



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

Final IDELE Seminar

The Local and the European Employment Strategy: Lessons from IDELE

13-14 July 2006

Crown Plaza City Centre Hotel, Brussels

Background paper

THE IDELE PROJECT

IDELE is a key element of the European Commission's activity to encourage the Identification, Dissemination and Exchange of good practice in the field of Local Employment development and promoting better governance. It is a three-year project implemented by ECOTEC Research and Consulting on behalf of the European Commission Directorate General for Employment, Social Affairs and Equal Opportunities.

Activity within IDELE aims to highlight and enhance the contribution of local employment development to the objectives of the European Employment Strategy (EES) and thus to the EU's strategic goal: *to become the most competitive and dynamic knowledge-based economy in the world*. This activity is based on key principles regarding best practice in local employment development and the best means to identify, disseminate and exchange it.

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. Twelve IDELE seminars (four per annum during the period 2004-06) have provided 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 Brussels seminar is the twelfth and final seminar of the IDELE series. 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 has been as follows:

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



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- 3) Local Approaches to Rural Development; Santiago de Compostela, Spain, 1-2 June 2006
- 4) The Local and the European Employment Strategy: Lessons from IDELE: Brussels 13-14 July 2006

The first eleven IDELE seminars have brought together around 30 participants - local actors and regional, national and EU policymakers to consider the theme. They have comprised expert presentations as well as case studies and debate and discussion of the emerging lessons in an informal and essentially conversational setting.

The final seminar in Brussels brings together the most valued contributors to the IDELE series, senior policy makers from a selection of Member States and Commission officials. It distils key policy messages from the eleven previous events and from the wider learning stimulated by the series. We have invited a selection of "the best of the best" from among the IDELE participants to present brief papers commissioned in advance. The overall aim is to relate the IDELE experience directly to the European Employment Strategy as it will be applied through the new Integrated Policy Guidelines and to draw out what recommendations should be set out to support the application of the strategy at local level within an effective system of multi-level governance.

The Background to Local Employment Development and the Prospectus for IDELE

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. IDELE has shown 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:



- 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;
- 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
- 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 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.

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.

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).

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

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

⁴ Adopted 12/07/05

- 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.

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 (€61.4 Billion);
- "Phasing Out": 4.8% of CO Funds (€12.5 Billion).⁷

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

⁶ Strengths, Weaknesses, Opportunities, Threats

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.

THE BRUSSELS SEMINAR

Introduction

The overall aim of the Brussels seminar is two-fold. The first is to have our best experts come together to provide summary evidence showing how those good practice local actions that we have revealed through IDELE can make a vital contribution to the European Employment Strategy. The second aim, following on from the first, is to begin the process of formulating a set of policy recommendations that will serve further to sustain and strengthen the position of the local in employment development. If we have learned anything through IDELE it is that recommendations such as these are not just for local actors – though surely these are vital – but that policy across the system of multi-level governance as a whole needs to be appropriately engineered to give the local the support it needs to make its critical contribution. The seminar represents the first step in the production of the final report for DG Employment, Social Affairs and Equal Opportunity which is due to be submitted by the end of the year and it represents an essential opportunity for representatives of the "IDELE Community" as a whole to ensure that their views are taken on board.

Key Themes

The event itself is structured across five core themes as follows:

Theme 1: The creation of knowledge, flexibility and adaptability in local spaces

Some localities appear to have been uniquely successful in “catching the wave” of the modern globalised world economy. They tend to be places whose attractiveness has been underpinned by the arrival of new transport systems and the new information and communications technologies and that have thrived on the shift of economic emphasis to high value added, high skill and knowledge-based activities. They also tend to offer attractive environments that appeal to the more mobile, higher educated professional and technical workers. The people that operate in them are often drawn by the possibility of achieving a unique combination of possibilities in the work-life balance – participation in the global and metropolitan economy while at the same time living in an amenity-rich community with a strong sense of locality.

