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**COMMUNICATION FROM THE COMMISSION  
TO THE COUNCIL, THE EUROPEAN PARLIAMENT,  
THE ECONOMIC AND SOCIAL COMMITTEE  
AND THE COMMITTEE OF THE REGIONS**

**Acting Locally for Employment  
A Local Dimension for the European Employment Strategy**

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## 0. EXECUTIVE SUMMARY

There is growing awareness of the opportunities that exist at local level for developing employment. This has led most Member States to trigger institutional and administrative decentralisation processes in their employment policies, so bringing decision-making levers closer to the local communities and their needs. In the same way, it has led the European Union to support a variety of experimental work, building on the concept of the "Local Development and Employment Initiatives" (or LDEIs) and to experiment with methodologies and instruments for supporting local employment development, such as the Territorial Employment Pacts, and the "3<sup>rd</sup> System" and the Local Social Capital" pilot action.

The European Employment Strategy has so far relied essentially on efforts at national, and to a lesser extent, regional levels. However, the emphasis on local issues has been strengthened in the Guidelines for 2000, and, reflecting the same concerns, the local development of employment is now a horizontal priority in the new ESF Regulation, as well as being reflected in other strands of the Community's structural policies.

The question thus arises as to how, and how far, the European Employment Strategy should integrate these movements towards greater respect for and autonomy at the local level, and in what way it could support them.

The purpose of this Communication is:

- to summarise developments which have led Member States and the EU to turn increasingly to the local level for job growth
- to consider how the various players at the local level – including local authorities, businesses, the "3<sup>rd</sup> system"/social economy or voluntary sector, social partners, public employment services - but also those at higher levels whose actions influence what can be done locally – states and regions, even the EU itself in the areas where it has competence – can help the job creation/job maintenance process at local level
- and finally, to raise a number of questions for debate over the 6 month period from April to October 2000.

This Communication is addressed to the Union's Institutions; and the Commission looks forward with interest to receiving their opinions. In addition, the Commission will organise a wider-scale consultation with the players concerned, structured through a series of conferences. The first of these – co-organised with the Committee of the Regions, will take place on 10-11 April, and will launch the consultative process. This will culminate at a conference to be co-organised with the French Presidency in Strasbourg in December, to which the Commission will present the results of the consultations, and look forward to the future. The address to which comments on this document should be sent may be found in page 18.

## **1. INTRODUCTION – THE AIM OF THE COMMUNICATION**

Implementing the European Employment Strategy has already produced positive effects: better co-ordination of EU and national policies, and more consistent employment policies within each Member State and between Member States. Today, the stakes are such that the strategy must take full account of each player, each institutional level, and each area of potential growth likely to influence employment figures. Among these, the potential of local job creation has not been overlooked: several National Action Plans for Employment (NAPs) refer to it. But overall, more should be done.

It is in this context, but also in the light of what has been learnt from previous experience and following suggestions from the European Parliament, Committee of Regions, and Economic and Social Committee, that this document seeks to encourage the players in the European Strategy to take more account of the opportunities offered by local employment action. Whilst the Commission has already set out, in a number of other documents (such as those on the Territorial Employment Pacts, or on urban strategies) views and proposals as to local development in general, this document focuses on ways in which labour-market interventions can be made more effective, and on the contributions which players at local level can make to developing and sustaining employment.

The paper aims at sparking a debate amongst the various local, national and European players and enabling conclusions to be drawn therefrom. It should be stressed that this paper in no way implies that the Commission will be launching a new separate Programme on local development; financing from the EU level is already available in all areas covered in this document through the Structural Funds and EAGGF-Guarantee in the field of rural development policy. The results of what the Commission hopes will be as broad a consultation as possible will then result in a new Communication from the Commission which will suggest ways of enriching the EU's action to boost employment within the present institutional settings and financial provisions.

## **2. A NEW CONTEXT**

### **2.1. Political and Institutional**

The Treaty of Amsterdam recognised that the employment problem was a matter of common concern to the entire EU. This has allowed a new movement based on a co-ordinated strategy to boost employment and set up a process of mutual multilateral surveillance. This approach acknowledges the inter-dependence of various macro-economic and structural elements.

This approach is embodied in Article 127 of the European Community Treaty as amended by the Treaty of Amsterdam, which provides that employment should be taken into account in drawing up and implementing all of the Community's policies and actions.

At national level, the Member States now draw up and implement National Action Plans for Employment (NAPs). These NAPs are structured around the employment

guidelines set each year by the Council of Ministers and rest upon the four pillars, namely

- improving employability
- developing entrepreneurship
- encouraging adaptability in enterprises and workers; and
- strengthening male/female equal opportunities policies.

The European Employment Strategy (EES), at least in its current stage of development relies primarily on national effort. However, there is a growing awareness of the opportunities existing at local level for developing employment. The guidelines for 2000 strengthen the specific measure (guideline 12)<sup>1</sup> which explicitly recognises the local actors' role in developing employment. The potential, however, has yet to be turned into tangible reality.

## **2.2. The emerging local dimension**

Although the local development of employment was long considered marginal compared with macro-economic and structural strategies, it is now increasingly accepted. The growing pressure of unemployment led to a wider variety of experiment into job creation than hitherto; and it soon emerged that the potential of action at local level was considerable. In addition, changes in European (and global) society have affected companies and individuals in new ways.

