



Identification, Dissemination and Exchange of good practice in Local Employment Development
and promoting better governance

IDELE Seminar

Fresh Approaches to Employment Activation and Sustainable Communities: Lessons for the Competitiveness and Employment Regions

**27-28 April 2006
TOP Hotel Park Bologna**

Thematic background paper

THE IDELE PROJECT

The European Commission (DG Employment, Social Affairs and Equal Opportunities) has appointed ECOTEC Research and Consulting to implement the IDELE project to “*identify, disseminate and exchange good practice in local employment development*”. IDELE pays particular attention to identifying and disseminating good practice on the ways that local actors and actions can add value to European, national and regional programmes. The IDELE seminars (8 during the period 2004-2005 and 4 in 2006) provide a platform for policy-makers and promoters facing similar problems to share a real dialogue about how the local approach can make a difference and thereby strengthen local employment development (LED) across Europe. The objective is to disseminate lessons and practical tools as widely as possible through the events, the papers that follow them and through the IDELE website (www.ecotec.com/idele).

The Background to LED and the Prospectus for IDELE in 2006

For over a decade, LED has emerged as an increasingly successful part of the European Employment Strategy and has become widely adopted within the European Structural Funds. This process has been driven by a strong ‘bottom up’ movement - keen to empower and engage players at the regional and local levels and to see more consistent funding available for a range of local economic, social and environmental initiatives. The European Commission and many Member States have responded by privileging the use of local stakeholders as key agents in the development of local strategies and the delivery of services.

As the IDELE series of seminars has confirmed, local employment development projects can range from loose confederations of essentially local projects to well organised strategy-driven partnerships and delivery agencies with a clear place in the system of governance. We have been able to show in IDELE how local organisations and the other key stakeholders have developed the skills and the infrastructure essential for the delivery of high quality outputs.

During the 2000-06 funding period, the European Commission - working alongside other stakeholders, such as Member State governments - has encouraged local players to develop:

1. Better and more informed management capacity: moving beyond the skills necessary simply to implement an activity towards a more complete participation in local decision-making;
2. Active participation in governance systems: equipping themselves to see where they and their organisations can best fit in to a multi-level strategic approach to local development; and
3. Strategic understanding: having found the most appropriate role and positioning for themselves, going on to engineer and deliver a strategy to achieve the best possible outcomes.

All of these developments still have their power but the background circumstances against which they are applied are rapidly changing. In terms of the policy environment, the 2006 approach to IDELE sets out to reflect the changes that are taking place as the EU moves to implement the revised Lisbon strategy¹, respond to enlargement and streamline and simplify the Structural Funds programme. We are now within sight of the final arrangements for the implementation of the 2007-2013 Programming Period for the Structural Funds and Member States are seeking to finalise their National Strategic Reference Frameworks during 2006.

The Bologna seminar is part of the final cycle of four seminars that will complete the overall IDELE exercise. It is our aim to influence emerging policy in favour of **acting locally for employment and development** as far as we can. The cycle of IDELE seminars this year is as follows:

- The New Round of Structural and Cohesion Funds: Bringing the Local into Play in the Context of Convergence; Budapest, Hungary, 9-10 March 2006.
- Fresh Approaches to Competitiveness and Employment: Lessons from the Local Level; Bologna, Italy, 27-28 April 2006.
- Local Approaches to Rural Development; Santiago de Compostela, Spain, 1-2 June 2006

The final event will bring together lessons from the full three year series of seminars:

- The Local and the European Employment Strategy: Lessons from IDELE: Brussels 13-14 July 2006

Each IDELE seminar (apart from the final one in Brussels) will bring together around 30 participants - local actors and regional, national and EU policymakers to consider the theme. The seminars comprise expert presentations as well as case studies and

¹ Agreed by all 25 Member States at the 2005 Spring Council. Should Romania and Bulgaria join the EU in 2007, they will adopt the Strategy as part of the Aquis Communautaire.

offer the opportunity to debate and discuss the emerging lessons in an informal and essentially conversational setting. The final seminar in Brussels will conclude the series and will thus be larger and aimed particularly at policymakers.

