

# Cross-border and transnational co-operation for local employment development



An Eighth Thematic Report of the IDELE Project

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## **1. INTRODUCTION**

### **1.1. Introduction to IDELE**

The potential of local employment development has been recognised in EU policy since 1984<sup>1</sup> and has since gained in importance through the Commission's White Paper on Growth, Competitiveness and Employment<sup>2</sup> in 1993 and the European Employment Strategy in 1997. At the end of two decades of experimentation and significant funding both for pilot actions and under Structural Funds measures there is a need to review what has been learned and disseminate and exchange the lessons from practice. Moreover, with the 'old' Member States facing a likely reduction in Structural Funds from 2007, there is also a need to build sustainability into local actions. Similarly, with the new Member States about to receive substantial amounts of structural funding, there is the need to build the capacity at the local level to receive, manage and benefit from such funding.

The European Commission (DG Employment, Social Affairs and Equal Opportunities) has initiated the **IDELE** project<sup>3</sup> to “*identify, disseminate and exchange good practice in local employment development*”. IDELE pays particular attention to identifying and disseminating best practice between localities that share common characteristics. The IDELE seminars and reports 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 across Europe. The lessons, principles and tools identified will inform EU policy as well as being disseminated across Europe.

The focus for IDELE is local employment and economic development policy and action. The series of seminars seeks to explore policy and various programme initiatives in a way that enables policy makers and practitioners to develop a better understanding of individual issues and to move them forward. It also aims for each seminar topic to set the tone for and lead into the next issue to be considered.

Further information about IDELE, including the full range of thematic reports is available from the IDELE website<sup>4</sup>.

### **1.2. Introduction to the theme**

This report focuses on local employment development (LED) in cross-border localities – those areas that, under their own initiative or with the encouragement of EU and other funding, have enhanced their development by co-operating across an international border. The report starts by considering the case for cross-border LED based on the economics of labour mobility; it then examines the characteristics of cross-border localities, their problems

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<sup>1</sup> [http://europa.eu.int/comm/employment\\_social/local\\_employment/origins\\_en.htm](http://europa.eu.int/comm/employment_social/local_employment/origins_en.htm)

<sup>2</sup> <http://europa.eu.int/en/record/white/c93700/contents.html>

<sup>3</sup> Implemented by Ecotec Research & Consulting ([www.ecotec.com](http://www.ecotec.com)).

<sup>4</sup> [www.ecotec.co.uk/idele](http://www.ecotec.co.uk/idele)

and opportunities before highlighting lessons from experience, illustrated by good practice examples. Finally, it draws conclusions for future activity.

Key questions answered by the report are:

- Is EU policy right to encourage the mobility of labour across borders?
- What are the best ways to encourage and enable the mobility of labour across borders?
- How can the potentially negative consequences of mobility and migration be prevented or addressed?
- What economies of scale can be gained from cross-border co-operation for local employment development?
- In what ways do local approaches to cross-border co-operation add value to national approaches?
- How can local partnerships capture employment benefits from improvements in cross-border infrastructure funded by national governments or the EU?
- How can local partnerships overcome problems caused by different national jurisdictions, i.e. different fiscal, judicial and social security systems?
- Is cross-border and transnational co-operation sustainable without support from the EU Structural Funds?

The report is based on research culminating in an international seminar that took place in Copenhagen on 7-8 July 2005.

## **2. CROSS-BORDER LOCALITIES**

*“Politicians fumble for stepping stones through a morass of issues such as refugees and immigration, trade, oil exploration rights, air travel, exchange rates, defence, smuggling, piracy, transboundary organised crime, and pollution in the air and oceans - all of which hinge on boundaries and what takes place across them. Too many clashes of interest still flare up into wars, but fortunately most disputes are being tackled by international law and negotiations.” (International Boundaries Research Unit, Durham University)<sup>5</sup>*

One of the achievements of the post-war period, has been the avoidance of war between EU Member States, due in part to the existence of the EU as a forum for international negotiation. With this continued peace and increasing European integration, has come the opportunity to resolve what some might consider more mundane issues – the practicalities of working and trading across an international border.

Section 3 considers how European policy is enabling local employment development to take place in cross-border localities. But for such policies to be successful, it is necessary for the characteristics of cross-border localities, and the problems and opportunities that they face, to be fully understood. This is considered by the remainder of this section.

### **2.1. Characteristics of cross-border localities**

Cross-border localities do not, of course, form a homogenous group and differ widely. They include mountainous and coastal areas, remote rural and central urban areas, coastal and inland areas, and densely and thinly populated areas. Borders themselves may be natural – rivers, seas and mountains – or political. They may be very recent, such as those emerging from the break-up of the Soviet Union or of Yugoslavia, or long-standing such as that between France and Spain.

There are perhaps two key dimensions by which cross-border localities can be grouped. This is important in determining the *context* in which local employment development takes place and the extent to which policy responses are appropriate to any particular cross-border locality. These are, firstly, the centrality or peripherality of the locality in national or European terms and, secondly, the nature of the border, whether ‘natural’ or ‘political’. These dimensions are perhaps over-simplified, but are nonetheless useful illustrative concepts; they are explored below with examples offered in Table 2.1.