The opening up of markets has accelerated the mobility of investment and the concentration of capital. The parallel rise in the use of new technology in production, distribution, and consumption has made possible the creation of a global market and the advent of the knowledge society. This has led to considerably stiffer competition. To cope with this new situation, local players are now forced to develop strategies based on their specific strengths. Changes in production systems allowed by technology have made the development of endogenous potential much easier. This trend is suitable for micro-economic development and for the formation of local production systems composed of small-sized enterprises. Other aspects like demographic evolution (ageing), changes in lifestyle and growing urbanisation have led to changed consumption choices. The share of the household budget spent on health care, personal services, environmental protection, leisure, training, culture, communication and transport is surging.

All these developments, combined with people's new concerns for sustainable development and the search for more active commitment, contribute to the emerging importance of the local dimension.

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<sup>1</sup> *Guideline 12 under the 'developing entrepreneurship' pillar provides that Member States will "promote measures to exploit fully the possibilities offered by job creation at local level and in the social economy, especially in new activities linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles in the way of such measures. In this respect, the special role and responsibility of local and regional authorities, other partners at the regional and local levels, as well as the social partners, needs to be more fully recognised and supported. In addition, the role of the Public Employment Services in identifying local employment opportunities and improving the functioning of local labour markets, should be fully exploited."*

### 3. A NEW SCOPE FOR EMPLOYMENT POLICIES

Gradually, more attention has been given at European and national levels to the local dimension in employment policies. Research on the local development of employment has shown that a number of factors are significant in determining the likelihood of success: some of these are summarised in the Annex. An analysis of these, and of the issues dealt with earlier in this Communication, shows that though there is a general trend towards a greater consideration for the local dimension in employment matters, many obstacles persist yet. To overcome them, local actors need to come together to pool their energies and resources, and regional and national authorities need to adapt policies to support them. The European Employment Strategy provides a useful conceptual framework for all parties.

#### 3.1. Mobilising local strengths

##### 3.1.1. Local Authorities

###### 3.1.1.1. The facts

The European Union<sup>2</sup> contains more than 80,000 local authorities. These are the basic administrative units of community life both in rural and urban areas. In most Member States they have powers in a wide range of areas that include social assistance, education, health, housing, environmental protection, local public transport, water and energy supply, sewer systems, the collection and treatment of household waste, infrastructure maintenance, culture, and leisure activities.

Although the situation varies from country to country, the importance of the functions that they perform is reflected in local authorities' share of public expenditure. This varies from 3.8% of GDP in Portugal to 33.3% of GDP in Denmark<sup>3</sup>. In Denmark, Finland, the Netherlands and Sweden the local authorities administer a total budget that exceeds that administered by central government.

This wide range of functions is also reflected in the total number of people employed by municipal structures, e.g., more than 600,000 municipal workers in France and more than 20% of the working population in the Scandinavian countries. Indeed, the local administration is often a major employer, even the main employer, in the territory that it oversees.

Such a diversified range of administrative powers means that local authorities' actions have considerable impact on local employment. Thus, the actions of the municipalities of Berlin, Göteborg, and Helsinki are estimated to influence 40% of employment in these cities<sup>4</sup>, about 20% in cities such as Manchester and Stockholm and 12-14% in medium-sized French towns such as Tours and Amiens.

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<sup>2</sup> See 'Regional and Local Government in the European Union', the Committee of the Regions, July 1996.

<sup>3</sup> Source: OECD, 1995 national accounts. The OECD's definition of public spending excludes investments. We must mention in this connection the example of Portugal, where the investments made by the local authorities account for the bulk of public investment.

<sup>4</sup> See "rôle des villes dans la création d'emploi" action research conducted by AICCRE under DG EMPL's action research programme.

Although local authorities do not have powers to fix employment policies, they are increasingly considered by national governments as naturally involved in the development and operation of active labour market measures. This is particularly the case in the Scandinavian countries and the Netherlands.

Some Member States are also starting to consider local authorities, especially cities, as partners not only for implementing active measures, but also as a way of taking a comprehensive, integrated approach to a whole range of problems influencing local employment and social cohesion.

In *the Netherlands*, where the municipalities are responsible for the reintegration for people who receive social security benefits only, the **Cities Policy** aims to restore balanced urban development, re-establish relationships between the various urban functions and thus work towards a 'complete city'. The government has made available 100 million Euros available in this context for projects to boost the local economic climate. These include municipal projects in the fields of entrepreneurship and developing sectors. (Source: *Netherlands NAP*).

In addition, many local authorities have recently started to take more interest in employment and social cohesion issues. For local elected officials, this is often a matter of accountability. As unemployment has become a major problem, local people tend to judge their administrators also by what they have achieved in the employment field. Although the challenges are somewhat different in rural areas (e.g.: higher share of employment than the Community average in sectors in decline, distance from main centres of business and employment, less entrepreneurial and risk-taking culture, inability to participate in the main economic channels and networks, poor education levels), the role of local authorities there is no less important as they have to provide employment opportunities and good quality services to the population in order to retain it. Thus besides the measures taken under national and regional policies, many more independent initiatives have been taken recently, in areas as varied as helping young people with problems find jobs, providing vocational guidance and training, and even supporting job creation directly. This is the context in which new municipal or municipally-instigated structures (drop-in centres "*maisons d'emploi*", local employment exchanges, "*régies de quartier*", "*entreprises d'insertion*", sandwich courses, one-stop shops, etc.) have sprung up<sup>5</sup>.