THE EMERGING POLICY CONTEXT

The Lisbon Strategy

In March 2000, the Lisbon European Council set out a ten-year strategy to make the EU the world's most dynamic and competitive, knowledge based economy. The *Lisbon Strategy* is, in its widest sense, a commitment to bring about economic, social and environmental renewal. It has been adopted as the driving force shaping the future of the European Union and its constituent Member States. Under the strategy, a stronger economy will drive job creation. This will sit alongside social and environmental policies that ensure sustainable development and social inclusion. The range of Lisbon objectives includes the following:

- Competitiveness: stepping up structural reform for competitiveness and innovation, and completing the internal market;
- Knowledge-based economy: information society and research;
- Economic growth: appropriate macro-economic policy mix;
- More and better jobs: goal of full employment;
- Greater social cohesion: modernising the European social model; investing in people; and combating social exclusion; and
- Sustainable development.

A series of ambitious targets has been set out to measure progress toward these objectives. According to the Kok report², progress to date has been slow, but there is a renewed drive to configure policy around the Lisbon goals and to see that both EU and Member State actions are closely aligned with them. To this end, EU policy is now underpinned by a series of *Integrated Guidelines for Growth and Jobs*³ that bring together in one framework document all of those guidelines needed to drive policy – including *Broad Economic Policy Guidelines (BEPG)* and within those the *Employment Guidelines* that provide the context for IDELE (see Table 1 below).

² *Facing the Challenge; The Lisbon strategy for growth and employment*; Report from the High Level Group chaired by Wim Kok, November 2004.

³ *Integrated Guidelines for Growth and Jobs*, COM (2005) 141 Final

Table 1 - The Employment Guidelines (2005 – 2008)⁴

Guideline 17: Implement employment policies aiming at full employment, improving quality and productivity at work and strengthening social and territorial cohesion;
Guideline 18: Promote a lifecycle approach to work;
Guideline 19: Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people and the inactive;
Guideline 20: Improve matching of labour market needs;
Guideline 21: Promote flexibility combined with employment security and reduced labour market segmentation having due regard to the role of social partners;
Guideline 22: Ensure employment-friendly labour cost developments and wage setting mechanisms;
Guideline 23: Expand and improve investment in human capital;
Guideline 24: Adapt education and training systems in response to new competences required.

National Strategic Reference Frameworks

In parallel with the revised Lisbon Strategy and the BEPG, the *Third Cohesion Report (2004)* sets out a statement of the new priorities that should inform the growth and cohesion process. These were:

- Strengthen the strategic focus of EU regional policy;
- Apply the Lisbon principles – Cohesion/Growth/Jobs; and
- Apply the Gothenburg accord – environmental sustainability

The Commission also issued (for consideration by the Council) *Community Strategic Guidelines (CSG)* ‘to give effect to the priorities of the Community with a view to promote balanced, harmonious and sustainable development’⁵. As part of this process, each Member State is required to produce a *National Strategic Reference Framework (NSRF)* outlining its strategy for delivering Structural Funds in line with the broader EU objectives and reflecting the Integrated Guidelines for Growth and Jobs. NSRFs will normally include a SWOT⁶ analysis; a set of thematic and territorial priorities; and a list of Operational Programmes. They are to be prepared in consultation with partners and in discussion with the Commission. However, events concerning the *Financial Perspective* have delayed the process and thus reduced the time available to finalise the NSRFs in 2006. Final agreement will come from the Commission after a dialogue over the broad aims, the content of the *Operational Programme(s)* and the allocations of funds.

⁴ Adopted 12/07/05

⁵ *Cohesion Policy in Support of Growth and Jobs: Community Strategic Guidelines, 2007-13*; COM (2005) 0299

⁶ Strengths, Weaknesses, Opportunities, Threats

The NSRF is, then, an important tool to demonstrate how a Member State is setting out to address the CSG priorities and the revised Lisbon agenda - with the aim, in each case, of ensuring a strategic focus on the core priorities. An important further element in the overall policy package is the regulatory context. This is set by Articles 25 and 26 of the *General Structural Funds Regulation* of July 2004.