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<sup>5</sup> [www.dur.ac.uk](http://www.dur.ac.uk)

**Table 2.1**

	<b>Central</b>	<b>Peripheral</b>
<b>‘Natural’ border</b>	Øresund (DK/S) Kent (UK) / Nord-Pas-de-Calais (F)	Storstrøm / Lübeck (DK/D) Galicia (E) / Norte (P)
<b>‘Political’ border</b>	Maastricht (NL/BE/D) Upper Rhein (CH/F/D)	Northern Ireland (UK) / Ireland Haparanda (S) / Tornio (SF) Mühlviertel (OST) / South Bohemia (CZ) Styria (OST) / Slovenia

### 2.1.1. *Centrality versus Peripherality*

‘Central’ localities are generally close to the main European and/or national centres of population, with good transport infrastructure and easy access across the border. They do not suffer the problems of remoteness and are often, but not always, urban in character or at least relatively densely populated. Given these advantages they are more likely to be prosperous and form part of a wider continuous (regional) cross-border market in labour, goods and services. In these localities, cross-border employment activity will typically take place regardless of policy intervention; local employment development is thus often based on harnessing existing economic forces to enhance competitiveness rather than on trying to stimulate entirely new economic activity.

‘Peripheral’ localities are typically remote from the main national and European centres of population and often poorly connected both in terms of transport and communications infrastructure. Remoteness and low population densities may be important factors in limiting economic growth and political ‘clout’. These localities may thus be somewhat ‘distant’ from national decision-making and therefore receive, or feel that they receive, less recognition (and consequently resources) from the national level. They may also be culturally and linguistically distinct from their respective capital city regions. In these localities, cross-border employment activity will typically be more about creating scope and scale (in both economic and political terms) by co-operating across international borders with similar localities (with whom they might in fact have more in common than their respective capital cities), stimulated in part by the need or desire to ‘do it for ourselves’. Cross-border employment development will also be about overcoming the inherent tendency for people to look ‘inwards’ and away from the border; according to Vickerman<sup>6</sup>, border localities behave, in economic terms, as if they are actually 50-200km distant from each other rather than adjacent.

Of course, these general categories mask all sorts of variations. For example, localities that are peripheral in national terms can become central in European terms through the process of

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<sup>6</sup> Professor R. Vickerman, University of Kent at Canterbury: IDELE Seminar 7-8 July 2005, Copenhagen.

European integration or through new transport infrastructure. Moreover, there may be ‘imbalances’ on either side of a border, where a locality that is relatively central in one country borders a locality that is relatively peripheral in another. For example, Kent is very ‘central’<sup>7</sup> in the UK, being very close to London and part of the economic ‘powerhouse’ of southeast England, whilst Nord-Pas-de-Calais is much less ‘central’ in national terms, being in the extreme northeast corner of France and some way from Paris.<sup>8</sup>

It is also worth noting that, despite years of European integration and investments in infrastructure, Europe’s transport networks, particularly motorways, are still largely based on national priorities. Indeed, there is an inherent tendency in their design for them to focus on linking the peripheral areas of Member States into the centre of each country, rather than on linking together cross-border localities in different countries. This reflects, in part, the fact that the national funding seeks to address national priorities. The significant investment by ERDF in recent decades has, of course, created more of a truly European transport network, but more development will obviously be needed if the single European market is to be completed.

### 2.1.2. *‘Natural’ versus ‘Political’ borders*

As noted above, borders may be ‘natural’ in the form of sea, mountains, rivers, etc. Here, the issues may be more about access and infrastructure, as well as perhaps different cultural and linguistic traditions either side of a natural ‘barrier’. Improvements in transport and communications infrastructure are reducing the impact of natural borders. But such improvements may pose significant threats where they are not primarily designed to serve the cross-border localities. Here, the challenge will be to capture sufficient economic benefits to outweigh the costs of increased traffic. For example, it could be argued that the main purpose of the Channel Tunnel is to link London with Paris and Brussels; the benefits to Dover and to Calais may be less certain, although Lille may well have benefited significantly. Similarly, the proposed bridge between Storstrøm (DK) and Lübeck (D) may be designed primarily to improve the motorway link from Hamburg to Copenhagen and Stockholm, rather than linking the localities at either end of the bridge.

It should be noted, however, that rivers and seas have traditionally acted as a means of transport and a focus for economic activity, particularly where land transport is difficult. The River Rhein is the obvious example here; large numbers of people cross it daily to work or trade; moreover, the mountains behind often pose more of a barrier than does the river, which encourages settlements to look across the river.

‘Political borders’ do not necessarily reflect natural barriers and are, in some senses, arbitrary, though they may reflect real cultural, linguistic or historical differences. Such borders may be centuries old and may therefore be reflected in the traditional patterns of

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<sup>7</sup> Kent is not located within the geographic centre of the UK; but our understanding of ‘centrality’ in the case of the UK reflects the fact that economic and political activity is ‘skewed’ towards southeast England.

