance’ and with negative impacts being less widely felt, though such an economy is less likely to experience rapid growth. Perhaps a balanced approach of flexible or ‘smart’ specialisation offers an appropriate course of action. Smart specialisation involves selecting a limited number of priorities on the basis of local strengths and comparative advantage where there is the greatest potential for lasting impact, the aim being to raise productivity and competitiveness. The European Commission’s definition is that “smart specialisation involves a process of developing a vision, identifying competitive advantage, setting strategic priorities and making use of smart policies to maximise the knowledge-based development potential of any region, strong or weak, high-tech or low-tech”. It reflects an approach to **innovation** in particular that goes well beyond technology and research into wider assets and demand-side issues.

Of course, high-growth sectors are not necessarily the same as job-rich sectors. Different sectors also offer a different **quality of jobs** in terms of earnings, contracts and working conditions.

One way of increasing the number of jobs generated in a city, and adapting the economic structure, is to seek to secure a more employment intensive or ‘job-rich’ pattern of growth (European Commission, 2012). Cities can seek to **foster the growth of particularly ‘job-rich’ sectors and occupations**, i.e. ones which create more



Photo: www.enterprisingbarnsley.co.uk

jobs for a given rate of growth or even just ones which are currently under-represented locally but which are growing. The European Commission communication of April 2012, *Towards a Job Rich Recovery*, refers in particular to the opportunities from the **green economy, health and social care and ICT professions**. At the same time the Commission communication of September 2012, *Promoting cultural and creative sectors for growth and jobs in the EU* also highlights their jobs potential. One can also target sectors that meet local unmet needs, e.g. adult social care, health, education, or household services, thus enhancing the local quality of life at the same time as creating jobs (European Commission, 1995). A variant of this is to focus on sectors whose mix of jobs and job profiles best match the current skills of the local workforce.





Green jobs – Albacete, partner in the URBACT ESIMeC Thematic Network

Albacete is a medium-sized city of 171,000 people located in central Spain. Prior to the global economic crisis it experienced rapid economic growth and a huge expansion of the construction sector. The crisis brought with it serious decline and high levels of unemployment. At the same time the municipality, through its Agenda 21 work, highlighted the green economy as offering potential for growth. The Strategic City Plan has ambitious targets for energy efficiency including the reduction of energy consumption by 20% by 2016. The municipality believes that this offers an opportunity to stimulate the construction sector, and thus the economy, in a new and sustainable way. The city is trying to get workers (employed and unemployed) ready for the new green economy whilst simultaneously creating jobs in this sector by investing in retrofitting public buildings with energy efficiency measures. It is working with employers, business support organisations and education and training providers alike to rise to the challenge of the green economy by developing green skills programmes.

Albacete's ambitious URBACT Local Action Plan seeks to redesign the city's future labour market, using shared intelligence, evidence and action from all stakeholders involved in economic development, employment, energy efficiency and regeneration.⁽ⁱ⁾

"Social and employment development must be progressed alongside a change of production and consumption models as well as a change of lifestyle based on an efficient use of resources. To achieve these changes we must adapt our values and our economy to promote inclusive, sustainable and smart green growth" – Ramón Sotos Callejas, Former Deputy Mayor for Economic Development and Sustainability, Albacete.

(i) More information on Albacete at www.urbact.eu/esimec and on the URBACT capitalisation work on building energy efficiency in European Cities at www.urbact.eu

One of the sectors heralded as offering potential for growth in income and jobs is the green economy, and over the last few years the OECD has been developing some indicators for use at local level to measure the transition to a green economy. In this context it is carrying out an in-depth case study on Copenhagen. Initial results show that the Danish capital is a 'leader amongst greening cities' and the employment figures for its growing CleanTech⁶ Cluster are impressive: in 2011 they shared a combined turnover of €12bn (40% of the city's overall business turnover) and employed more than 43% of the city's people. Between 2004 and 2009 'green turnover' grew by 55% and green technology exports by 77%. According to the OECD: "Green investment is driving new business opportunities, and in the process generating demand for both new jobs and different types of jobs".⁷

⁶ Cleantech has become a popular term when referring to a broad spectrum of products and services concerned with renewable energy, environmental solutions, climate adaptation and much more. There exists no standard, international definition of cleantech and its sub-industries and how the term is used is thus open to interpretation. Top of Form

Copenhagen Cleantech Cluster has evaluated many prevalent definitions and categorisation methods of cleantech, but have found no single definition which encompasses the full spectrum of cleantech. Therefore they have developed their own definition which is:

'Activities (including consultancy and research), which develop, produce or implement new or improved processes or products that contribute to:

- Produce renewable energy or sustainable materials
- Reduce the use of natural resources by exploiting the resources or energy more efficiently
- Reduce the harm caused by fossil fuels
- Reduce pollution problems through products, processes and/or consultation'

⁷ Angel Gurría, OECD Secretary-General, 8 October 2012. <http://www.oecd.org/about/secretary-general/measuring-the-potential-of-local-green-growth-an-analysis-of-greater-copenhagen.htm>



The **public sector** also provides substantial employment in many cities, including local services to meet local needs (e.g. education, police, health care, care of the elderly), local branches of national organisations including government and publicly funded autonomous organisations (e.g. universities). Cities can encourage the establishment, development and retention of such organisations, though the current fiscal austerity in large parts of the EU may make this aspect of job generation less likely in the near term, even though demand for these services is often growing.

Social enterprise/third sector organisations can also make an important contribution to jobs and, together with public organisations, can offer variation in the structure and purpose of the urban economy as well as requiring different skill sets, wages and conditions. Cities can, for example, include social clauses, weighted criteria or use reserved tenders when procuring goods and services, to encourage their growth.

“It’s not a question of public jobs bad, private jobs good. Cities need value generating jobs, whether they are public or private”.

– Alexandra Jones, Chief Executive, Centre for Cities, UK, More Jobs: Better Cities evidence hearing, 2012

3.2 Key messages on jobs

Cities have to navigate their way through a wide array of important issues. Should they focus on opening new markets or on creating the general conditions that will allow them to compete anywhere? Should they build local markets or are exports the key? Should they focus on start-ups or existing companies? On finance for entrepreneurs



Photo: www.enterprisingbarnsley.co.uk

or on creating an entrepreneurial mindset and conditions? Should cities focus on the long-term development of general demand and supply conditions for competitiveness or concentrate resources on faster wins in particular high-growth sectors? The answer is that cities need to address all of these issues and find the right balance according to their particular circumstances. The latest fashions in economic development and in national and EU policies can provide new insights but they must be applied with judgement to local conditions. We hope that the framework presented here will help by making the main levers of intervention explicit. Some of the key actions that cities can consider are as follows:

- Cities can undertake a rigorous **economic assessment** to gain a deep understanding of the strengths, weaknesses, opportunities and threats faced by their local economy as a prerequisite for further action.
- Action to develop national and **export markets** – e.g. through a (re)positioning exercise, a designated export strategy – needs to be taken in an integrated and incremental way.
- Stimulating **local domestic demand** through buy local campaigns, public procurement, and facilitating local supply chains can be an important spur for new job-rich initiatives.
- Cities need to ensure that the overall supply



and demand conditions for **competitiveness** – such as the development of a business-friendly environment, good business support services, entrepreneurial education – are in place. This will allow them to be resilient to external shocks. At the same time, it is sensible to prioritise those sectors where the city has most strengths in terms of competitiveness and jobs, and to work with local employers to help them better understand the direct link between investing in workforce development and productivity/higher value goods.

Stimulating **demand**, improving **competitiveness** and creating a sound **economic structure** are key to economic and jobs success.

However, at the same time as creating the economic conditions for growing more jobs, cities also have to look at how best to manage the labour market to ensure that local citizens can gain access and progress to good quality jobs. This is the subject of the next chapter.