Funds Allocation in the New Programmes

The allocation of resources for the new round of Structural Funds has now been broadly but not yet finally agreed. A total of €307.6 Billion has been allocated and this will be disbursed under three *Objectives* as follows:

- *Convergence Objective (CO)*: 81.9% of total funds (€251.3 Billion);
- *Regional Competitiveness and Employment Objective*: 15.6% of total funds (€48.8 Billion);
- *Territorial Cooperation Objective*: 2.4% of total funds (€7.5 Billion).

Within the *Convergence Objective* there are sub-allocations as follows:

- Cohesion Fund: 24.4% of CO Funds (€71.4 Billion);
- "Phasing Out": 4.8% of CO Funds (€12.5 Billion).⁷

THE BOLOGNA SEMINAR

Introduction

The most disadvantaged regions and localities of the EU15 have been benefiting from significant Structural Funds assistance for decades. With enlargement, this is about to undergo a very substantial change. As we have just indicated, while those falling under the *Convergence Objective* can expect substantial continued support, those outside this category and subject only to benefits from the *Regional Competitiveness and Employment Objective* are destined to see levels of support fall dramatically. It will be those regions that were the traditional beneficiaries of Objective Two that will see the most significant change. Such regions are for the most part those old industrial regions whose economies have had to respond to the harsh disciplines of the new international division of labour over the past 40 years. As newspaper headlines show every day, this is an ongoing process that is far from complete. Factory closures continue to mark the way to an economic base where the share of manufacturing jobs is as low as 15 percent and still falling. In these sorts of regions, local employment development initiatives of all kinds are going to have to confront this harsh new

⁷ The "phasing out" category refers to those regions that would have been eligible for funding under the EU15 rules but lose eligibility in the EU25 and those where their GNI per capita will now exceed 90 percent of the new EU25 average

reality. After two decades of experimentation and innovative action the call is for "mainstreaming" with Member State governments being exhorted to carry forward the fruits of the experiments with their own domestic resources.

The focus of the Bologna Seminar is on precisely these sorts of circumstances. We are looking at what might be called 'mature' local employment development within those regions that will benefit from the *Regional Competitiveness and Employment Objective*. In most of them there is a long track record of local partnership approaches to employment development and EU Structural Funds have been particularly important in stimulating and/or supporting them. There is no doubt that the funding for local employment development in these regions will be vastly reduced in the 2007-13 period. And there is much to lose if the transition to a new mainstream funding regime is badly handled. As IDELE has shown, a very substantial platform of LED initiatives has been built up stretching from the remotest parts of the rural north to the cities of the Mediterranean south. In the old industrial heartlands of the north LED is having a particularly critical role in easing the social integration of minority groups and helping to ameliorate conflict as a new, more mobile and volatile, European workforce responds to the free marketplace of opportunity.

Faced with the new circumstances, many Member States can already claim to have incorporated the acknowledged value of acting locally into their mainstream national programmes. For some, indeed, (and this is why we have come to Italy for this seminar) there has been a long-standing recognition of the intrinsic value of local partnership action as a driver of competitive success. As Member States fine-tune the drafts of their National Strategic Reference Frameworks during 2006, this is the time to seek out and exchange good practice lessons about established *mainstream* success in local employment development. There are substantial lessons to be shared about how local partnerships have found their own funding, for example by operating as social enterprises, by winning contracts from (national or regional) public authorities or by being accepted as part of the public realm. In other cases, of course, local partnerships have emerged in a more 'spontaneous' manner - without a prior dependence on public intervention - as local economic players have come together to seek individual and collective competitive advantage.

Revisiting the Industrial Districts Model

The story of the *Italian Industrial Districts* model, which has pervaded the literature of territorially based innovation since the 1960s is one that should be of particular interest under the circumstances that we have just outlined. While much of the policy and funding-driven agenda for local employment development has tended to emphasise its value as an instrument for bringing excluded and disadvantaged people into the labour market, making the case for mainstreaming local action will also need to consider its importance as a device for creating more jobs in the first place. It was the task of the IDELE seminar in Cork to open this aspect of the debate and the time is ripe to return to it in Bologna.