<sup>8</sup> Nord-Pas-de-Calais would in fact be a good example of a locality whose peripherality is reducing through European integration and improved transport infrastructure.

trade and commerce. Other borders may be more recent and their creation may, in fact, have disrupted traditional patterns of trade and commerce. For example, many localities previously belonging to the same country (or, looking further back, the same empire) were separated by the 'iron curtain', disrupting decades, if not centuries, of trade and economic development.

### **Styria (A) / Northern Slovenia**

The southern part of Styria and the northern part of Slovenia were not historically separated by a border, both forming part of the Austro-Hungarian Empire. But a border has now existed for a significant period, offering limited access until the accession of Slovenia to the EU. Consequently, regional labour market authorities, until recently, have had no tradition of cross-border co-operation, despite some of them being situated only very short distances away from each other.

The main challenge for cross-border localities facing 'political' borders is that of overcoming the challenges of different national jurisdictions for health, welfare, education, tax etc.<sup>9</sup> These differences serve to discourage cross-border activity and 'pull' people back into their own countries. For example, workers may require adequate health insurance and social security and pension provision before taking a job in another country. Similarly, businesses, particularly SMEs, may be put off by the 'red tape' involved in trading across a border. Different national jurisdictions can distort economic activity (and create inefficiencies) by creating price differentials – witness the large number of UK shoppers crossing the Channel to shop for alcoholic drinks at British supermarkets in Calais. The same differences may also create incentives for informal or illegal economic activity, including smuggling. This may be out of frustration at the inconvenience at red tape, or may be a more deliberate attempt to exploit differentials in prices, tax and salaries. Such activity may also be more common in remote border areas that are harder to police.

Notwithstanding these difficulties, political borders reflecting real cultural differences can in some cases encourage cross-border activity. For example, tourists and day-trippers may enjoy the novelty of visiting and shopping in another country.

### **2.2. Problems facing cross-border localities**

To summarise, then, the issues relating to local employment development that face cross-border localities depend, in particular, on whether such localities are relatively central or peripheral and whether borders are 'natural' or 'political'. The issues may include:

- Barriers to traditional or 'natural' market opportunities;
- Remoteness from main centres of population;
- Transport and communication barriers;
- Cultural and language barriers;

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<sup>9</sup> These differences would, of course, also be a challenge to localities facing a 'natural' border, in addition to the challenge in overcoming natural obstacles.

- Bureaucratic or administrative barriers, including different fiscal and legal jurisdictions, non-recognition of qualifications, etc.;
- Stimulation of the black economy by price/tax differentials and by difficulties in trading/migrating legally across national borders; and
- The social insertion of migrants in some localities and the loss of skilled workers (often the brightest and best) from others.

### ***2.3. Opportunities facing cross-border localities***

Border areas tend to suffer most from restricted or closed borders that disrupt local patterns of trade and development. As noted later<sup>10</sup>, cross-border localities are thus the areas that are most likely to enjoy new opportunities resulting from European integration. But again, the opportunities facing such localities will depend in part on whether they are central or peripheral and whether the border is natural or political.

To summarise, the opportunities facing cross-border localities will include:

- natural economic opportunities, for example through proximity to export markets, access to a wider pool of consumers or labour, traditional trading patterns that predate borders, etc.;
- cultural similarities/solidarity with neighbouring cross-border localities, which eases trade and co-operation thus giving a competitive advantage relative to other areas that do not enjoy such similarities/solidarity;
- new opportunities from relaxation of border controls, accession to the EU, etc., which reduces transaction costs of trade and employment;
- improvements in transport and infrastructure, including those funded through ERDF, that reduce cross-border travel times as well as addressing the tendency for national transport systems to ‘look inwards’;
- harmonisation through the single market, e.g. regulations, tax, etc., which reduces barriers to cross-border trade and employment; and
- EU programmes with a specific cross-border focus, e.g. ESF, Interreg, EURES, Phare, etc.<sup>11</sup>

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<sup>10</sup> See Section 3.

<sup>11</sup> See Section 3.

### 3. EUROPEAN POLICY: PROMOTING INTEGRATION

Exploiting the opportunities and addressing the problems facing cross-border localities should not be considered in isolation from wider European policy, particularly cohesion policy and the European single market. Indeed, cross-border localities, by their very nature, can be considered ‘laboratories’ of European integration. They are the places where the benefits of European integration – or the barriers to achieving such integration – are most often manifested.

This section therefore considers the importance of labour market mobility and cohesion in an increasingly integrated Europe. It then examines how European policy and programmes have addressed local employment development in cross-border localities. Finally, it considers the policy context that cross-border localities are most likely to face from 2007 onwards.