Photo: Cross River Partnership

4. Managing your labour market: PEOPLE

4.1 The PEOPLE agenda and some illustrations

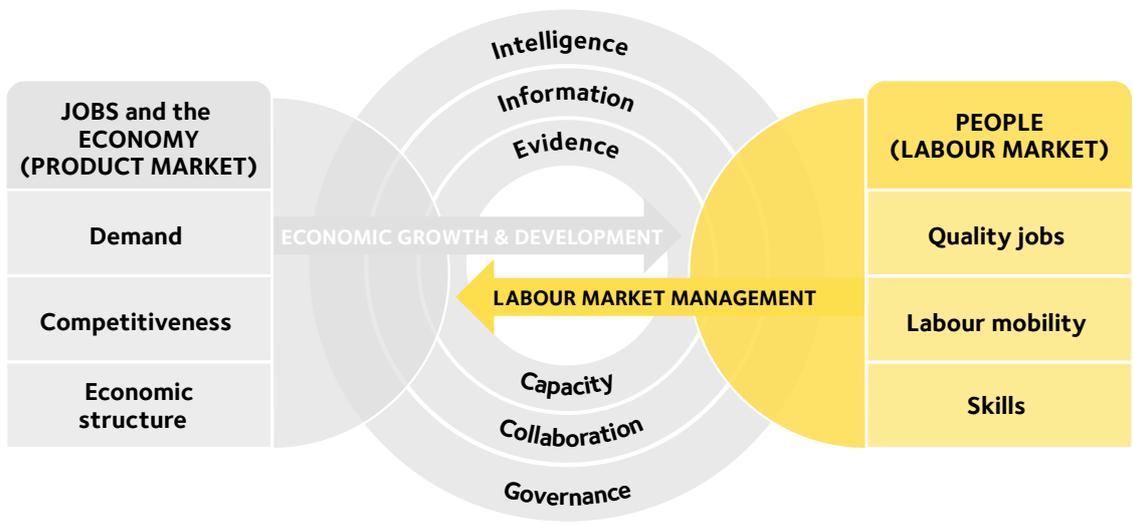
Economic growth and development shape the demand for labour, the volume and nature of jobs. However, there is no guarantee that local citizens will be able to access the job opportunities that become available. And the jobs that do become available may not be as high-quality as desired. For these reasons, cities should consider managing their local labour market to help generate more and better jobs. Figure 3 highlights the key elements of labour market management and these are explored further in this section of the paper:

- quality jobs
- labour mobility
- skills

Creating quality jobs

In order to create **better quality jobs**, in terms of earnings, skill levels, length of contract/security, scope for career progression and working conditions, a degree of **sectoral targeting** can help achieve this as some sectors (and occupations) exhibit better job quality than others. Potential action can also include working with local employers to collectively improve job quality, for example, action on **public procurement** by including conditions as to hiring, working conditions or even wages in public contracts, and campaigns on a **'living wage'**. Glasgow's living wage, for example, sets a new guaranteed minimum standard of income for all city council workers. It is not limited to council employees however – the council has also used its procurement strategy to encourage wider implementation by asking contractors to sign up

Figure 3. Managing the labour market



to the living wage. It is explicitly built into their sustainable procurement policy. There are now more than 150 employers across Glasgow who have signed up. As well as the obvious benefits to employees, the anticipated benefits (based on feedback from similar programmes elsewhere in the EU) include easier recruitment and retention, higher-quality staff, and better attendance, productivity, motivation, loyalty and quality of service.

Many local communities are placing an emphasis on increasing the quantity of jobs available but, in the long-term, a greater focus is needed on

the **quality of local jobs**. Research by the OECD LEED programme (Froy and Giguère, 2010) has identified a number of tools that can be used to address problems related to low-quality jobs and improving skills utilisation. These include improving working conditions, encouraging participation in training for both managers and workers, promoting technology transfer, using public procurement to develop a quality-driven supply chain, supporting social enterprises, and embedding skills policies in economic development policies. Partnerships between stakeholders (e.g. employment, vocational education, and economic development services) at the local level are needed to ensure aligned skills approaches.

Career ladders can also play a critical role here. They can aid incumbent workers to make the transition from work which is low-wage and low-quality to better jobs. They can be particularly effective in retail, health and hospitality where there is much low-paid work as well as high levels of immigrant workers.

However, perhaps the most significant action that can be taken to develop better jobs is skills development. This is covered below.

Encouraging labour mobility

The labour market needs to be flexible enough to adapt to structural changes in the economy and changes in the types and locations of jobs available. Labour mobility is important so as to secure a 'match' between demand – the jobs available – and supply – the people who want them. Labour market policies can operate on both 'sides of the market', supply and demand. **Cities can make it easier for employers to hire more people and for citizens to access those job openings**. It is important to consider not only new and better jobs but the movement **between existing jobs** in the city. There are perhaps three approaches here:



Besser statt Billiger, North Rhine-Westphalia

Employees can also encourage the development of better jobs. For example, as part of the 'better not cheaper' campaign in the manufacturing sector in North Rhine-Westphalia in Germany, trade unions have promoted new forms of production that use the skills of the workforce to generate innovative, high-quality products (Haipeter, 2011; Warhurst & Findlay, 2012). The approach is grounded in the recognition that competitive advantage increasingly depends on quality rather than price, hence the need to fight against cheaper and fight for better. The campaign is driven by the local partnership-based works councils, supported by the unions and makes demands on companies in respect of workforce development, participation, work organisation, research and product development. Over 500 companies have become involved. This is taking place within an existing culture of dialogue and co-determination. Overall, the objective is to raise employer ambition and, with it, job quality.



“Human capital is today the best predictor of a city’s success”

– Moretti (2012)

- First, most new job openings are not in fact ‘new’ (additional) jobs at all, but replacements caused by (voluntary) labour turnover as people change jobs, retire or leave the area. Seeking to ensure that such openings are available and accessible to a city’s citizens can have a major influence on employment opportunities and levels. The local public employment service can play a crucial role here as can local employers in their recruitment policies.
- Second, cities can use ‘active labour market policies’ to smooth the transition caused by the ongoing dynamic of job losses (and gains) that occur almost daily as businesses adjust their staffing, in response to economic and technological conditions, by reducing their workforce or by not replacing people who leave voluntarily. Paradoxically, this may allow more job generation in the medium term, as labour and other resources shift from less to more successful businesses and sectors over time, often with better and more sustainable job prospects as well as higher productivity. The key, however, is to assist people in finding those new jobs, often in different occupations and sectors, through improving flexibility, mobility and skills (Campbell, 2000; Campbell and Meadows, 2001).
- Third, some cities may focus on trying to protect some *businesses* if they are threatened by closure or major redundancies, especially if they are particularly significant to the local economy. They may provide subsidies or other incentives and assistance, depending on whether the business is moving out to another city (or country) or closing/downsizing due to competitive pressures.

They may campaign against the decision or work with the business and workforce to mitigate the worst effects. They can assist the workforce affected, by helping them to find alternative jobs or acquire retraining for different jobs. More strategically, a city may seek to protect an entire *sector*, especially if it is significant in scale or connections to the rest of the city. However, it is generally hard to successfully resist market forces with the resources at most cities’ disposal.

Encouraging **labour mobility**, between jobs, occupations and sectors, also makes the local labour market more fluid, flexible and responsive to change, enabling both citizens and businesses to be more adaptable and take advantage of opportunities as they arise. Reskilling the workforce to improve the match between skills and these new jobs can play a vital role, as can local transport and housing policies to better match the locations of people with the location of new jobs. Sound **information, advice and counselling services** for both young people and adults have a valuable role to play in assisting such transitions into, and throughout, working life. Career ladders (see above) are also important to help enable people to progress through the labour market.

Developing a skilled workforce

In the end, the best way cities can adapt to the changing needs of the labour market is for their citizens to have the skills needed for the jobs that are available and are being created.

“When it comes to cities, skilled human capital is a key predictor for success.”

– Glaeser (2011)



Who will get the new jobs that are generated?

This is a crucial question for cities, as it is in their interests to secure the maximum number of jobs for their own citizens, to increase employment, reduce unemployment and increase local living standards. But this is by no means guaranteed by the generation of new jobs. New or existing jobs can be taken by migrants, from elsewhere in the country or from overseas, or by commuters from other areas travelling into the city. While both can have beneficial effects in the longer term, and are indeed vital if the new vacancies become difficult to fill in the short term, it is not beneficial for a city to be the source of jobs growth but not to have the benefits of such growth being widely shared by its citizens. It is especially important that the unemployed are not disconnected and have access to these job opportunities, an issue explored in the URBACT II Capitalisation Workstream on social and spatial polarisation – ‘Supporting Urban Youth through Social Innovation: Stronger Together’ and ‘Against Divided cities in Europe’ and in a number of URBACT Thematic Networks including My Generation,⁸ My Generation at Work⁹ and Jobtown.¹⁰

So how can local people be given the maximum opportunity to access new job opportunities?