#### 3.1.1.2. Potential changes – questions to discuss

The importance of local authorities' responsibilities, and their closeness to the people's needs, make them key partners, vital to the European Employment Strategy's success. However, the developments described above are not yet the rule. Recent consultations of the main national associations of local authorities by the Commission revealed a considerable information gap. This concerns not only knowledge about the EES, but also about the types of action that lend themselves to local commitment, and indeed how to act locally in employment matters.

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<sup>5</sup> *Les villes et l'emploi, étude réalisée auprès des communes françaises de plus de 10.000 habitants* (BPI, initiatives pour l'emploi, 1998).

Local Authorities are among the most important players in the development of employment at local level. However, their role may need strengthening if they are to play their part most efficiently.

- As the first level of democratically elected government and thus the level closest to the people and the local economy, local authorities clearly have an important role in developing partnerships to promote employment that bring together all the local public and private players. ? How can the most be made of this unifying role and of the synergy they can create, to develop integrated employment strategies and make employment partnerships sustainable?
- Local authorities have powers in many areas that are potential sources of new jobs, so their actions are likely to structure a considerable portion of the local labour market. How can these powers be used to promote local job creation? How can local authorities integrate the employment dimension into all of their activities? What analytical, observation, and decision-making instruments should be made available to local authorities?
- Local authorities are often major employers. How, in this capacity, can they participate in the European Employment Strategy's four pillars and which of the employment guidelines can they best apply locally?
- Europe is heading for a knowledge-based economy. This requires new skills, technical and social, as well as access to ICTs. How can local authorities contribute to ensure that all citizens and local actors have the skills required to seize the new employment opportunities ? How can they facilitate local access to the new information society tools and services?

### 3.1.2. *Enterprises*

#### 3.1.2.1. The facts

The private sector is the main driver of economic activity in mixed economies such as the European ones. Today, net job creation potential lies mainly in service activities, particularly those that offer local content or address local needs. In the European Union, recent sectoral growth trends show health and social work, business services, hotels and restaurants, recreational, cultural and sporting activities as fast employment growth areas (numbers employed increasing by 1.5% a year or more over 1994-1998 period). Other economic activities with local impact, such as retailing, construction and land transport, have offered employment growth in terms of number of jobs created rather than growth rates. Many of these sources of jobs lie essentially in the private sector, which demonstrates the need to support and maximise the potential of local job creation by local businesses.

During the last two decades the weight and importance of SMEs (including many third system organisations) have increased. In 1998 it was estimated that 99.8 % of non-primary private enterprises were SMEs, and 93.1 % were micro-firms (10 or less employees). The main drivers of change are the need to be customer responsive and innovative in order to face a competition that has become global. Smaller productive units using more flexible technologies and organisational patterns have been able to provide better responses to the challenges of change. Employment dynamics have reflected this change, showing SMEs as the main source of business sector

employment growth. Currently the activities showing fastest employment growth are dominated by micro-enterprises (they have the largest share in total employment).

	Non-farm private enterprises			
	Micro	Small	Medium	Large
Distribution of employment in 1998 (EUR-15)	33.9 %	18.8 %	13.1 %	34.2 %
Average annual change of employment 1988/2000 (EUR-19*)	0.1 %	- 0.1 %	- 0.3 %	- 0.4 %

\* EUR-19 = EU plus EEA countries and Switzerland

Source: *Sixth Report of the European Observatory for SMEs*, tables 1.2 and 1.7, chapter 1, draft version September 1999, EIM/Data Warehousing. Report commissioned by the European Commission (DG ENTR).

Local awareness of the need to develop and support entrepreneurship at local level is rising. In particular starts-up, micro-business and SMEs face specific difficulties, which often can best be addressed at local level. Regional and local authorities are fostering a variety of support and advisory structures, and one-stop shop approaches in order to create a more friendly environment for SMEs. The competitive position of the private sector depends to a certain extent on the competitiveness of the territory, which in turn depends, inter alia, on having the human and social resources required by new economic conditions. The issue then is how local policies can contribute to the competitiveness of local firms. A "user needs" approach requires the involvement of the local business community in the design and implementation of local employment and development strategies.

#### *Local job creation*

*In Germany*, new networks are being formed to promote the creation of new businesses and to support existing SMEs. These networks comprise Chambers of Commerce, employers' associations, credit institutions, equity investment companies, technology and company start-up centres, universities, research institutions, companies, local authorities and employment offices. The involvement of all appropriate players in these co-operative structures, which link regional, economic, women-in-work and general labour market policies, is encouraged by an initiative entitled '**Regional Economic Assistance via Citizen Participation**' and supported by the Federal and Länder governments and by local authorities. (Source: *German NAP*)

#### 3.1.2.2. Potential changes – questions to discuss

The needs of the local business sector must be properly taken into account if local job potential is to be achieved. The active participation of local business community in employment partnerships must therefore be encouraged.