#### 3.1. Creating a single European labour market

For the European Employment Strategy to be successful in creating *more and better jobs and greater social cohesion*, labour markets need to be flexible enough to adjust effectively to changes in demand; to adopt and adapt to new technologies and to provide macroeconomic adjustment<sup>12</sup>. Geographical mobility of labour provides the most obvious means of adjustment between different localities, regions and countries. Indeed, since the introduction of the Euro in 12 Member States<sup>13</sup>, some would argue that mobility of labour is the only means of adjustment. Such mobility is also enshrined in Community law as a fundamental right.

#### **Free Movement of Workers and the Principle of Equal Treatment<sup>14</sup>**

Free movement of persons is one of the fundamental freedoms guaranteed by Community law. For workers, this freedom has existed since the foundation of the European Community in 1957. It is laid down in article 39 of the EC Treaty and it entails:

- the right to look for a job in another Member State;
- the right to work in another Member State;
- the right to reside there for that purpose;
- the right to remain there; and

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<sup>12</sup> For example, addressing balance of payments imbalances or restoring regional/national competitiveness through lower factor costs/higher productivity or enabling industrial restructuring, especially where exchange rates and monetary policy cannot be used.

<sup>13</sup> Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain

<sup>14</sup> See: [http://europa.eu.int/comm/employment\\_social/free\\_movement/index\\_en.htm](http://europa.eu.int/comm/employment_social/free_movement/index_en.htm)

- the right to equal treatment in respect of access to employment, working conditions and all other advantages which could help to facilitate the worker's integration in the host Member State.

According to economic theory, where there are geographical wage differentials in a free market, labour will move to the place where its marginal product (or wage) is greatest. This reduces wages at the destination (as the new arrivals compete with others for jobs) and increases wages at the origin (as employers compete for the dwindling supply of workers). Indeed, this brings about an inherent tendency towards the equalisation of wages across Europe. Employers (or owners of capital) gain at the destination and lose at the origin as output shifts from one area to the other. But overall, there is a net gain to society as the gains outweigh the losses.

This is of course a very static view. In the long run, movement of labour and of capital will create dynamic effects. Regions and localities will become more specialised – as in the USA - increasing returns and economies of agglomeration<sup>15</sup>. Increased returns to capital will increase aggregate demand in the economy, thus increasing employment. Blockages and bottlenecks in skill/occupational mobility can also be addressed by mobility.

Where workers move in search of higher wages, their mobility may also bring direct benefit to their home region. For example, they may return at some point, for example to retire, bringing their pensions with them and/or having sent back remittances in the meantime. In cross-border localities, mobility may consist of a weekly or even daily commute, thus bringing immediate and direct revenue to their home region, akin to export earnings.

Mobility of labour across borders is, then, in some ways, desirable (as a means to achieving flexibility) and also inevitable as workers respond to differentials in wages, working conditions, etc. – witness the current migration (both legal and illegal) of labour into old Member States from the New Member States<sup>16</sup> and beyond in response to the (real or perceived) greater opportunities.

Another dimension of the single European market is that in addition to or instead of the movement of labour, capital can, should and does move to where it will generate the largest return. Indeed, an argument often propounded in the USA is that localities undertaking local employment development should aim to attract capital – ideally in the form of hi-tech, high value-added, knowledge-based enterprises – as the labour will inevitably follow.

The creation of the Single European Market and of the Euro, the accession of New Member States and improvements in transport infrastructure remove barriers to mobility as well as increasing the opportunities for cross-border trade and investment - ultimately creating new employment opportunities. These developments create new potential and opportunities for employment development as well as creating new risks and threats. Cross-border localities

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<sup>15</sup> The economies which arise from the spatial concentration of an industry or industries.

<sup>16</sup> It should be noted, however, that levels of migration from the New Member States have not, as yet, been as high as some commentators had predicted.

are often those most likely to face such opportunities, risks and threats. In light of this, cross-border co-operation may in fact be a necessary response to economic and social pressures, rather than a policy 'option' freely chosen by local actors.

### **3.2. *Creating a cohesive Europe***

Fulfilling the priorities of the Lisbon strategy, as well as requiring effective labour markets, also requires cohesion between regions and localities across Europe. Cohesion policy aims to mobilise the potential for growth that exists in all regions in order to improve the geographical balance of economic development and raise the potential growth rate of the EU as a whole. Indeed, strategic guidelines for cohesion policy are intended to '*give effect to the priorities of the Community with a view to promote balanced, harmonious and sustainable development*'<sup>17</sup>.

Border localities are no different from other areas in that, for growth to be balanced across Europe, they need to be enabled to reach their full potential. This means that the particular impediments to growth facing border localities need to be addressed and their potential released.

### **3.3. *European Employment Strategy***

#### **3.3.1. *Encouraging mobility***

The European Employment Strategy anticipates the migration of labour and goes some way to promoting it as a means of improving the functioning of the labour market and enhancing social cohesion. The preamble to Guideline 20 of the Integrated Guidelines for Growth and Jobs (2005-08)<sup>18</sup> states that

*'...mobility of workers within the EU is key and should be fully ensured.... Full consideration must also be given on the national labour markets to the additional labour supply resulting from immigration of third country nationals.'*

Guideline 20 itself highlights the need to:

*'improve matching of labour market needs through...greater transparency of employment and training opportunities at national and European level; removing obstacles to mobility across Europe...; (and) appropriate management of economic migration.'*

Similarly, the preamble to Guideline 21 states that:

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<sup>17</sup> COM (2004) 492: Proposal for a Council Regulation laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund.