Who gets the jobs that become available depends on people having the skills required in the jobs that are created and on their ability to access these jobs. The development, retention (and attraction) of a **skilled workforce** is an essential, core endeavour for cities, particularly as i) jobs are becoming more knowledge intensive; ii) more jobs require higher skill levels; and iii) those with low skill levels face major obstacles to employment. High-quality local education and training provision in schools, colleges and universities as well as high levels of

commitment and investment by both employers and individuals are crucial to success. The technical and professional skills made available need to be broadly consistent with current labour market needs, and with those that are anticipated for the future through the city’s ongoing growth and development agenda and wider economic trends. Generic skills are also of great importance, perhaps the most valuable of which are entrepreneurial, communication and team working skills. In other words, taken together, we need **skills for jobs**. Clearly with most education policy and curricula being developed at a national level, cities need to explore ways they can influence local provision within national constraints. Close and effective links between employers and education and training providers, and programmes which bring work into the classroom and pupils into workplaces, are the key.

Brighton and Hove in the United Kingdom (a partner in URBACT Thematic Network Urban N.O.S.E.) has done some interesting work in this area and in 2012 has endorsed a new City Employment & Skills Plan for 2011–2014. This reflects the new post-recession economic landscape and sets out three priorities for action that take into account the socio-economic and policy changes that have occurred and will influence how actions are taken forward. The City Employment & Skills Steering Group (CESSG) membership reflects the need to balance both the priority to support the creation of jobs and the priority to equip local people to compete for them. The CESSG is led by an elected chair from outside the city council and members include representatives from six key local businesses. In the first year of the plan’s delivery (2011–2012) the group focused on three main outcomes over the short, medium and long term:

8 www.urbact.eu/mygeneration

9 www.urbact.eu/my-generation-at-work

10 www.urbact.eu/jobtown



- Short term – the development of a one stop shop which provides SMEs with apprenticeship and graduate placements.
- Medium term – tackling the shortage of graduate level jobs by creating a City Prospectus and holding a City Expo to showcase existing businesses in key sectors, attract inward investment and brand the city as a place in which to do business.
- Long term – the group is exploring the viability of an eco-technology business park, which will include a business incubation centre providing business support and training.

The importance of skills development to jobs and the economy is perhaps best exemplified by the launch of the OECD Skills Strategy in May 2012.

By investing in local demand for skills, local stakeholders can help to create greater choice for people through opening up more **career pathways**, thereby ensuring they are not obliged

to move away in order to gain a fulfilling career. **Pathway models** provide a clear progression of courses for learners towards achieving recognised qualifications in a particular occupation. Often these pathway approaches are implemented through a partnership between post-secondary education providers and employers. Such approaches are important in an increasingly complex and fragmented labour market where employees may no longer progress within one company, but rather move between jobs with different companies and in different sectors. It also helps to connect providers to the local economy and produce workers with the appropriate **skills for jobs** in the city.

Skills not only connect people to job opportunities, they make existing businesses more productive, attract new businesses and encourage business start-ups. Skills are key to the economic success of cities and nations (Campbell and Garrett, 2010; OECD, 2012).



OECD Skills Strategy

Investing in skills, anticipating skills needs and improving the links between skills, education and the world of work are all cited as priorities. 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, 2012). 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 calls for more to be done to foster **entrepreneurship** stating that “entrepreneurs are made, not born”. Skills upgrading, skills matching, skills activation and increasing skills demand and use are all crucial to ‘building better jobs and better lives’.⁽ⁱ⁾

(i) <http://skills.oecd.org>





Employer-school links – Gävle, partner in the URBACT ESIMeC Thematic Network

Gävle is a medium-sized city of 95,000 people about 160 km north of Stockholm in Sweden. It is home to a university with 12,000 students but it still has a proportion of people finishing school and proceeding to higher education that is much lower than the Swedish average. Traditionally young people went into local industry (paper and pulp for example) without needing a qualification when they left school. The world has now changed, industry has contracted and the city needs to adapt to this. Employer costs are relatively high in Sweden and the city of Gävle believes that having a very highly qualified workforce is absolutely critical to its economic resilience and growth. Its Vision for 2025 therefore includes 'Skills, innovation and entrepreneurship' as one of the five key themes and a wide variety of initiatives have been developed to promote education and training which meets the needs of new and emerging businesses locally.⁽ⁱ⁾

Across the city a range of linked initiatives have been developed to help connect education and employment. Some examples are:

- **TENUM – Technology, entrepreneurship, natural science, outdoor education and mathematics:** This programme aims to instil an interest in and aptitude for science and technology across the school curriculum from an early age. Teachers, pupils and employers alike are working together to help increase the relevance of education and skills to the real world of work. In one example 400 'themed' boxes of physical resources (models, tools, building blocks etc.) are made available for local schools to use to help children as young as three understand some of the key scientific concepts. Older students (15-16 year olds) spend 3-4 days shadowing engineers in the workplace to help them get a real sense of what it's like to use science and technology skills in the workplace.

- **Entrepreneurial Learning:** School teachers are given training in entrepreneurial education and this has led to the development of a mentoring programme linking pupils and business people. Mentors and mentees have regular meetings and e-mail contact to accompany practical work experience, work shadowing programmes and careers coaching. During the process each pupil is given a work-based challenge to work with and their solutions and ideas are presented to an annual 'expo'. Motivation and personal responsibility has improved vastly as a result of this initiative, particularly amongst boys.
- **National Young Entrepreneurs Programme:** For the last eight years Gävle's 16-19 year olds have had an opportunity to develop a service or product and establish their own company. Groups of 2-4 young people set up and run a real business for 12 months and present their business plan, products and results to an annual Young Entrepreneurs' Fair. 1,200 students took part in 2010/2011 and some companies established through this programme have gone on to succeed in the real world of business.

"It is very important to give young people role models and a vision of possible professions in order to prepare them for the future. As an example, in 2012 all services in the municipal administrations and companies in Gävle will have to receive students for visits and internships – in order to present the municipality as an attractive and future employer."

– Birgitta Petterson, Director of Department for Education and Labour, Municipality of Gävle.

(i) <http://www.urbact.eu/esimec>



A study of the competitiveness of 120 major world cities based on 31 indicators found that “the most significant advantage that developed country cities hold is their ability to develop and attract the world’s top **talent**” (EIU, 2012). At the same time a recently published study across 257 EU regions on what matters most in explaining economic performance, concluded that **skill levels** play a major role. There is also extensive evidence from the USA that cities of highly skilled workers and innovation are growing jobs, while others are losing them (Moretti, 2012). Moreover, these job gains occur not only in high-skill sectors and occupations, because spill-over effects mean that their impact is felt on the number of lower-skilled service jobs as demand is boosted for local services. For example, for every new high-tech job created in a city, up to five additional service jobs are created. These service jobs also tend to have higher earnings than similar jobs in other cities (Moretti, 2012).

A variation on the role of skills is the identification of the ‘**creative class**’ of talented and creative people as a driver of city economic performance (Florida, 2004). Beyond ‘growing your own’, attracting and retaining high-quality (especially creative) talent depends on cities being cosmopolitan, bohemian and tolerant, strong on the soft factors of city development (e.g. arts and place quality).

The more highly-skilled workforce also needs to be **matched with labour market needs**, otherwise skill shortages and gaps will arise which constrain growth and job generation. Indeed, skills may be underused if people are under-employed e.g. in part-time jobs or jobs for which they are over-qualified. Cities could pay attention to the **use of skills in the workplace** and encourage the high performance workplaces and management practices that sustain them, so that a skilled workforce actually has skilled jobs to do.

There is strong variation between local labour markets in terms of the relationship between skills supply and demand. While some cities have a strong supply of high skills matched by a strong demand for high skills, others experience either an imbalance in skills supply and demand (leading to skills shortages or skills surplus) or a low skills equilibrium, where a low level of high skills in the workforce is matched by a low demand for high skills.