Business competitiveness needs an efficient local labour market. There may be various issues. Firms are the key to identifying local skills needs and anticipating labour market trends. They can help strengthen the enterprise base of the area by

supporting and accompanying start-ups and SMEs. The business sector can also play an active role in the reintegration to the labour market of excluded groups by using positive hiring policies towards disadvantaged groups.

The active support of enterprise is essential in developing employment at local level - enterprises create and sustain most jobs. They must be involved in integrated job-creation strategies, and their contribution used to best effect.

- How can local business and financial communities participate actively in the development of integrated local employment strategies and partnerships? What can be done to ensure that participation in partnerships is worthwhile for the business community?
- How can the potential of local businesses as operators in the delivery of local active labour market policies be tapped? How can they be encouraged to cooperate and support social enterprises despite possible competition conflicts?
- The acceleration of technological and economic change means that firms need to adapt their products, technologies and organisation accordingly. How restructuring processes are managed affects local employment and local communities. What good practice can be shared in managing economic restructuring so as to minimise negative effects on local employment?

### 3.1.3. *The Third System/ the social economy*

#### 3.1.3.1. The facts

Some forms of socio-economic organisation (co-operatives, associations, mutual organisations, and foundations) commonly referred to under the general term of the “social economy”, “third sector” or “third system” share principles such as the lack of profit-making goals, independence from the public and private sectors, seeking a more participatory form of organisation, and a community service ethos. Some seek to respond to needs that are not covered by public services or by the market. To do this, they engage in economic activities and hire personnel. They are usually small and well-rooted in the local community, and often work with a view to the long-term development of their local areas.

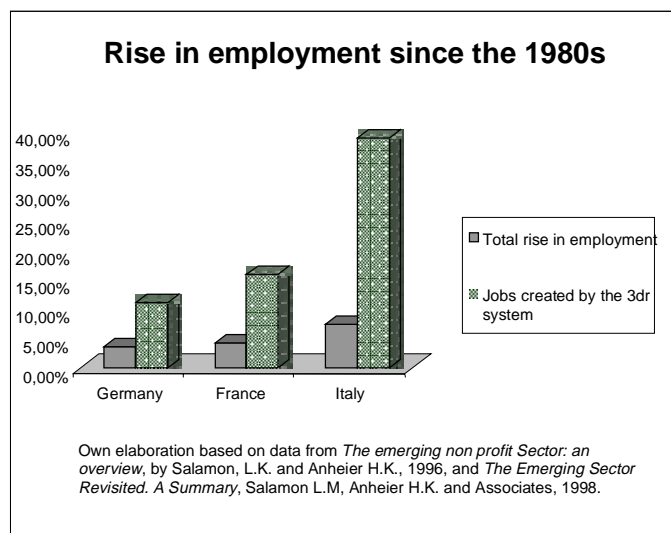
Today, these organisations represent a sizeable economic and social reality in many countries, although they are largely unrecognised. Overall, this sector is thought to account for 8,590,000 jobs or 6.45% of total employment and 7.78% of salaried employment. In addition, if volunteer work were converted into full-time equivalents, we could estimate that 10% of the workforce was in the third system<sup>6</sup>.

The structural changes of the last two decades have produced new organisations of a social economy type, which set out to meet the unmet needs of people and local communities, and to offset the effects of worsening unemployment and social exclusion.

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<sup>6</sup> *The enterprises and organisations of Third system: a strategic challenge for employment*, CIRIEC study, December 1999.

The increases in employment registered by such organisations in the '80s were much higher than those for the economy as a whole: 11% versus 3.7% in Germany, 15.8% versus 4.2% in France and 39% versus 7.4% in Italy. This rate of increase quickened between 1990 and 1995 and is estimated at some 24% in France, Germany, the Netherlands and the United Kingdom, accounting for more than 20% of net job creation in these countries. Three-quarters of these new jobs would appear to be in the sectors of education, health and social services, and a considerable portion in sport, culture, and vocational training.



This growth is partly explained by the outsourcing of certain functions that were carried out in the past by the public sector, and partly by the production of services, in reply to new needs. Two types of activity can be distinguished:

- integrating unemployed or disadvantaged persons through work experience,
- producing goods and services of social or community use.

This set of activities forms a genuine *third system* that completes and interacts with the public and private sectors and produces social ties that benefit the whole of society.

### 3.1.3.2. Potential changes – questions to discuss

Given the magnitude of unmet needs, this growth can be expected to continue<sup>7</sup>. However, releasing this potential is hampered by a certain number of obstacles that it would be worthwhile to remove. Some of these depend on third system organisations themselves, but others depend on their factors outside their control, particularly as regards the legislative framework.

<sup>7</sup> Based on the example of the United States, the Commission's Employment rates report 1998 estimates that 10 million additional jobs could be created in communal services (social, cultural, recreational, education, health and personal assistance services) in Europe and a large number of them taken on such organisation.