<sup>18</sup> Council Decision of 12 July 2005 on Guidelines for the employment policies of the Member States (2005/600/EC)

*‘Geographical mobility is also needed to access job opportunities more widely and in the EU at large.’*

### 3.3.2. *Supporting local approaches*

National and European levels of governance are usually best placed to deal with the big, macro-issues linked to migration and cross-border co-operation, such as large infrastructure projects, differences in fiscal or legal systems, etc. However, local players are usually best placed to address issues that arise locally and experience shows that a partnership approach can reap particular benefits.

Indeed, the European Employment Strategy provides specific recognition of the role of local partnerships. Guideline 10 of the 2003 Employment Guidelines<sup>19</sup>, which concerned the need to address regional employment disparities, asserted that the “*potential for job creation at the local level, including in the social economy, should be supported and partnerships between all relevant stakeholders should be encouraged*”.

This emphasis on the role of the local has been maintained in the preamble to the Employment Guidelines (2005-08)<sup>20</sup>, which states that:

*‘In taking action, Member States should ensure 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.’*

### 3.3.3. *Transnational partnership working*

European programmes have also encouraged local partnerships (not only in cross-border localities) to co-operate and network transnationally, in order to share information, experience, results and good practice and develop complementary or joint approaches. For example, the EQUAL ESF Community Initiative<sup>21</sup> requires development partnerships to co-operate with at least one (and ideally more) other development partnership in another country. EQUAL also operates European Thematic Groups that bring together development partnerships from across Europe to share experience in the themes of employability, entrepreneurship, adaptability, equal opportunities and asylum seekers.

Similarly, many of the EU’s Preparatory Measures for a Local Commitment for Employment<sup>22</sup> were transnational in nature. Networking was also encouraged through the Territorial Employment Pacts programme, for example through the organisation by the European Commission of transnational ‘Exchange Marts’ for local partnerships.

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<sup>19</sup>[http://europa.eu.int/comm/employment\\_social/employment\\_strategy/prop\\_2003/adopted\\_guidelines\\_2003\\_en.htm](http://europa.eu.int/comm/employment_social/employment_strategy/prop_2003/adopted_guidelines_2003_en.htm)

<sup>20</sup> Council Decision of 12 July 2005 on Guidelines for the employment policies of the Member States (2005/600/EC)

<sup>21</sup> [http://europa.eu.int/comm/employment\\_social/equal](http://europa.eu.int/comm/employment_social/equal)

<sup>22</sup> [http://europa.eu.int/comm/employment\\_social/local\\_employment/projects\\_en.htm](http://europa.eu.int/comm/employment_social/local_employment/projects_en.htm)

### 3.4. *Specific support for local employment development in cross-border localities*

Legislation regarding the Single European Market as well as the commitment of the European Employment Strategy both to mobility and to local approaches can be seen as a *necessary* condition for local employment development in cross-border localities. For example the free movement of labour between countries is helped by legislation such as that concerning the double taxation of income and reciprocal arrangements for health and social security. It is also helped by specific instruments such as EURES<sup>23</sup> (the European Employment Services), a cooperation network that facilitates the free movement of labour within the European Economic Area and Switzerland. Of course, it should also be noted that European policy is also about managing the (expected) flows of labour from the New to the Old Member States over the period 2004-11.<sup>24</sup>

But the European Employment Strategy and European legislation are not, in themselves, a *sufficient* condition for effective local employment development in cross-border localities. It is in these areas, that the ‘gaps’ in the Single European Market remain most evident. Here, there are real ‘discontinuities’ in economic activity that macro-economic policies do not (and perhaps can not) address. Indeed, workers, employers and other actors in cross-border localities face the practical realities of dealing with these discontinuities.

What tends to emerge are *coping strategies*, developed by local partners but within the broad parameters set by national and European policy and legislation. Such strategies involve innovative and creative approaches to facilitating cross-border local employment development, grounded in the experience of day-to-day life and addressing the challenges that are specific to cross-border localities. Sections 4, 5 and 6 consider real-life examples of these strategies.

Local employment development in cross-border localities has not been without support from national and European policy. The remainder of Section 3.4 therefore considers the specific policies and programmes that support local employment development in cross-border localities.