Local policy-makers have a range of different tools that they can use to raise the amount of skilled employment and make the transition to a more productive economy. For low skills equilibrium and skills surplus regions in particular, this should mean investing in how skills are deployed in addition to how they are produced and matched to local jobs. While simply investing in skills may help to transform local employment, in the longer term, as people evolve and transform the work that they carry out, this is likely to be a slow process and thus a more balanced approach to skills is critical. This means investing in a strong education system, integrating disadvantaged groups into training and employment, working with employers to upgrade the skills of their staff and attracting and retaining talent (Froy, Giguère and Meghnagi, 2012).

In other words we should not necessarily take the current demand for skills as a given, as this would limit the city’s aspirations and, potentially, lock a city into a low-skill, low-earnings, low-productivity, low-competitiveness vicious circle. It is then potentially important to consider ‘**shaping**’, or **raising, skills demand** through economic development actions to restructure the economy towards a high-skill equilibrium.





Skillnets, Ireland

Skillnets⁽ⁱ⁾ is a state-funded, enterprise-led support body dedicated to the promotion and facilitation of training and upskilling as key elements in sustaining Ireland's national competitiveness.

Skillnets supports and funds networks of enterprises to engage in training under the Training Networks Programme (TNP). These networks, now referred to as 'Skillnets', are led and managed by the enterprises themselves to design, manage and deliver specific training programmes across a broad range of industry and service sectors nationwide. The training itself is paid for half by Skillnets and half by the companies in receipt of training. Training is almost entirely **work-based** and covers a wide range of levels from short courses to work-based master's programmes. Employers come together to discuss and define skills requirements for different sectors and functional geographic areas.

As a result of the economic downturn, during 2012/13 Skillnets networks started to provide training to job-seekers, who are training with those in employment. All companies in the networks have to give 10% of their training places to job-seekers at no cost to the job-seeker or to the state. By training with those in employment, job-seekers gain opportunities to network and keep up to date with their sector while participating in relevant industry-specific training programmes.

One of the key success factors, according to the Chief Executive of Skillnets Alan Nuzum, is the professional management of the networks which is delivered by dedicated network facilitators. Skillnets has developed a diploma level qualification in managing business networks and all its managers are trained to this level.

"Cities need smart facilitation skills which help companies come to their own conclusions – that they can form a network and that it's their idea. Radical change is easier in austerity – there is no alternative. We are staring over a cliff – people are more likely to swallow it." – Alan Nuzum, CEO, Skillnets, Ireland, More Jobs: Better Cities, evidence hearing, 2012

In response to the jobs crisis in Ireland, Skillnets has also developed a range of **'skills conversion programmes'** in an attempt to match the supply of workers with the demand for skills. One example is a 10-week conversion programme which retrain unemployed construction engineers for the growing number of cleantech jobs in the economy. Another programme offers training which prepares unskilled construction workers for healthcare jobs.

(i) <http://www.skillnets.ie>

Taken together with opportunities to work with the business community on their business and human resource strategies (e.g. through sharing good practices), such actions can 'raise the bar' and help create a more ambitious business community where higher levels of skills are required and used.

There are potentially strong inter-dependencies between the two spheres of action on economic growth and development (Section 3) and labour

market management (Section 4). While the former drives the labour market, conditions in the latter can also encourage, or hinder, the former. Businesses, education/training providers and the city authorities can work together to create an ambitious high-performing economy, creating a **'virtuous circle'** of a high-skill, high-growth city **ecosystem**. Feedback loops, whereby a high-skill city attracts more highly skilled people and highly skilled jobs from elsewhere, will add to the dynamic.



4.2 Key messages on the labour market

It is clear that labour market management needs to be closely linked with economic development. These two worlds can either pull in different directions or reinforce each other in a virtuous circle. Encouraging labour market mobility, between jobs and sectors, is important, so as to adapt to change. The key is to secure a better match between skill needs and skills availability. Action can also be taken to secure better quality jobs and increase citizens' access to job opportunities, as well as to stimulate employer commitment to raising skill levels.

- As with the economy, cities need good **intelligence** about the stock and structure of existing jobs, the skills of their labour force, the gaps between the two, and the flows of jobs and people into and out of the system.



Photo: www.enterprisingbarnsley.co.uk

- In addition to **links with employers** – through work placement programmes or mentoring schemes for example – there also needs to be a strong dialogue with local **educators and trainers**.
- Balancing the immediate requirements of employers with the need to provide local people with the generic skills, education and capacity to adapt to change is also important e.g. through skills forecasting or by engaging employers in local education initiatives.
- There are a number of things that cities can do to gradually increase the **quality of jobs** – including promoting a living wage, social clauses and technology transfer. All involve building a close and trusting relationship with employers.
- Many cities increasingly have problems caused by the hollowing out and polarisation of the labour market. There are increasing risks of divided cities with large gaps developing between those with good jobs, high skills and mobility at the top and a large number of low-skilled people trapped in low-quality jobs at the bottom. In addition to increasing **access to jobs and up-skilling**, there are various things that cities can do to increase the **linkages between jobs** and to improve **mobility** (career ladders and pathways as well as measures to deal with transport and housing).
- A **skilled and creative labour force** is increasingly recognised as one of the main drivers of urban development – and not simply the result.

“Any city not pulling out all the stops to connect the world of work and the world of learning does not deserve to succeed.”

– Alan Nuzum, CEO, Skillnets, Ireland, More Jobs: Better Cities, evidence hearing, 2012



5. Making the CONNECTIONS: intelligence and governance

5.1 The CONNECTIONS agenda and some illustrations

For city action on jobs through strengthening the economy and labour market to be effective, the city's economy and labour market need to be treated as a single, **whole system**. As we have argued, this requires action on two fronts which work to draw the different parts together and generate synergy, making the whole greater than the sum of its parts. Figure 4 sets out the key elements needed to make such connections and these are explored further in this section of the paper:

- intelligence
- information
- evidence
- governance
- collaboration
- capacity

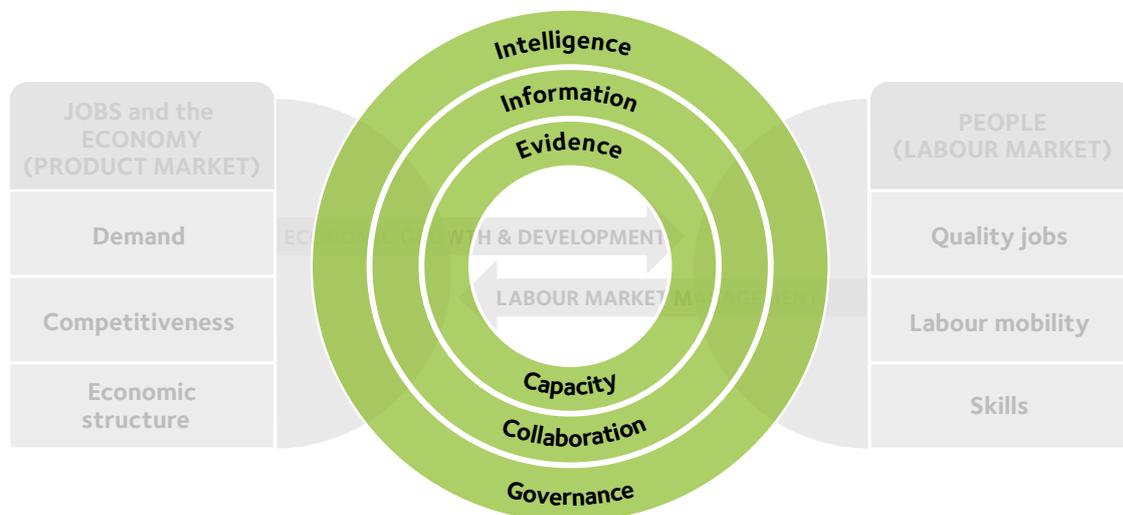
One hundred and fifty urban practitioners at the 2012 URBACT II Annual Conference¹¹ seemed to concur that this was the area where cities have most potential to improve. It is the **glue** that holds all the other parts together. Investing here will certainly require time and money but, in most cases, the amounts involved are insignificant

¹¹ The URBACT II Annual Conference 2012 drew on evidence from URBACT – in particular, project results and lessons – and other European Territorial Cooperation programmes, to explore how cities can tackle six key questions:

- How can cities create more jobs?
- How can cities foster active inclusion through social innovation?
- How can cities fight against the socio-spatial divide?
- How can cities manage demographic change?
- How can cities improve buildings' energy efficiency?
- How can cities develop low carbon urban environment through better mobility and accessibility?