In *Italy*, new regulations have spurred on the growth of the social economy. In 1994 there were 2,300 social co-operatives with 38,000 jobs. By 1998 these numbers had risen to 4,800 co-operatives employing a total workforce of 108,000. Expanding the non-profit sector is also considered to be an important policy area for achieving equal opportunities. This sector is tending to develop in Italy in the areas where there is demand for services (*e.g.*, care of the elderly; activities to help the handicapped and disadvantaged; child-care services), and helps to promote a family reconciliation between work and family life. (*Source: Italian NAP*).

Whilst a certain number of new services, such as those aimed at environmental protection, are likely to turn into financially profitable activities over the short or medium term, others, especially cultural services and personal services (care for the elderly, child care, etc.) continue to run up against obstacles related to financing the demand. Their continued existence would therefore require that some of the financing needed for their development be found outside the market. Such financing could only be justified by taking account of the advantages that these new services procure for society, and the savings that they represent (savings in social security expenditure, greater availability of people to enter the job market, reduction in petty crime, etc.).

Today, the necessary finance is often found under public programmes, especially those aimed at activating employment policies. It may be natural to finance intermediate enterprises that aim to re-integrate people through work under active employment policies. However, to the extent that they also create sustainable jobs, they should have access to normal sources of funding for enterprises.

Alongside enterprises, the third system or social economy represent a significant and growing force in job creation, particularly for those with difficulty in accessing the labour market.

- What public and/or private financing sources would best meet development needs? How can the third system be financed on the basis that it saves money and produces added value for society? What is the balance sheet today of the various experiments in subsidising demand, such as service vouchers and tax rebates?
- Making third system organisations more professional is indispensable if the quality of service provided is to improve. Traditional education and training systems seem unlikely to provide satisfaction here. In what other ways could professionalisation and a higher service and job quality be achieved?
- What forms of partnership would provide a stable input for third system organisations' interests and needs into decision-making?

### 3.1.4. *The local offices of public employment services*

#### 3.1.4.1. The facts

Public Employment Services have a twin role in the labour market. On the one hand, they seek to improve the functioning of the labour market by seeking a nation-wide and even European-wide matching of labour supply and demand. This often means increasing the geographic and professional mobility of workers to the areas or business sectors where there is an increased demand for labour. On the other hand,

the PES have a crucial role in promoting a balanced territorial development, since they are concerned with every region's potential for employment development.

The network of local public employment offices, a crucial part of the public employment services (PES) organisation, consists of more than 5,000 local offices and a staff of more than 100,000 officers in direct contact with employers and jobseekers<sup>8</sup>.

The local public employment offices offer a wide range of services covering information services, placement services, vocational counselling and guidance, training and labour market programmes. The latter involve managing most of the €65 billion, or 1% of GDP, spent each year by the EU governments on active employment policies. That is more than one-third of all the spending earmarked for employment policies (jobseekers' income support and active policies).

Apart from offering services and active labour market measures for jobseekers and employers, the PES have in many Member States an important role in providing information on labour market and, in anticipating the supply and demand of labour.

In some countries the local public employment offices have developed new instruments for observing local employment dynamics or new approaches to satisfy flexibly companies' and workers' needs. In cross-border regions including the candidate countries, local employment offices have become key partners in the EU's EURES network, which brings them together, along with the social partners and local authorities, to promote actively shared labour markets open to the entire region.

The increasing requirements for effectiveness of employment policy has brought about demands for PES to decentralise and adjust their services to the local needs.

#### 3.1.4.2. Potential changes – questions to discuss

A key actor in the implementation of the activation and prevention strategy, the PES cannot work in isolation from other local actors. PES could be encouraged to make their expertise of the local and wider labour market available for example to organisations specialised in the fight against social exclusion. Cooperation with social partners would sometimes deserve to be intensified to facilitate the effective re-integration of workers on the labour market.

Beyond their traditional tasks of managing the labour market – through information, brokerage – the question arises whether local employment offices should get more closely involved in innovative local development activities. This includes for example the identification of latent vacancies, the support to entrepreneurship or to the development of activities in the third sector.

All above aspects suggest the need for local employment offices to benefit from a certain degree of autonomy in choosing the most appropriate forms of intervention to serve local needs.

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<sup>8</sup> Modernising public employment services to support the European Employment Strategy. Communication of the European Commission of 13 November 1998). COM(98) 641 final.

Hence the following questions:

- The local PES' interventions support their areas' development strategies. The effectiveness of their contribution is improved by discussion and co-operation with other local players and with those operating at other levels. How should the local public employment offices foster collaboration with other players, such as the social partners, local authorities or third-sector organisations? Which would be the main areas to strengthen the co-operation?
- Local PES offices are usually responsible for implementing measures decided upon by national or regional authorities. How can they enable mobility and guarantee equal access to services throughout the country while at the same time taking account of the particular needs of the local labour market?
- Can local employment offices demonstrate more innovative forms of intervention on the local labour market beyond their basic tasks of information, brokerage and the traditional labour market measures?

### 3.1.5. Social partners

#### 3.1.5.1. The facts

The organisation of the social dialogue differs substantially from one country to another. It can function at national level or enterprise level and can cover the whole of industry or just specific sectors. As a general rule, there is little negotiation at local level even though there may be special arrangements such as *contratti d'area* in Italy.