#### 3.4.1. *EU Policies and Programmes*

The Guidelines outlined in Sections 3.3 concern broad employment policies applied across the whole of the EU. But specific European policy and programmes, operating under the umbrella of these broad Guidelines *have* provided support to local partnerships in cross-border localities to enable them to exploit the new potential and opportunities, as well as countering any threats. These have included EURES, Interreg IIIa, Phare and Territorial Employment Pacts amongst others. Elements of these programmes (as well as national and

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<sup>23</sup> <http://europa.eu.int/eures>

<sup>24</sup> Access of workers from the Czech Republic, Estonia, Latvia, Lithuania, Hungary, Poland, Slovakia and Slovenia to the labour market of the old Member States is subject to transitional arrangements. See: [http://europa.eu.int/comm/employment\\_social/free\\_movement/enlargement\\_en.htm](http://europa.eu.int/comm/employment_social/free_movement/enlargement_en.htm)

regional ones) have initiated and/or supported local partnership activity to develop employment.

### **EURES Cross-border Partnerships<sup>25</sup>**

The EURES cross-border network is a group of collaborative bodies which provide information and coordination connected with labour mobility in border regions. Partners include the public employment and vocational training services, employers and trades union organisations, local authorities, institutions dealing with employment and vocational training problems in the border regions, as well as the European Commission.

EURES advisers in these areas provide advice and guidance on the rights and obligations of workers living in one country and working in another. They are a valuable point of contact among employment administrations and the social partners. EURES advisers also undertake an important role in observing and monitoring labour markets in cross-border localities.

At present, some 20 EURES cross-border partnerships operate in 15 countries:

1. EuresChannel (BE-FR-UK)
2. Scheldemond (BE-NL)
3. EURES-EUREGIO Gronau/Enschede (DE-NL)
4. EURES Maas-Rhin (BE-DE-NL)
5. Pôle Européen de Développement (BE-FR-LUX)
6. Saar-Lor-Lux-Rheinland/Pfalz (DE-FR-LUX)
7. EURAZUR (FR-IT)
8. TRANSALP (FR-IT)
9. Sønderjylland-Schleswig (DK-DE)
10. EUREGIO Rhein-Waal (DE-NL)
11. EURES-INTERALP (DE-AT)
12. Eems Dollard Regio/Ems Dollart Region (NL-DE)
13. PYREMED/PIRIME (FR-ES)
14. Northern Ireland/Ireland (IE-UK)
15. TransTirolia (IT-AT-CH)
16. ØRESUND (DK-SV)
17. Galicia/Região Norte (ES-PT)
18. Oberrhein (FR-DE-CH)
19. Tornedalen (SV-SF)
20. Bodensee (DE-AT-CH)

### **Interreg IIIA<sup>26</sup>**

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<sup>25</sup> <http://europa.eu.int/eures>

<sup>26</sup> [http://europa.eu.int/comm/regional\\_policy/interreg3/abc/voleta\\_en.htm](http://europa.eu.int/comm/regional_policy/interreg3/abc/voleta_en.htm)

Interreg III is a Community initiative focussed on interregional cooperation in the EU. Operating from 2000-06, it is financed under the European Regional Development Fund (ERDF). The objective of Interreg III is to strengthen economic and social cohesion throughout the EU, by fostering the balanced development of the continent through cross-border, transnational and interregional co-operation. Special emphasis has been placed on integrating remote regions and those which share external borders with the candidate countries.

Interreg IIIA concerns cross-border co-operation and the promotion of integrated regional development between bordering regions. This includes an important focus on local employment development through:

- urban, rural and coastal development;
- strengthening the spirit of enterprise;
- developing small and medium-sized enterprises;
- local employment initiatives;
- assisting labour market integration and social inclusion; and
- increasing human and institutional potential for cross-border cooperation.

### **Territorial Employment Pacts<sup>27</sup>**

Although not specifically focussed on cross-border localities, the Territorial Employment Pacts programme did support one cross-border Pact – that of Øresund, covering the Swedish region of Skåne, as well as Sælland and Bornholm in Denmark. These two areas became joined with the construction of a major new bridge between Malmo and Copenhagen, an important link in the Trans-European Networks.

The Pact covered an area of 3.4 million inhabitants, including 150 000 unemployed people. This area included pockets of poverty and social exclusion alongside prosperous areas that with very advanced technological infrastructure and high standards of living.

The Territorial Employment Pacts programme provided technical assistance funding in support of a programme of activity focussed on:

- better conditions for small business;
- assisting women in business;
- encouraging co-operative business;
- the improvement of marketing and services for the tourism industry; and
- environmental and cultural awareness as a basis for new jobs, creating possibilities for the unemployed and increasing qualifications of the employed.

Such policies and programmes have included cross-border co-operation between EU and non-Member States. For example, the Phare Cross-Border Co-operation programme assisted

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<sup>27</sup> [http://europa.eu.int/comm/regional\\_policy/innovation/innovating/pacts/en/list/da\\_oresund.html](http://europa.eu.int/comm/regional_policy/innovation/innovating/pacts/en/list/da_oresund.html)

border regions in the (current and former) Candidate Countries to integrate more closely with EU Member States and with other countries of Central and Eastern Europe.

### **Phare Cross Border Co-operation (Phare CBC)<sup>28</sup>**

The Phare programme was, prior to accession, the main channel for the EU's financial support for economic restructuring in the Central and Eastern European Countries (Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia). Phare CBC has promoted co-operation between adjacent border regions in these countries, as well as between these regions and adjacent regions in EU15.