Critically, then, these more *successful local milieux* can offer some clear lessons about the power of the local in that new knowledge-based economy which lies at the heart of the Lisbon agenda. While there is an extensive academic literature on these “new industrial spaces” and on the “flexible specialisation” that gives them their competitive edge, the expert and case example presentations for the seminar showed what can be learned about the *practicalities of action* in cases where the local milieu has had a powerful impact on success. Most such places have not been the beneficiaries of EU regional policies; indeed they demonstrate that local employment development is not just about helping ‘poor people in poor places’ but has relevance

to all types of locality as a means of improving governance. They offer us important lessons about how locally-driven development can be sustained by striving for competitive advantage to generate continuous revenue but, as our examples also show, a careful attention to people issues and what we labelled as "competency gardening" marks out the very best of them. A further feature of some of these dynamic places is the importance ascribed to alternative models of business enterprise – not-for-profits or social enterprise – as part of a *new dynamic* that experiments as much with business forms as with products and services for the marketplace.

Theme 2: The stimulation of enterprise, renewal and local initiative

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, there is much more to be made of how acting locally can be a powerful force for a wider range of positive outcomes in more general terms, particularly on *job and enterprise creation*. The engagement of local people, local partnerships and local stakeholders generally can, under the right circumstances, be a force to release a broad spectrum of creative actions. But for this to happen there is need for a threshold level of trust to be built up that can allow some risks to be taken. Enterprise and entrepreneurship demands a measured assessment of risk by the parties involved and, where public funds are part of the sponsorship mix, we have found that this can be a fundamental criterion that can liberate or restrict innovative action. Indeed, through IDELE, we have seen a spectrum ranging from the negative effects of over-regulation on the empowerment of local stakeholders to the hugely positive influence of more risk-accepting attitudes.

For many Member States, particularly among those that have recently joined the EU, there is a special premium on creating new jobs sources and new enterprises where few "orthodox" employment opportunities exist. To make this happen, however, there are some critical lessons that need to be learned – many of them more in the sphere of effective governance than in the sphere of economy. There is a need to find the confidence to offer a degree of "measured empowerment" to local communities and groups and, if this can be achieved, there is good evidence that people will act creatively and positively – whether it be by creating their own village hall, a new business incubator, finding ways to fill local service gaps or through setting up a care facility to help women access paid jobs. Among the older Member States some - but sadly by no means all - have discovered the power of local action in creating enterprise and more and better jobs and we have many good practice examples to report across the fields of urban regeneration, new business development, new ways of delivering public service by local enterprise and so on. What has been needed in all cases is the right sort of *governance framework*; one that can envision such ventures as more than interesting "one-offs" and that can upgrade a patchwork of "great pilot projects" into a programme of sufficient scale to make a real difference.

Theme 3: Attracting and retaining more people into work

The post-war world of social democracy and the welfare state is faced with new pressures. Global market forces penetrate virtually every corner of the earth - setting a challenge for competitiveness that all must respond to. In this new world order the social policy prescriptions of the European Social Democratic compromise have come under intense pressure and the classic welfare state model of "entitlement by eligibility" is being set aside in many Member States in favour of alternative models founded on welfare to work or workfare systems with benefits carefully judged in relation to labour market participation. There are, however, profound variations in how all this is being tackled across each of the Scandinavian, Anglo-Saxon, Continental and Southern welfare regimes.

As part of the response to these "new times" more and more national governments can be seen to have adopted both new forms of social dialogue and, significantly for us here, *new models of partnership working* – many of them local - to deliver key parts of their mainstream policy programmes for the unemployed and those disadvantaged in relation to the labour market. The move to active labour market policies and "work activation" measures to assist the unemployed and the disadvantaged to obtain access to employment is now virtually universal and the Employment Guidelines explicitly recommend them - for example:

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

IDELE has examined examples where 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 local action a potentially much enhanced role in national welfare to work policies. There is also a dimension of the current "flexicurity", debate that can be helpfully examined through the lens of the local. 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. Part of the "security" dimension of responding to these pressures may come from actions not in the labour market per se but in the sort of community-based support that can be put in place. In particular, 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.