In a number of countries (including Austria, Denmark, The Netherlands), social partners take part in the decentralised management of Public Employment Services and are members of local tripartite bodies together with representatives of local authorities. It is also common in Europe to find the social partners in partnerships set up to develop employment and fight unemployment and social exclusion at local level.

#### 3.1.5.2. Potential changes –questions to discuss

It should be noted that skills levels are a decisive factor in business competitiveness, and the social partners are best placed to advise continuing training providers as to the training needs of local enterprises. It is also at local level that new forms of employment, new trades, new ways of organising work inside companies and between them can be most easily observed– which suggests that flexibility might be left to the local level for negotiation and discussion. Furthermore, local social partners have a thorough knowledge of the local situation, which could benefit the local community. All these developments, coupled with the wide diversity of local labour markets, plead in favour of a better integration of the social partners in local partnerships.

The social partners have formal and informal roles across the whole of the labour market. Through joint negotiations, through institutional and other partnerships, they exercise a significant influence on the way the labour market is managed.

- Looking beyond bi-partite bodies and institutions, how can social partners participate in more open networks and partnerships, in particular those including intermediate bodies and associations? How can they move beyond their usual bargaining spheres to promote broader strategies within their area and help job creation including in emerging fields of growth ?
- What matters could be covered by negotiation at local level to promote innovation and adaptation to local circumstances, without jeopardising national and European cohesion and the balance between workers' expectations as to security and employers' expectations as to flexibility? How can the social partners help to ensure that geographical productivity differentials are taken into account ?

### **3.2. Support from regional and national authorities**

Member States have been striving for years to allow for local particularities and needs as they set and implement their policies. However, support for policies that encourage local players to join forces in an integrated development of employment within their territory is a more recent development.

#### *3.2.1. The facts*

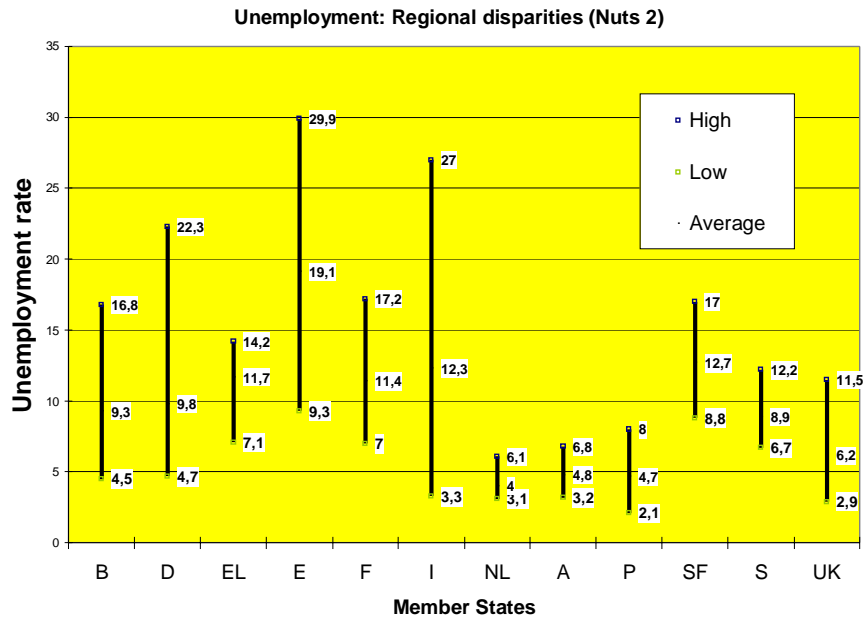
The realisation that the structural changes were too complex to be handled by central policies alone has helped to speed up the processes of institutional and administrative decentralisation that were already going on in most Member States. This “devolution” brought certain number of decision-making levers closer to local communities, and has made them more responsive to their needs.

So far as labour market policies are concerned, the case for decentralisation is made by the differences between the socio-economic characteristics of individual areas, and the desire to take more account for the changes that affect them.

Indeed, socio-economic characteristics vary more within a given Member State than between Member States. These differences are particularly striking with regard to unemployment rates<sup>9</sup>. Thus, within the same Member State, the jobless rates in the regions hit hardest by unemployment are often three to four times higher than in the better-off regions. Moreover, even greater variations can be seen at sub-regional level. Such large variations are often signs of complex local circumstances. Centrally designed policies have proved too inflexible to allow for these variations, so solutions that allow for local particularities have proved indispensable.

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<sup>9</sup> Cf. EUROSTAT, *Statistic in Focus, Regions*, no 5/99, EU unemployment still marked by regional variations, 1999.



Almost all Member States are decentralising the implementation of policies decided and financed at national level. Although this is mainly done through local public employment services (PES), there is an increasing tendency to build working partnerships with different types of local actors, some of them based on the EU experience of Territorial Employment Pacts (TEPs). This is particularly the case in the Scandinavian countries, where labour boards bring together public employment offices, social partners and local authorities and play a important role in the planning and delivery of active employment policies.

### 3.2.2. *Potential changes – questions to discuss*

Employment initiatives taken by local players must be seen in a broader regional, national and even European context. If they are to be fully effective, they must take account of guidelines set at all these levels.