Cross-border co-operation programmes initially focussed on regions with development programmes or in areas where border conflicts had taken place. Complementary financing in the EU15 border areas was provided under the INTERREG programme.

Contracting of projects was completed in the New Member States in 2005 with payments based on these contracts continuing until 2006. Phare CBC continues to operate in Bulgaria and Romania and has been extended to cover the borders of these countries with Moldova, Serbia and Montenegro, Turkey, Ukraine and the former Yugoslav Republic of Macedonia.

#### *3.4.2. Other Policies and Programmes*

Activity has also been initiated by bodies such as the Nordic Council of Ministers as well as by local actors themselves. For example, the Nordic Council of Ministers<sup>29</sup> has created a network of cross-border co-operation regions which includes parts of Russia. Similarly, the Carpathian Foundation<sup>30</sup> has provided grants and technical assistance to NGOs and local authorities for inter-regional economic development and transfrontier activities in Hungary, Poland, Romania, Slovakia and the Ukraine.

### **3.5. Looking ahead**

The future for cross-border and transnational co-operation for local employment development features a number of challenges and opportunities, not least the proposed changes in the Structural Funds. European Commission proposals on cohesion policy reform for the 2007-13 period include several elements that are of interest here.

Firstly, it is proposed that the programmes under the new 'convergence' and 'competitiveness' objectives will cover specifically inter-regional actions. For example, the ESF would support *'transnational and inter-regional co-operation in particular through*

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<sup>28</sup> <http://europa.eu.int/comm/enlargement/pas/phare/>

<sup>29</sup> [www.norden.lt](http://www.norden.lt)

<sup>30</sup> [www.carpathianfoundation.org](http://www.carpathianfoundation.org)

*sharing of information, experiences, results and good practices and through developing complementary approaches and co-ordinated or joint action*'.<sup>31</sup>

Secondly, there is likely to be less support for pilot projects and more emphasis on the open method of co-ordination. This is likely to include: raising awareness of the EES at local level, and of LED; identifying, sharing and disseminating good practice; encouraging co-operation and promoting partnerships; building on the experience of a wide range of LED activity; and *mainstreaming* experience and practices from the Community Initiatives.

Thirdly, the Commission is proposing a completely new regulation allowing the creation of a cross-border co-operation structure or *European Territorial Co-operation Objective*. This will support cross-border co-operation through joint programmes, co-operation between transnational zones, and networks for co-operation and the exchange of experience. It will also contribute to the cross-border components of programmes of financial assistance to non-EU countries.

Overall, however, despite the continued emphasis on transnational and inter-regional co-operation and the new European Territorial Co-operation Objective, local partnerships for employment development in the old Member States must address the challenges of a likely reduction in EU structural funding. Those in the new Member States seem likely to enjoy new opportunities for EU funding but should nonetheless learn the lessons from experience in the EU-15 and build in sustainability from the outset.

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<sup>31</sup> Proposal for a Regulation of the European Parliament and of the Council on the European Social Fund; 2004/0165 (COD)

#### **4. CROSS-BORDER CO-OPERATION FOR COMPETITIVENESS**

There is an argument that, were the single European market to be complete and to function efficiently and effectively, then cross-border issues would not arise. In other words if tax, social security, pension and health systems were fully harmonised and all barriers to trade removed, then there would be a true single European market. Through migration, the spatial deployment of labour would be such that its returns would be maximised, markets would clear and wages<sup>32</sup> would tend towards equalisation across Europe – though not completely due to the costs of migration and non-wage factors that make some places more attractive than others – and Europe would be economically ‘efficient’.

Since the single European market is not yet fully complete and since European labour is not yet fully mobile, wage and price differentials persist. So there are still efficiency gains to be made from the mobility of labour across international borders, particularly in a dynamic and changing environment. Regardless of any public intervention, labour does and will continue to migrate across borders to take advantage of wage differentials, particularly between neighbouring cross-border localities.

In certain localities, the rationale for intervention is not primarily to create the opportunities for cross-border local employment development – these exist already. Instead, the rationale is for localities to capture gains in competitiveness. This is possible and likely where cross-border localities form a natural economic ‘space’ and share a continuous local or regional labour market that, in practice, stretches across the border. Such localities will typically be centrally located within Europe and often, though not always, urban in character. Borders will be easy to cross, in terms of geography (i.e. due to the existence of good transport links and/or the absence of significant natural obstacles), politics (i.e. few restrictions on crossing the border and perhaps even a long tradition of doing so) and culture (e.g. close or common culture, history and language). In these localities, local employment development is about making the single European market work efficiently.

##### **4.1. Attracting employers and creating jobs**

In the kinds of localities described above, cross-border employment development is largely demand-driven. In other words, local actors and partnerships seek to attract and retain the brightest and best enterprises – hi-tech, high value-added and/or knowledge-based industries that create highly-paid employment, generate income for a local supply chain and help spread a culture of learning. They will seek to create and sustain the conditions that see such enterprises established (whether indigenous or incoming) and then provide the necessary support to enable them to thrive competitively. This includes enabling such employers to recruit the right quality and quantity of employees.