Details of the workshops are at <http://www.conference2012.urbact.eu/about-conference/themes-and-workshops>

Figure 4. Making the connections – intelligence and governance





compared to the long-term results of securing better outcomes from our actions on the jobs and people agenda.

Developing robust shared intelligence

It is really important that all the key actors – policy-makers, practitioners, employers, education and training providers, and members of the workforce – are all well-informed, so that they are more likely to make sensible decisions. **Information** is the oxygen of markets, providing signals to people and organisations, influencing their choices and behaviour. Information about job openings, skill needs and the destinations of people leaving education/training are some of the things that people need to know about. It is important that the information is shared and made available to all.

“Cities need to start with where they are, rather than where they want to be, and then work forwards from there – and they can probably then overcome some challenges. They need to audit their assets and then ‘sweat’ them.”

– Debra Mountford, Senior Policy Analyst and Manager at the OECD LEED programme, More Jobs Better Cities evidence hearing, 2012

We also need good **economic and labour market intelligence** about trends, challenges and opportunities. We need to understand what’s happening and what we expect to happen, to help us anticipate the future: what might change and what might stay the same. We need to know the city’s key assets, its strengths and weaknesses, its key sources of competitive advantage. Again, this intelligence needs to be shared so that a common

understanding can provide the basis of an agreed agenda for action. For example, it is valuable to understand employer skills needs and which sectors of the city’s economy have a competitive edge over those in other cities. Economic development stakeholders in Manchester in the United Kingdom have invested heavily in robust shared economic intelligence.¹² A dedicated organisation – New Economy – provides economic intelligence and evidence to inform the development of policy to support Manchester’s economy. The Greater Manchester Forecasting Model provides robust information on the current and likely performance of the Manchester City Region in terms of the economy and population. Whilst this is a ‘Rolls Royce’ model (jointly funded by ten Greater Manchester local authorities), many of its features could usefully be replicated elsewhere at lower cost.

Benchmarking the city against other similar cities (or against those whose economy and labour market the city may aspire to) is a valuable means of gauging the city’s possible priorities and where it may need to build on strengths and tackle weaknesses. Comparing key metrics, e.g. employment levels/growth, productivity, skill levels and competitiveness, with other cities within the country and elsewhere in the EU and beyond can be very valuable.

“Cities need a foreign policy.... Intelligent cities look far beyond their own patch.”

– Professor Michael Parkinson, European Institute for Urban Affairs, More Jobs: Better Cities telephone interview, 2012

¹² <http://neweconomymanchester.com>



While many cities share similar economic and labour market characteristics, they are also often distinctive or particular. Such 'peculiarities', either of substance or degree, mean that local action has to be **evidence-based**. There is no 'one size fits all'. Treatment must be based on diagnosis. Weak or incorrect diagnoses make for ineffective policy.

We also need to know if our policy actions to treat jobs are effective. We need to know what works (and what doesn't) and what actions provide the best outcomes and value for money. Such action increases accountability to stakeholders. Cities need clear **measurable objectives** against which progress can be measured and actions evaluated using metrics and performance indicators appropriate to them. Some of the traditional metrics may no longer be relevant in this new economy. Cities need to consider new ways of measuring performance. **Monitoring and evaluation** provide the evidence we need to ensure that we choose the best policies to suit our city's needs.

The **balanced scorecard** approach to monitoring and evaluation, introduced recently in Gävle (Sweden), is a good example of a city using a new tool to improve coherence between different policy areas. It monitors the performance of all departments against the four 'perspectives' of citizens and users, collaborators, the economy and sustainable society, with a clear focus on qualitative impact across service areas.



Photo: www.enterprisingbarnsley.co.uk

Working within a coherent governance structure

How we do things is as important as **what** we do. We need to organise our approach to securing more and better jobs so that we are efficient and effective. We need to work in a way that tries to fit all the pieces of the economic and labour market jigsaw together in a systematic and coherent way. This is not easy, as people work in different organisations with their own roles, responsibilities and objectives and they often operate at different geographical levels, or on different geographical boundaries from each other. Moreover, the geography that makes sense for the city's economy and labour market (the 'functional area') is unlikely to match with the administrative area of the city's political boundaries. Where possible, it is desirable then to bring together all the relevant organisations and stakeholders at the highest level of territorial government consistent with the functional area, which may involve more than one city administration, especially in large metropolitan areas. Bringing together the key actors enables greater **policy coherence** to be delivered as actions can be coordinated and aligned, with roles and responsibilities clarified as overlaps and gaps are identified. It enables **connections** to be made between what are often otherwise separate 'policy silos'. It also encourages a whole system approach where **strategy** can be determined and a **shared vision** of success secured across the different stakeholders. The key is establishing **common purpose**.



Photo: www.enterprisingbarnsley.co.uk



Photo: Neue Arbeit GmbH, Stuttgart, Germany

Ideally, these relationships between key stakeholders should go beyond what is sometimes referred to as the ‘triple helix’ of government, business and education, to include labour market institutions and civil society.

“Creating and enhancing internal and external connections is vital.”

– Elise Tarvainen, Director of Global Operations, EduCluster Finland, More Jobs: Better Cities evidence hearing, 2012

A further benefit of such relationships is the development of **collaborative working** arrangements, which encourage cooperation and the building of social capital through deeper mutual understanding and trust. This can provide the foundation for establishing formal **partnership** arrangements between organisations and/or the flourishing of more informal **networking** arrangements.

The agenda set out here, taken together with the changed economic conditions and austere fiscal times in which cities operate, mean that the **capacity and capability** of city institutions are crucial to success. Cities need to invest in the skills and competencies of local economic and

employment development staff – their technical know-how and their ways of working – which takes both time and resources. Most of all success depends on ‘doing the right things and doing them right’. Learning from others through participation in national/international networks – like URBACT – and through using the city framework, can help to provide some of the capabilities required.

“Governance and leadership make a huge difference. We need international, national and local policies, interacting at the right level.”

– Alexandra Jones, Chief Executive, Centre for Cities (UK), More Jobs: Better Cities evidence hearing, 2012

All of this requires **leadership** – political, business, professional and organisational. Direction, strategy and long-term commitment are required to secure enduring, sustainable success in creating more and better jobs in our cities. When asked what cities can do to support and grow better jobs, Debra Mountford (Senior Policy Analyst at the OECD LEED programme) said that there are three fundamentals that cities need to pay attention to:

- An economic **strategy** which takes account of education, the labour market and infrastructure
- A thorough understanding of the local **economic development system**, underpinned by a recognition that economic development is the key to job creation and social cohesion
- **Collaborative leadership** where all players have a part to play





The URBACT ESIMeC Thematic Network – A whole system approach

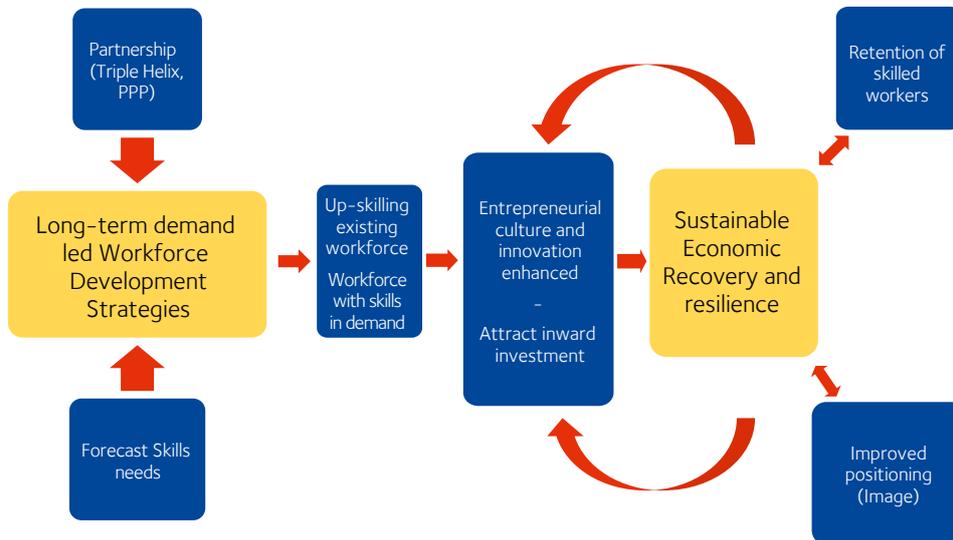
ESIMeC is an URBACT Thematic Network which aims to help medium-sized cities explore innovative strategies for economic recovery. It brought eight such European cities together to investigate how workforce development and demand-led skills provision can contribute to economic resilience and growth. Cities involved in the URBACT ESIMeC Thematic Network believe that PEOPLE are one of the most important economic drivers and place them at the heart of their future strategies. They explored what cities can do to generate new employment opportunities, prepare workers for employment opportunities and address the mismatch between the supply of labour (high numbers of unemployed people) and the demand for workers (employers reporting difficulties finding skilled workers). The project's findings resonate with many of the themes in this framework and one of the main conclusions is that a **whole system approach** is a prerequisite of effective economic and employment development in medium-sized cities. ESIMeC partners have concluded that they can support job creation and growth in the following ways:

- **Understand the needs of employers and the state of labour market:** In November 2012 ESIMeC cities launched a skills forecasting tool to assist cities in the use of quantitative and qualitative methodologies to better understand employer skills needs. Some of the existing practices from Cherbourg, France are good examples of what can be done: The *Maison de l'Emploi et de la Formation* forecasts economic development trends on both the demand and supply sides. This informs a structured approach to adapting and using training availability in the city and better matches training and skills with employer demands.
- **Foster entrepreneurship:** *'Entrepreneurs are made, not born':* Teaching entrepreneurship and developing an entrepreneurial attitude in young people is vital. Gävle, Sweden has some interesting experience in this field.

- **Engage stakeholders from sectors with greatest potential:** The EU Employment Package identifies the sectors with greatest job creation potential: the **green, white (health and social care) and digital economies**. Through their Local Actions Plans, URBACT cities have targeted sectors like sustainable construction and energy efficiency (Albacete, Spain), cultural and creative industries (Besançon, France) and innovation and knowledge (Debrecen, Hungary).
- **Develop and deliver a whole system approach to employment and economic development:** ESIMeC cities have explored what this means in practice. Basingstoke in the UK, with its structured but flexible strategic partnership which works across all areas of urban development, plays an important role in breaking down policy silos by delivering integrated policy and action. In Sabadell, Spain the municipality has outsourced its employment and economic development functions to a single arms-length organisation to help it offer an integrated service and develop and maintain effective links with the local business community. Bistrița in Romania has, for the first time, engaged multiple stakeholders in developing a strategic approach to skills and employment development, linked to the long-term development of an industrial park.

<http://urbact.eu/en/projects/innovation-creativity/esimec/>

The ESIMeC virtuous circle of sustainable growth



Source: URBACT ESIMeC Thematic Network

5.2 Key messages on the importance of CONNECTIONS

Cities need to invest (human) resources in the “glue” which holds the whole system approach together. Specifically they can:

- **Share information and intelligence** as a key source of successful policy to grow more jobs. Cities need to invest resources in this – e.g. through strategic local partnerships coming together to review data and intelligence.
- Work with stakeholders to develop a sound, common, **evidence base** on the city’s key strengths, weaknesses and priority needs – sharing resources and avoiding duplication of effort.
- **Benchmark** a city against its key competitor cities e.g. through the URBACT II programme or other EU networks and initiatives.
- **Monitor** progress and **evaluate** policies.
- Take **governance** seriously, be prepared to

take risks and develop new structures e.g. to organise action at the highest administrative level possible, consistent with the city’s functional economy and labour market.

- **Coordinate action** across institutions and geographical areas and create, build and animate collaborative relationships such as **partnerships and networks**.
- Invest in the **capacity and capability** of economic development and labour market staff to adapt to new times and conditions – this does not have to be resource intensive and can achieve significant economies in the long term.
- Build strong **city leadership** by having a shared vision of what success looks like and developing the skills and attributes of individual champions across all key stakeholder organisations.



6. Conclusions: the whole picture

6.1 Bringing it all together

Figure 5 brings together and presents our **framework for city action on jobs**. This is the whole, big picture: a whole system approach to jobs growth. It brings together all the different fragments of action that, on their own may be of some benefit but, taken together, integrated and given coherence, can achieve much more than the sum of the parts. This section reminds readers how to use this framework and explores the potential to do so using EU Structural Fund programmes from 2014 to 2020 for job creation purposes. It concludes with a few words on how cities CAN make a difference.

As explained at the outset, this is a framework for action which offers a way of thinking, guidance and orientation that will be valuable to cities. It should help you develop and apply real action to stimulate jobs growth in your city. You can use it to review your existing approach(es), to 'audit' what

is done, strengths, weaknesses and opportunities for action. It could be used in capacity-building, strategy workshops, networks or partnership meetings, to stimulate thinking.

The whole system approach has one final strength. It will evolve over time and change the dynamic between the main stakeholders and citizens as relationships and behaviour change. In the longer run, as collaboration intensifies and the benefits are secured, roles and responsibilities may change and new habits and new ways of thinking and innovation in policy and practice may evolve.

In deeply resource-constrained times, when generating jobs growth is really difficult, achieving success through the development of a systematic, comprehensive, whole system approach will not always be easy. The challenge is great, but, then, so is the prize.

Figure 5. A framework for city action on jobs





6.2 Using the Structural Funds to support job generation

In the 2014–2020 programming period for EU funds, one of the central aims of the Commission's proposals for Cohesion Policy is to ensure better value for money by concentrating funding on 11 strategic priorities based on the Europe 2020 strategy. Three of these priorities target **economic competitiveness**, four focus on the environment and three deal with **jobs, human capital** and social inclusion. The last (transversal) priority concerns **good governance**. The Commission also wants to improve **integration** between funding streams, simplify procedures and move towards a more **results-based** approach.

Member States will have to spend *at least* 5% of their ERDF budget on **integrated sustainable urban development**. Member States prepare a **Partnership Agreement** (or contract) explaining how they intend to use the five main EU funds in a coordinated way to achieve the 11 thematic objectives linked to the Europe 2020 strategy. This includes proposals for the implementation of integrated sustainable urban development, setting out the main objectives, types of city to be covered, criteria for choosing them, the budget from the different funds and the use of the new implementation tools (see below).

Most Member States will, in fact, spend a far higher proportion of EU funds in cities than this 5% allocation. This will usually take the form of investments in transport and other infrastructure, managed at central or regional level. Cities will undoubtedly benefit from these investments but they will have less ability to design and coordinate the investments to ensure they meet their specific needs. The funds reserved for integrated sustainable development open up **new opportunities** for cities to design and implement integrated strategies for **creating more and**

better jobs, drawing on the principles described here.

Member States have at least four options when it comes to deciding how to implement integrated sustainable development. Firstly, they can design a specific **operational programme** just for this: secondly, they can have a **dedicated priority** within an existing national or regional programme: thirdly, they can use the new tool of **Integrated Territorial Investments** (ITIs) and finally, they can manage part of the funds through **Community-Led Local Development** (CLLD).

For cities an important consideration is the extent to which these different options allow them to make decisions at city level. In the case of the first two options the decision is up to the Managing Authorities (MAs). They can decide to manage the operational programmes or dedicated priorities for urban development at central level, or they can delegate responsibility to cities. On the other hand, with both **ITIs and CLLD cities have more authority to make decisions**. At the very least, they will contribute to project selection decisions in ITIs, and MAs may decide to give cities far more room for manoeuvre.

ITIs allow cities more flexibility to combine, within a coherent strategic framework, the mainly hard investments (in infrastructure) of the ERDF and the Cohesion Fund with soft investments (in people) of the ESF and even funding from the rural development, maritime and fisheries funds.

In the case of CLLD, all projects must actually be selected by a local partnership which is also responsible for drawing up the strategy. The public sector as a whole will have no more than 49% of the votes within the partnership's decision-making body.