A key aspect of the Bologna seminar is, then, to bring ourselves up to date on the debate surrounding industrial districts. How well, for example, are those early and perhaps more idealised views of the competitive value of the Italian industrial districts model holding up in a world of intense global competition? Can local networks of firms acting in partnership with other public sector and civil society players really expect to capture competitive weight in the global marketplace? What sorts of differential trajectories can be identified as having emerged over the last two or three decades as local partners have "learned their way forward" and what lessons can IDELE take from them for the variety of European contexts over which it operates? It is this – demand side – aspect of the value added from acting locally that will enable us specifically to explore how well LED can deliver Guideline 17 of the EES, namely to:

Guideline 17: Implement employment policies aiming at full employment, improving quality and productivity at work and strengthening social and territorial cohesion;

Mainstreamed models of local partnership

Another key dimension of the agenda for the Bologna seminar will be to explore examples of how national governments have already adopted local models of partnership working to deliver some aspects of their mainstream policy programmes on the supply-side and in terms of welfare provision. These topics are selected because they help us to disseminate good practice about how other of the Employment Guidelines can be delivered more effectively by local action. We have focused our attention in particular on measures for reaching out to those disadvantaged groups that, even when jobs are available, can find difficulty in accessing them and on national and regional policies and frameworks that can demonstrate good use of local actors within the system of multi-level governance:

Guideline 19: Ensure inclusive labour markets, enhance work attractiveness, and make work pay for job-seekers, including disadvantaged people and the inactive;

The need to reduce the level of state benefit to some groups of the unemployed and economically inactive (for example, through the Hartz IV reforms in Germany) and to get excluded people into work is giving the local a potentially much enhanced role in national welfare policies. There is a dimension of the "flexicurity", debate therefore, that needs to be opened up outside the workplace and in the local community in the sense that persuading people to shift from a more stable system of benefits to a more flexible one of "work activation" has a powerful resonance on how local communities in the poorest areas will thrive and survive. In this respect we shall be able to take on board in a limited sense the requirements of Guideline 21:

Guideline 21: Promote flexibility combined with employment security and reduced labour market segmentation having due regard to the role of social partners;

Both the creation of jobs and the integration of excluded people can benefit from actions that support the development of *local social capital* and/or the *social economy* (Guideline 23). Such actions can create new jobs by meeting gaps in local services, currently unmet by the market, that can be filled by local actions which simultaneously integrate excluded people for example through intermediate labour markets or the social economy.

Guideline 23: Expand and improve investment in human capital

The Bologna Seminar will therefore address issues – in the context of reduced European funding - such as:

- *job creation through maintaining local competitive advantage* (including locally embedded cultures that encourage innovation and flexibility);
- *job activation* (including intermediate labour markets for the young, the old, the minority ethnic groups etc);
- *developing social capital and the social economy*; (including the sustainability of these approaches); and
- *sustainable communities* (including neighbourhood renewal and housing) and the strategies that can bring them together in a concerted programme of locally driven *regeneration*.

The sub-text for the event as a whole will be to examine how the Lisbon process and the transformation of the European social model in the Member States are being played out locally – and how national policies and frameworks can allow effective local approaches to flourish.

KEY QUESTIONS FOR THE SEMINAR

- **What will be the employment priorities for national policies in the context of reduced availability of European funding?**
- **How can we best design policy programmes at a significant scale (national or regional) that can initiate, support and sustain local employment development actions?**
- **What intermediary structures are needed to support sustainable local approaches to employment development?**
- **How can a *locally embedded culture* be generated that can create competitive advantage based, not on price, but on quality, variety and flexibility?**
- **What are the best approaches to *work activation* at the local level?**
- **How can the actions to insert excluded groups be co-ordinated with actions that generate local growth and competitiveness?**

Further Information - For further information on the **IDELE** project please visit our website at: www.ecotec.com/idele