National and regional governments and the social partners all have essential roles to play. They must not only build local players better into decision-making, but they must also develop a regulatory framework and support measures which facilitate the development and extension of integrated local strategies.

One way of increasing the effectiveness of the European Employment Strategy would be a deeper involvement of local players in drawing up and implementing the National Action Plans for employment (NAPs). How this is done is a matter for national and, where appropriate, regional governments to arrange. Earlier sections of this document have shown that the local players already dominate the delivery of centrally-adopted measures. But experience also shows that active labour market measures are more effective if they are part of an integrated local strategy worked out jointly by all the local players and supported by the other institutional levels.

The circumstances in which local partners work, and the ways in which they can develop and implement integrated strategies for job creation, are set down by Regional and National authorities.

- How can the national and, where applicable, regional governments encourage local authorities to integrate the employment dimension in all their actions? How can they promote integrated local employment strategies in general? What are the implications in terms of more operational flexibility at local level? How can good practice be identified and transferred?
- How can they better involve local authorities in the preparation and implementation of the NAPs?
- Third-sector organisations play an important role in improving worker employability. Their development depends however on the existence of regulatory frameworks and support structures to ensure their survival. What can national, regional, and local governments do in this regard?

### **3.3. Applying the European Employment Strategy locally**

The European Employment Strategy provides an appropriate policy framework for local players intending to integrate the employment dimension in all their actions

The European Employment guidelines are the framework within which National Action Plans for Employment translate into concrete measures suited to their national contexts. In a similar fashion, the European Employment Guidelines can be a useful grid against which to define a local employment strategy. The guidelines have the potential to be a suitable framework adapted to the diversity of local situations in Europe. The local plans would establish coherence at local level and could maximise the impact of the national plans.

It is one of the founding principles of the European Employment Strategy, that employment policies should be a component of all other policies, at both European and national levels. This principle should underpin the development of integrated strategies for local employment development that can in turn, strengthen similar approaches at the other levels.

Such strategies both support the European Employment Strategy, and can be supported by it. Indeed, the European Council in Vienna<sup>10</sup> decided to make the ESF the main EU instrument for supporting the implementation of the Naps; and what is more, with the widening of the scope of the ESF, local development now figures as one of its priorities along with the other Structural Funds<sup>11</sup>.

Regional and rural development policy and more explicitly the new ESF Regulation enables support for local development and employment initiatives, for activities in the area of the social economy and the Territorial Employment pacts than was the case in the past. The ESF Regulation also provides for the adoption of new approaches, such as schemes to grant small subsidies to non-governmental

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<sup>10</sup> Cf. Section 36, Conclusions of the Presidency, Bull. EU 12/98.

<sup>11</sup> Council Regulation (EC) N°1260/99 of 21 June laying down the general provisions on the Structural funds.

organisations and local partnerships and the use of global grant systems to meet all of the employment development-related needs in a particular area. This can cover support for the development of local partnerships as well as for partnership activities such as developing a new financial engineering approach, or boosting the social entrepreneurial spirit at local level.

The European Employment Strategy provides an analytical and political model against which Member States evaluate their performance against peer success, and sets out Guidelines which Member States seek to implement to improve their employment performance

- How can the EU and its institutions, support instruments, programmes and actions do more to support integrated strategies for local employment development?
- Is it possible to apply locally a policy under which the fight for a high level of employment must be part of every policy?

#### 4. CONCLUSIONS AND PERSPECTIVES

The previous chapters have shown first, an increasing interest in action at local level to stimulate employment, and secondly, the existence of a number of factors which can help local action to play its full part in increasing the Employment Rate in Europe, and providing stable, good quality jobs. The wide range of authorities and bodies mentioned here (national, regional and local governments; enterprises; third system/social economy organisations; the social partners; and devolved public institutions such as the public employment services) demonstrates both the need for coordination in such activities, and the fact that integrated approaches are essential within each country, each region, each locality. All the players, at all levels, have responsibilities and must contribute.

The need for further action to strengthen the local dimension of the European Employment Strategy is thus clear. A broad political consensus exists as to the desirability of so doing. How to move forward is part of the debate that should take place in the coming months. In order to enable the process the Commission will undertake a series of activities:

a) Promoting a debate on the issues raised in this Communication

The Communication is addressed primarily to the Institutions of the European Union. However, it also seeks to stimulate a wider debate. The Commission thus calls on all those interested in the development of employment at local level to reflect on the issues raised in this paper, and to communicate their views, or the views of representative associations, to the address below. The Commission also looks forward with interest to the views of the European institutions on these issues.

Besides these formal consultation mechanisms, the Commission will support a series of European transnational Seminars that will deepen discussion on the various issues raised by this Communication. The consultation process will start in April and will end in October 2000. Synergies will be sought with other institutions sharing the same concern for exploiting local employment potential. The debate on the Communication will be closed in December 2000, in a Conference organised in

Strasbourg by the French Presidency. At this Conference stock will be taken of the debate, and the Commission will present the result of the consultations and look forward to the future.

b) Piloting the application of the European Employment Strategy at local level

The budgetary authority has made available to the Commission a budget line B5-503 to support preparatory actions for local commitment for employment. The key message of this Communication is that the European Employment Strategy offers a framework within which to develop integrated local employment policies. The Commission will therefore use this budget line in order to:

- Pilot the application of the European Employment Guidelines as a framework for the development of Local Action Plans for employment (LAPs), so as to demonstrate the potential of the approach
- Raise awareness of the potential for employment creation of action at local level;
- Develop transnational co-operation;
- Promote the identification and exchanges of good practice.