ITIs and CLLDs share certain common principles but they also have different advantages and disadvantages. Both require an **integrated territorial development strategy** covering a designated area and clear governance arrangements for managing an interrelated package of actions.

In the case of ITIs there are few guidelines about the nature of the strategy, the size of the area to be covered or the make-up of the partnership. The area to be covered could vary in size from a small neighbourhood to a series of regions that do not even have to be in the same country. Similarly, the governance arrangements could be a public authority like the city itself, a partnership or a central government agency or department. The decision is up to the Managing Authorities. In general ITIs seem to lend themselves to fairly large-scale investment packages run by the public sector.

On the other hand there is a developed methodology for the implementation of CLLD, based on the way the LEADER programme operates in rural areas. The areas tend to be smaller – with a limit of around 150,000 people (unless otherwise justified) and neither the municipality nor the public sector as a whole control the partnership. So CLLD tends to be appropriate for the implementation of smaller-scale strategies where the aim is to mobilise a broad range of public, private and civil society stakeholders around a common goal.

Cities can use this **jobs framework** for understanding the economy and labour market to help them build integrated strategies to **create more and better jobs** for funding through either the ITI and CLLD tools – or even to present a proposal for a similar scheme managed under a dedicated urban priority.



Photo: Iván Tosics



6.3 Cities CAN make a difference

The 'Action for Jobs' framework set out above has provided a different way of considering jobs and growth in cities: a systematic, integrated, whole system approach to city action on jobs. It also includes a wide range of examples, from within the URBACT and from outside, on WHAT and HOW cities can make a difference. The key conclusion is that cities CAN support and grow new and better jobs.

In order to do this city practitioners and policy-makers need to develop new ways of working – new habits and behaviour. We need to do less – and do it better. We need to change the WAY we do things, HOW we do them, alter our daily practice and change the way we develop and use our relationships. **People** are key to success. We need to build **capacity** and skill up urban policy practitioners for new times.

We need to **make connections** – both internal to the city and between the city and the rest of the world (look outwards). We need to join policies, institutions and stakeholders together. Collaboration, partnerships and networks (internal and external) are vital. We need to work internationally through **exports, relationships and knowledge**. This in turn will attract and retain people, talent, businesses, ideas and institutions. In effect our cities need a 'foreign policy' (Parkinson) which involves real and digital/virtual connections with national and international public authorities.

In order to compete, cities need to be **distinctive** by building on their assets and strengths and differentiating themselves from others to ensure they are attractive places in which to live and work. (Re)positioning, branding and marketing are a key part of city success. A city's **reputation** – how it is seen, and what it is known for – is vital.

We also need to ensure that our cities are good places to do business by developing a **skilled workforce** which is **entrepreneurial and innovative** in attitude and approach. Working with and engaging companies in policy-making and delivery is essential as is linking them to the world of education and training in order to achieve an effective **economic and employment ecosystem**. All of this requires the ability to build our own capability, knowledge, skills and know-how. We need to be innovative in our approaches, prepared to take risks, to learn from others and to be self-critical. We need to be **imaginative** in our policies.

Collaborative leadership, common purpose, direction and strategy are a prerequisite of success.



A few words from Professor Michael Parkinson to finish

When asked, "Why do some places do better than others?", Michael's response was:

"The key drivers of success that I have stuck with for 20 years are skills and human capital; innovation; economic diversity; connectivity; place quality; and strategic governance capacity. It is action on these which makes the difference between economic success and failure."

(More Jobs: Better Cities telephone interview, 2012)



Annex 1.

Capitalisation process and methodology

This paper has been drafted by professor Mike Campbell OBE and Alison Partridge with Paul Soto as a result of the URBACT 'More Jobs: Better Cities' Capitalisation Workstream. The process has included:

- A core group of strategists and city practitioners working the field of jobs and skills
- A literature review
- two evidence hearings in June and September 2012 where 'thinkers' (academics, policy-makers, strategic leaders etc.) and 'doers' (city practitioners) from across the EU gave evidence on what works and what doesn't work, and discussed what cities can do to support and grow new jobs
- A workshop at the URBACT Annual Conference in Copenhagen in December 2012 where the framework was tested with over 150 city practitioners and policy-makers
- The design and drafting of this framework

People involved in the workstream activities include:

Workstream coordinator:

Alison Partridge, Lead Expert of the URBACT ESIMeC Thematic Network

Core group members:

- Professor Mike Campbell OBE, independent labour market expert
- Francesca Froy, senior policy analyst, OECD LEED programme (supported by Lucy Pyne and Jonathan Barr)
- Daniel Garnier, Basingstoke and Deane Borough Council, Lead Partner of the URBACT ESIMeC Thematic Network, United Kingdom

- Dr Norbert Grasselli, Director, Észak-Alföld Regional Innovation Agency, Hungary
- Paul Soto, URBACT Thematic Pole Manager

Witnesses and advisers:

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- Moritz Lennert, Université Libre de Bruxelles, lead partner of ESPON *FOCI* project, Belgium
- Tracey Johnson, Barnsley, partner in the URBACT Creative Clusters Thematic Network, United Kingdom
- Ulla Gredemyr, Sundsvall, partner in INTERREG IVB NWE project 'Mainstreaming Innovative Instruments for SME development in Europe' and INTERREG IVC project 'Mini Europe', Sweden
- Alexandra Jones, chief executive, Centre for Cities, United Kingdom
- Debra Mountford, senior policy analyst and manager, OECD LEED programme
- Jonathan Potter, senior economist (Entrepreneurship), OECD LEED programme
- Cristina Martinez, senior policy analyst, OECD LEED programme
- Márta Lévai, skills expert and practitioner, Hungary
- Elise Tarvainen, director (Global Operations) EduCluster Finland Ltd
- Sergio Barroso, Centro de Estudos e Desenvolvimento Regional e Urbano, Lda, Portugal
- Alan Nuzum, CEO, Skillnets, Ireland

Annex 2.

European Territorial Cooperation projects and programmes working on employment and entrepreneurship

ESPON

ATTREG (Attractiveness of European Regions and Cities for Residents and Visitors) – urban dimension

SGPTD (Secondary Growth Poles in Territorial Development) – urban dimension

CAEE (The Case for Agglomeration Economies in Europe)

FOCI (Future Orientation for Cities)

KIT (Knowledge, Innovation, Territory)

City Bench ESPON (CityBench for benchmarking European Urban Zones)

GROSEE (Growth Poles in South-East Europe)

TOWN (Small and Medium-Sized Towns)
http://www.espon.eu/main/Menu_Projects/Menu_AppliedResearch/town.html

List of programmes provided by INTERACT

- **Spain-Portugal**

INL – The International Iberian Nanotechnology Laboratory <http://inl.int/>

- **Atlantic Transnational Programme**

ANATOLE – Atlantic Network’s Abilities for Towns to Organize Local Economy
<http://www.anatoleproject.eu/>

- **Baltic Sea Region**

URBAN CREATIVE POLES – improvement of framework conditions for the innovation, growth, and transnational cooperation of creative industries www.creativepoles.eu.

- **Austria-Hungary**

CENTROPE II: <http://www.wien.gv.at/wirtschaft/eu-strategie/eu-foerderung/etz/projekte/accentrope2.html>

- **Slovakia-Austria**

ÜBI – Überregionale Beschäftigungsinitiative Wien-Bratislava: <http://www.wien.gv.at/wirtschaft/eu-strategie/eu-foerderung/etz/projekte/uebi.html>

- **South Baltic CBC Programme (Poland, Sweden, Germany, Denmark and Lithuania)**

CTF – Catching the Future, www.ctfsbp.eu

Generation BALT – Linking maritime education with the changing job market for a new generation of Baltic Sea experts, www.generationbalt.eu

- **Central Baltic Interreg IVA (Estonia, Finland, Latvia and Sweden)**

CulturalTourism2011 – Developing cultural tourism as a joint network in Capitals of Culture 2011, <http://www.centralbaltic.eu/component/content/article/6-project-info/349-cultural-tourism2011-developing-cultural-tourism-as-a-joint-network-in-capitals-of-culture-2011>



- **INTERREG IVA Mecklenburg-Vorpommern/Brandenburg and Poland**

Contact and Information point for German and Polish citizens on the border
– <http://www.interreg4a.info/index.php?id=46&ProNr=INT-10-0040>,
<http://www.interreg4a.info/index.php?id=46&L=1&ProNr=INT-10-0040>