Theme 4: Tackling employment issues within multi-level governance systems

The focus for IDELE is local employment and economic development policy and action. The importance of *partnership approaches* for this policy domain as far as the European Commission is concerned is illustrated in the Integrated Guidelines for Growth and Jobs (2005-2008). These state that:

*In taking action (on the European Employment Strategy) Member States should pay special attention to ensuring good governance of employment policies. They should establish a broad partnership for change by involving parliamentary bodies and stakeholders, including those at regional and local levels.*⁸

The further implication of the Guidelines is that local actions supported by partnership arrangements are to be regarded as good practice to be adopted across the EU. The IDELE programme has been trying to explore what "good governance" might look like and, within this, how far local partnership adds value to employment development actions across the variety of differing economic, social and political contexts to be found in Europe. Our purpose has been to get behind what is often "agreement in principle" – paying lip service to the local partnership objective - and to reveal what actually takes place on the ground in a given political, social and economic context through case examples. The focus has been on the way local government and local partnership actions are "wired into" mainstream systems of governance and to see how a given local association, partnership or government agency is best connected *vertically* with those elements that lie above it in the hierarchy of power and resources and *horizontally* with other stakeholders, players and partners. A key dimension has been to see where national or regional policy initiatives have incorporated scope for *flexibility at local level* and where local actors have exploited policy gaps and delivered high quality local initiatives.

All this is part of a major debate around what is often termed *multi-level governance* (MLG). This concept is helpful to us because in addition to considering the technical structure of local and regional politics and administration, it also incorporates the rich contextual factors, such as power relationships and resource availability that we have also been dealing with in IDELE. Most commentators agree that there appear to be four components to any definition of what MLG means.

- Firstly, that decision-making at various territorial levels is characterized by the increased participation of *non-state actors*.
- Secondly, that mapping the different territorial levels of decision-making is more difficult in the face of *complex systems of overlapping networks* involving these varying sets of players.

⁸ Commission of the European Communities (2005), Integrated Guidelines for Growth and Jobs (2005-2008), COM (2005) 141 Final.

- Thirdly, that under these circumstances *the role of the state is being transformed* as state actors become engaged more in strategies of coordination, steering and networking than in direct and accountable administration.
- Fourthly, that in this changing context, the whole nature of *democratic accountability* is being challenged with lines of representative versus participative democracy becoming increasingly blurred.

It has been a task of IDELE to identify the role of the local in relation to employment development against the complex backdrop provided by such a fast-moving kaleidoscope of change.

What we have found it easy to establish, at a practical level, is that bringing different stakeholders into partnership at local level is an important way of sensitizing policy interventions for job insertion to the needs of particular places and social groups. We have also established that working in partnership can, where the right conditions of trust can be established, be a powerful source of the creativity that can lead on to entrepreneurship and enterprise development. We have seen that acting locally in partnership can be counter the disadvantages of classic policy 'silos'. The crucial factor ensuring the success of this approach is to bring a complex mix of public, private and third sector organisations into play at local level. Partnership working is seen generally as providing the means effectively to manage this variety by exploiting synergies and improving the co-ordination of policy-making and delivery at all levels. Of course, making partnerships work properly is a challenge in itself but, where this can be successfully achieved, IDELE has shown that the results can be considerable.

In general terms, then, local partnership development has been going very much with the grain of evolving multi-level governance and is a distinctive feature of the European model. What is vital, however, is that the levels be properly "wired up" - with the local playing no more and no less than its most effective part in the process. In particular, we have paid particular attention in IDELE on how policies for employment development have been *conceived, managed and implemented*. A key finding is that the more the conception and management of employment policy is judiciously allocated to the lowest level in the system of governance the more creative and effective the outcomes tend to be.

Theme 5: The reconstruction of human capital from the grass roots & the role of lifelong learning

Conditions in a fast-moving, globalised economy are having profound effects on the way people live and work. This is, in turn, having a profound impact on the learning they need to equip themselves with to cope with the changing circumstances. The faster the change the more frequently skills, attitudes and lifestyles need to be re-examined, re-evaluated and re-validated if individuals and social groups are to keep abreast of the conditions. It is in the context of this that terms such as "lifelong" learning have come into increasing currency - with the "lifelong" label itself trying to capture a sense of *continuous dynamic learning* over the life stages. As the old

sequential perspective of early-years education and training, middle years working life and family formation and late-years retirement are recognised as intellectually bankrupt, a view of complexity and vastly more transitions over the lifecycle have had to be taken on board. In a context of fast change, “to stand still is to go backwards” is as true for learning as it is for any other aspect of economy or society. In such an increasingly complex and fast-changing world, a genuine ethos of lifelong learning is essential as:

- an instrument of active development and a means of “staying ahead of the game” - for individual people, for social groupings, for localities, for regions and for nations;
- a responsive instrument for dealing with economic and employment shocks, for successfully making the transition from one life stage to another and for continuing to have access to reasonable life chances by remaining active and employable and last but not least,
- a means for empowering people, groups and places in difficulty to improve their situation by using learning to achieve economic inclusion and a degree of voice.

