



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

Local Employment Development in the Context of Integrated Rural Development Strategies

1-2 June 2006
Santiago de Compostela, Spain

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 Santiago 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 Employment Development in the Context of Integrated Rural Development Strategies; 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 (€1.4 Billion);
- "Phasing Out": 4.8% of CO Funds (€2.5 Billion).⁷

The contribution of EU Rural Development policy to Lisbon

The Common Agricultural Policy (CAP) will continue to be a key element of EU policy in the 2007-13 and, as such, is seen as making its own contribution to the Lisbon Strategy. Indeed, the European Councils of Göteborg (2001) and Thessaloniki (2003) established guiding principles for the contribution of the CAP to Lisbon, i.e. 'strong economic performance', together with 'sustainable use of resources'.

Reforms of the CAP since the early 1990s have introduced a growing emphasis on rural development and, within that, the role of local strategies and partnerships. This emphasis is part of the move away from a system of direct aid payments to farmers to one that increases the competitiveness of agriculture and diversifies the rural economy. Rural Development is now established as the 'second pillar' of the CAP, alongside the first pillar of Market Policy, which is primarily focussed on income support to farmers.

In 2005, the European Council adopted a fundamental reform of rural development policy for the period 2007-13⁸. This reform brings rural development under a single

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

funding and programming framework, worth €6bn during 2007-13 and based on three policy objectives: competitiveness (Axis 1), land management (Axis 2), and wider rural development (Axis 3). It also brings the Leader Community Initiative into the mainstream, as a distinct axis (Leader Axis).

It is Axis 3 and the Leader Axis (see below) that are of most relevance to the Santiago seminar. For example, priorities within the 'Quality of life measures' within Axis 3 include:

- Vocational training; and
- Capacity building for local development strategies;

Priorities within the 'Economic Diversification' measure include:

- Diversification to non-agricultural activities;
- Support for micro-enterprises; and
- Encouragement of tourism activities.

Notably, the preferred implementation method of Axis 3 is local development strategies targeting sub-regional territories. These will be delivered either through national, regional and local authorities working collaboratively, or through the Leader bottom-up approach.

Leader

Leader is the 'Liaison Entre Actions de Développement de l'Économie Rurale', meaning 'Links between the rural economy and development actions'. It offers financial assistance to Local Action Groups (LAGs) to implement local development strategies in eligible rural areas. LAGs comprise public and private partners from different socio-economic sectors within the target territory. Some 893 LAGs have operated in EU15 during the 2000-06 period.

In the 2007-13 period, all national rural development programmes will contain a Leader axis. This will finance local development strategies of LAGs, with each strategy addressing the priorities of one or more of the three axes of the rural development policy. Leader activities will receive a minimum of 7% of the total funding from the European Agricultural Fund during 2007-13, equivalent to €6.72bn⁹.

⁸ Council Regulation (EC) 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development; OJ L-277, 21/20/2005.

⁹ 2004 prices

THE SANTIAGO SEMINAR

Introduction

Whilst rural areas face challenge that are common to all localities, i.e. those relating to globalisation, enlargement, consumer-led quality requirements, enhanced mobility, etc., they also face distinct challenges of their own. These include changes in agricultural markets, increased mechanisation of agriculture (and thus an ever increasing need for upskilling and redeployment of surplus labour), continued need for environmental protection and enhancement, and demographic changes, for example, in some areas out-migration of the brightest and best young people, and/or the in-migration of those in search of a higher quality of life, particularly the retired.

What emerges is a need for rural areas to continually adapt and develop in response to these pressures. Whilst EU national-level activities will remain important – for example, the move from price support to income support within the CAP – there is a particular need for *local* approaches. Rural areas, by definition, are more remote from the main centres of population and power, and are less densely populated than are urban areas. European, national and perhaps even regional decision-makers may not be fully aware of and able to respond to the particular needs of rural localities. Moreover, rural localities tend to have more settled populations that demonstrate a greater sense of community, and stronger sense of ‘place’ and ‘identity’. Together, these factors mitigate in favour of local approaches to employment and development in rural areas, as a complement to national and European action.

The local approaches to be presented at the seminar address the most pressing problems that rural areas face with a particular focus on enterprise and entrepreneurship and learning and skills, all within the overall context of integrated rural strategies for diversification. What they demonstrate, in particular, is examples of local actors working together over a long period of time with their government counterparts to produce a measurable difference in the development trajectory of rural areas. The particular focus of the seminar is on the employment dimension – both in the creation of new enterprises and jobs and in the preparation of the workforce for the challenges.

These and other local approaches have, in many cases, been stimulated by two distinct but overlapping EU policy areas (as well as by national policies or more spontaneously by local actors themselves):

- the objectives of the European Employment Strategy, particularly those that relate to creating new sources of jobs, raising skill levels and labour market inclusion, and supported practically by ESF in particular;



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- the rural development pillar of the CAP, as far as it relates to economic diversification, local development and vocational training and supported practically by Leader in particular.

Such local approaches are interesting, firstly, because they can demonstrate the opportunities and the difficulties involved in implementing different EU policies, on the ground at local level, i.e. *where things actually happen*. Secondly, consideration of the Santiago case examples will demonstrate that local approaches to employment and development can be a useful policy tool to help deliver national and EU priorities – whether that be for rural development or for employment. Thirdly, the experience of local approaches implemented to date can offer practical recommendations for local actors wishing to undertake new activities in the future.

The overall objective of the Santiago seminar will be, then, to learn the *lessons from experience* of local approaches to employment and development in rural areas and to make policy and practical recommendations for the 2007-13 period.

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