- **CBC INTERREG IVA Germany-Netherlands**

EU-ZUBI – cross-border acceptance of qualifications for different jobs, learning together,
<http://www.euzubi.eu/>

- **North Sea Programme**

Creative City Challenge – role of creative industries in building and strengthening the innovative capacity of these urban economies through the use of a transnational triple helix of government, education and business
<http://www.northsearegion.eu/ivb/projects/details/&tid=107&back=yes>

Smart Cities – innovation in the delivery of e-enabled public services
<http://www.northsearegion.eu/ivb/projects/details/&tid=84&back=yes>

Cruise Gateway – creation of a brand for cruise in the NSR, the improvement of service quality in ports and environmentally friendly economic growth
<http://www.northsearegion.eu/ivb/projects/details/&tid=125&back=yes>

INTERREG IVC

SolidarCity The role and involvement of local authorities in employment rate increase

Labour Plus Innovative Strategies for Equal Employment

CITIES Creative Industries in Traditional Intercultural Spaces

CREATIVE METROPOLES Public Policies and Instruments in Support of Creative Industries

ORGANZA Network of Medium Sized Creative Cities

INNOCRAFTS INNOvating entrepreneurship policies in the CRAFTS sector

Annex 3.

Hot links

URBACT project results (http://urbact.eu/fileadmin/general_library/Rapport_Urbact_II.pdf)

Results from URBACT completed projects (1st call) 2011: <http://urbact.eu/en/results/project-results/>

More detailed information on URBACT projects: <http://urbact.eu/en/header-main/our-projects/list-of-the-projects/>

URBACT cities facing the crisis: impact and responses, November 2010: http://urbact.eu/fileadmin/general_library/Crise_urbact__16-11_web.pdf

<http://www.oecd.org/cfe/leed/>

Sundsvall Summer Entrepreneur programme
<http://www.summerentrepreneur.com>

<http://www.cliqproject.eu>

http://ec.europa.eu/culture/our-policy-development/cultural-and-creative-industries_en.htm

Communication on a Job Rich Recovery:
<http://ec.europa.eu/social/main.jsp?catId=89&languageId=en&newsId=1270&furtherNews=yes>

<http://www.glasgowlivingwage.co.uk>

http://www.brighton-hove.gov.uk/downloads/bhcc/economicdevelopment/CESP_2011-2014.pdf

<http://urbact.eu/en/projects/human-capital-entrepreneurship/urban-nose/homepage/>

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

<http://urbact.eu/esimec>

<http://neweconomymanchester.com>

<http://www.educlusterfinland.fi>



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- OECD (2010) *The OECD Innovation strategy*
- OECD (2011) *OECD Regional Outlook*
- OECD (2012) *Better skills, better jobs, better lives*
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URBACT II PROJECTS

PROJECTS	ISSUES ADDRESSED	LEAD PARTNERS
1ST CALL PROJECTS (2008-2011)		
Active A.G.E.	Strategies for cities with an ageing population	Roma – IT
Building Healthy Communities*	Developing indicators and criteria for a healthy sustainable urban development	Torino – IT
CityRegion.Net	Urban sprawl and development of hinterlands	Graz – AT
Co-Net	Approaches to strengthening social cohesion in neighbourhoods	Berlin – DE
Creative Clusters	Creative clusters in low density urban areas	Obidos – PT
C.T.U.R.	Cruise Traffic and Urban Regeneration of port areas	Napoli – IT
EGTC	Sustainable development of cross-border agglomerations	Mission Opérationnelle Transfrontalière – FR
FIN-URB-ACT	SMEs and local economic development	Aachen– DE
HerO*	Cultural heritage and urban development	Regensburg – DE
HOPUS	Design coding for sustainable housing	University La Sapienza, Roma – IT
JESSICA 4 Cities	JESSICA and Urban Development Funds	Regione Toscana – IT
Joining Forces	Strategy and governance at city-region scale	Lille Métropole – FR
LC-Facil	Implementing integrated sustainable urban development according to the Leipzig Charter	Leipzig – DE
LUMASEC	Sustainable land use management	University of Karlsruhe – DE
MILE*	Managing migration and integration at local level	Venice – IT
My generation	Promoting the positive potential of young people in cities	Rotterdam – NL
NeT-TOPIC	City model for intermediate/peripheral metropolitan cities	L'Hospitalet de Llobregat – ES
Nodus	Spatial planning and urban regeneration	Generalitat de Catalunya – ES
OPENCities*	Opening cities to build-up, attract and retain international human capital	Belfast – UK
REDIS	Science districts and urban development	Magdeburg – DE
RegGov*	Integrated policies and financial planning for sustainable regeneration of deprived areas	Duisburg – DE
REPAIR	Regeneration of abandoned military sites	Medway – UK
RUnUp	Strengthening potential of urban poles with triple helix partnerships	Gateshead – UK
Suite	Sustainable housing provision	Santiago de Compostela – ES
UNIC*	Promoting innovation in the ceramics sector	Limoges – FR
URBAMECO*	Integrated sustainable regeneration of deprived urban areas	Grand Lyon – FR
Urban N.O.S.E.	Urban incubators for social enterprises	Gela – IT
WEED	Promoting entrepreneurship for women	Celje – SI
2ND CALL PROJECTS (2009-2012)		
ACTIVE TRAVEL	Promoting walking and cycling in small and medium-sized cities	Weiz – AT
CASH*	Sustainable and affordable energy efficient housing	Echirolles– FR
ESIMeC	Economic strategies and innovation in medium-sized cities	Basingstoke and Deane – UK
EVUE	Electric Vehicles in Urban Europe	Westminster – UK
LINKS	Improving the attractiveness and quality of life in old historical centres	Bayonne – FR
OP-ACT	Strategic positioning of small and medium-sized cities facing demographic changes	Leoben – AT
Roma-Net*	Integration of the Roma population in European cities	Budapest – HU
SURE	Socio-economic methods for urban rehabilitation in deprived urban areas	Eger – HU
TOGETHER	Developing co-responsibility for social inclusion and well-being of residents in European cities	Mulhouse – FR
3RD CALL PROJECTS (2012-2015)		
4D Cities	Promoting innovation in the health sector	Igualada – ES
CITYLOGO	Innovative city brand management	Utrecht – NL
Creative SpIN	Cultural and Creative Industries	Birmingham – UK
CSI Europe	Role of financial instruments (Jessica Urban Development Fund) in efficient planning	AGMA Manchester – UK
ENTER.HUB	Railway hubs/multimodal interfaces of regional relevance in medium sized cities	Reggio Emilia – IT
EUniverCities	Partnerships between cities and universities for urban development	Delft – NL
Jobtown	Local partnerships for youth employment opportunities	Cesena – IT
My Generation at Work	Youth employment with focus on enterprising skills and attitudes	Rotterdam – NL
PREVENT	Involving parents in the prevention of early school leaving	Nantes – FR
RE-Block	Renewing high-rise blocks for cohesive and green neighbourhoods	Budapest XVIII District – HU
Sustainable Food in Urban Communities	Developing low-carbon and resource-efficient urban food systems	Brussels Capital – BE
URBACT Markets	Local markets as drivers for local economic development	Barcelona – ES
USEACT	Re-utilizing existing locations to avoid land consumption	Napoli – IT
USER	Involving users and inhabitants in urban sustainable planning	Agglomeration Grenoble Alpes Métropole – FR
WOOD FOOTPRINT	Local economic development through the (re)use of brownfield and buildings of the wood furniture sector	Paços de Ferreira – PT

*Fast Track Label

URBACT is a European exchange and learning programme promoting integrated sustainable urban development.

It enables cities to work together to develop solutions to major urban challenges, re-affirming the key role they play in facing increasingly complex societal changes. URBACT helps cities to develop pragmatic solutions that are new and sustainable, and that integrate economic, social and environmental dimensions. It enables cities to share good practices and lessons learned with all professionals involved in urban policy throughout Europe. URBACT II comprises 400 different-sized cities and their Local Support Groups, 52 projects, 29 countries, and 7,000 active stakeholders coming equally from Convergence and Competitiveness areas. URBACT is jointly financed by the ERDF and the Member States.

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