More than ever before, the knowledge economy relies on a highly qualified and adaptable workforce. Against this scenario, the IDELE proposition is that lifelong learning strategies at the local level can not only help people and communities cope with changes made necessary by the knowledge economy and capture more employment opportunities but can also enable localities, regions and - by extension - nations to “stay ahead of the game”. The essence of this proposition is that added value comes from the fact that:

- a local approach can sense gaps better;
- a local approach can weigh the complexities in ways that reflect cultural and life course aspirations as well as market forces;
- a local strategy can better “map” age, skills, aspirations and gender complexities into the matrix of needed competencies;

We have been able to demonstrate from IDELE how local lifelong learning strategies are being used practically to tackle the pressures arising from globalisation and technological change. For example, local development strategies with learning at their heart are being used to improve the “fit” between the supply and demand for appropriate skilled labour. Such approaches are essentially instrumental, and seek to identify the needs of local employers (both actual and potential), and provide in response a learning infrastructure able to deliver appropriately skilled and qualified (potential) employees. But while, to a very large extent, the developing skills needs of employers are technology driven, “softer” skills such as team-working and creative thinking are often identified as increasingly important. The notion of local “competency gardening” – an holistic and dynamic approach to local learning and skills development has appeared a number of times in IDELE among the cases of successful local milieux.



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A rather different example of locally driven action is where learning strategies are designed to take a broader, more individually developmental approach, seeking to develop people's receptiveness to and enthusiasm for learning as a good in its own right. Again, we see it as no coincidence that many of the most successful industries in recent years have been developed on the back of highly educated but also culturally aware and highly "novelty tolerant" workforces. The learning strategies we saw in the best cases were deeply rooted in cultural beliefs about the importance of learning as a good in its own right. There was also a dimension of good practice that sought to address the needs of those amongst more deprived, less well educated populations who were finding it hard to keep up with the pace of technological change. The best cases offered such people the opportunity to capture experience of the new technologies, particularly ICTs, and to find ways to relate the learning they were able to gain more closely to their own daily life experience. In this latter respect, one key question that arose regularly was 'in whose interest' lifelong learning is pursued? Apart from being in the interest of governments and public agencies, lifelong learning is in the interest of enterprises and citizens themselves (citizens are at the same time workers and business owners themselves). In this sense, lifelong learning was seen both as a *measure* of quality of life and an *instrument* that can be utilised to achieve and enhance quality of life.



European Commission



KEY QUESTIONS FOR THE SEMINAR

The essence of the seminar, indeed the entire IDELE process, is to:

- identify what has been learned from two decades of experimentation in the field of local employment development; and
- determine how to apply that learning in the future, particularly in the 2007-13 period of EU Structural Funds.

Achieving this aim will require us to consider the key questions below.

- **How should we best design policy programmes at a significant scale (national or regional) that can initiate, support and sustain local employment development actions?**
- **What needs to be done to ensure that local people, institutions and social partners have an appropriate role in LED policy and programmes?**
- **What sorts of institutional, personal and group capacities are needed to build and sustain policy programmes with a strong local component – and what can we learn and share about the most efficient and effective ways to produce them?**
- **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 local approaches to:**
 - **create knowledge, flexibility and adaptability;**
 - **stimulate enterprise, renewal and local initiative;**
 - **work activation;**
 - **creating governance systems to tackle employment issues; and**
 - **reconstructing human capital and enabling lifelong learning?**
- **What can we learn and share about the best ways to influence the fast-moving policy debates on the allocation to the Structural Funds to ensure that, where local approaches can show real value added, this message can properly delivered to policy designers?**