The actions envisaged may, at a later stage, be complemented through the use of the possibilities offered by Article 6 of the ESF to promote the role of the third system/social economy in the creation of local jobs and to gain experience in the implementation of local employment strategies.

**Written comments** on the issues raised should be sent **by 31.10.2000** to:

European Commission

Directorate-General for Employment and Social Affairs

Rue de la Loi/Wetstraat 200

B-1049 Bruxelles/Brussel

Comments can also be sent by fax to (+32.2) 299 6778, or by e-mail to:

[empl-com-actlocally@cec.eu.int](mailto:empl-com-actlocally@cec.eu.int)

This document is also accessible in all official EU languages at the following address:

[http://europa.eu.int/comm/dg05/key\\_en.htm](http://europa.eu.int/comm/dg05/key_en.htm)

## ANNEX

### **The Requirements for success in local employment development**

*Local action for employment is certainly not the only way to solve the unemployment problem. However, it is a necessary condition for any effective strategy. In this respect, previous experience, confirmed by a wide variety of research and action research, now enables us to identify some of the requirements for success.*

- **The local dimension**

The local area is the level at which unsatisfied local needs can be identified and the supply of jobs organised. However, it is more than just a place for implementing decisions taken elsewhere. Here, it is also possible to combine different labour market instruments, and to develop ways of giving added value to decisions taken centrally. The local area is not limited by administrative boundaries. The appropriate territory for local intervention is more often defined by the cultural affinities with which local people identify, local production systems and trade flows, and the travel-to-work area.

- **The integrated approach**

All policies operated at local level must, for maximum efficiency, be integrated into a single strategy. In this respect, specific measures to boost employment must also be regarded as an extension of other development policy instruments, into which in turn the employment dimension must be integrated.

- **Partnership**

Following a significant cultural change in the approach to development issues, employment policy is no longer seen as the exclusive concern of political decision-makers and economic operators, but as a concern of society as a whole. This means that better co-ordination is required not only between local players but also between various institutional levels. Creating local partnerships which bring together all the forces in an area must be regarded as a fundamental condition for successful local employment development strategies.

- **The bottom-up approach**

Local strategy and action must be based on an analysis of local needs and local skills if they are to produce appropriate solutions. This should lead local organisations to re-examine the way they work, and how they can better respond to local needs.

- **A supportive environment**

The development of integrated local strategies often depends on whether national or regional legislation promotes local initiative. This concerns not only the devolution of powers to regional and sub-regional institutional levels, but also the adoption of fiscal policies which facilitate such initiative.

- **Integrating administrative practice**

Public sector policies are increasingly organised according to cross sector objectives, but they are still largely administered within the framework of sectoral programmes; and current administrative practices still favour specialisation of tasks to the detriment of holistic approaches. This situation arises because decision-making and managerial powers are segmented between departments at all levels, so each department gives priority to its own areas. As integrated local development strategies need cross-sector approaches, this segmentation in administrative practices tends to hinder their design and implementation.

- **Financing suited to local needs**

Micro-firms and LDEIs have great difficulty in accessing credit, not least because of problems in providing tangible guarantees. When public financing exists, it is usually linked to specific conditions required by competition policy and public accountability. However, the strict rules that these imply may make access to the finance difficult, particularly for micro-firms and individual entrepreneurs.

Moreover, there are other sources and forms of financing that are still under-used and deserve special attention. These are micro-credit, local investment capital, especially for social purposes, the resources of corporate foundations, and certain alternative forms of financing, such as local solidarity savings.

- **Intermediate support structures**

Local employment activity does not usually arise spontaneously. The existence of intermediate support structures, such as local development agencies and local employment observatories, is often the key to successful local action. Support to set up and operate such intermediaries can thus be essential.

- **Appropriate vocational training systems**

Vocational training systems have had great difficulty in responding to recent developments. For instance, the increasingly frequent combinations of statuses, such as when an unemployed person is also an entrepreneur, requires training that allows for the particular needs of those concerned. On the other hand, new trades tapping into new job possibilities may need special skills (multidisciplinary, relational skills, capacity to take initiatives, etc.) or access arrangements (teleworking, etc.). Vocational training must be able to deliver in all such circumstances.

- **Mutually supportive economic, structural and social policies**

The persistence of high levels of structural unemployment in some areas calls for mutually supportive economic, structural and social policies. Each of these has a contribution to make: but they are often approached as though they had separate perspectives. The Lisbon special summit on "Employment, economic reform and cohesion - towards a Europe of innovation and knowledge" underlines the impact that co-ordinating policies can have in reaching important objectives. The same applies, at a much smaller scale, at local level. It is also to be found within the European Employment Strategy, which is shifting national employment policies more and more away from passive measures towards active with the recognition that employment provides the best route out of social exclusion and poverty.