In border localities, it will often be desirable or even necessary to draw on labour in neighbouring countries. The experience here is that large employers, particularly those in hi-

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<sup>32</sup> For comparable jobs in comparable sectors.

tech, high value added knowledge-based industries, can not always meet their skills and labour needs by drawing only from the local labour market. The risk for localities is that they will not set up in such localities or remain there. Instead, they need to be enabled to recruit from a wider area, by drawing in cross-border workers.

For example, BioValley aims to become and remain the most attractive and successful European Life Science Region. Situated at the junction of three countries – France, Germany and Switzerland – it must draw on labour, knowledge and expertise in the border regions of all three countries to become and remain competitive in what is a global market. Being knowledge-intensive, the life science industry must also draw on a wide pool of learning institutions and learners.

The issue here is one of competitiveness, based on critical mass on and complementarity. In many ways, the three regions – Alsace, Baden-Württemberg and the Basle area – together constitute a natural economic ‘space’. All three border the River Rhein and are surrounded by mountains that reduce accessibility to the hinterland of their own countries. It is easy to physically cross the border and there are common ties of culture and language, Basle belonging to the German-speaking part of Switzerland and Alsace having been part of Germany at various times in history.

### **BioValley<sup>33</sup>**

BioValley is a leading tri-national life sciences / biotechnology cluster and the most successful example of sectoral co-operation between the three border regions in the Upper Rhein Valley. It was established as a network active in the areas of science, business, economic development and transfer of technology. BioValley offers a wide range of services tailored to the needs of its members while also serving biotechnology companies intending to set up operations in the region covered by BioValley.

The main objective of BioValley is the promotion of greater cooperation between companies involved in the biotechnological and biomedical sectors and the internationally respected scientific institutions associated with universities in the BioValley area, most of which have already established close links between them. The intention is to address not only the many pharmaceutical concerns already present in the BioValley area, but also to involve the region's numerous smaller enterprises and suppliers. The transfer of technology should, on one hand, prepare existing companies for global competition and, on the other hand, create employment in new fields of work within the BioValley region by stimulating the establishment of new businesses, particularly in association with universities. BioValley has become known all over the world due to the presence of leading global players including Novartis, Roche or Syngenta.

The vision of a tri-national region becoming a European centre for biotechnology was first presented to the public at a conference in 1996. Regional authorities, policy makers, life-science companies, research organisations and universities from all three countries have since

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<sup>33</sup> [www.biovalley.com](http://www.biovalley.com)

developed the region and marketed it worldwide. The network cluster currently includes 300 life-science companies, 40 scientific institutions and 4 universities with about 280 research groups.

The economic advantage of working together is obvious; cross-border co-operation has generated the critical mass required of a globally competitive life-science cluster. Although the Swiss region is home to many global companies in this sector, the cluster would not be as successful without highly skilled labour from Germany and France. BioValley also demonstrates the importance of global players for employment and economic development, although getting them to act locally and to promote local interests is difficult. Indeed, to retain such mobile global players, local actors in areas such as BioValley need to work to maintain the right 'milieu' – in other words, they need a set of locally embedded economic and cultural relationships that will sustain local consciousness, a local ethos, a local strategy and a set of local change management and maintenance functions.<sup>34</sup>

#### **4.2. *Enabling labour movement***

Of course, attracting the best employers and serving their needs is vital to competitiveness; but in order to retain them, as well as to capture the benefits of their presence for local people and communities, it is necessary to enable workers to move freely to serve the cross-border demand for labour and skills. This constitutes a second aim of local employment development in cross-border localities.

In these central, often prosperous, cross-border localities with common local/regional labour markets, the economic pressures and incentives for labour to commute and for businesses to trade across the border already exist. Geography is not a problem. The challenge is therefore not to create a cross-border labour market, but to enable it to work.

Here, there are two main challenges:

- providing information about the opportunities for cross-border employment; and
- addressing the differences in national systems of tax, social security, pensions and health provision.

These challenges are considered below in Sections 4.2.1 and 4.2.2. They also require the right partnership structures to deliver these aims. The development of such structures is considered later, in Section 7.

##### **4.2.1. *Providing information about the opportunities for cross-border employment***

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<sup>34</sup> For a more complete consideration of the factors that can enable a locality to succeed in the modern global economy, see our previous IDELE report, *Successful Local Milieux and the Lisbon Process*. Available from: [www.ecotec.co.uk/idele/themes/lisbon/resources/idele\\_thematic\\_report\\_lisbon.pdf](http://www.ecotec.co.uk/idele/themes/lisbon/resources/idele_thematic_report_lisbon.pdf)

As noted earlier, wage differentials create the incentive for workers to cross a border for work. But to exploit such opportunities, individuals need firstly to be informed about the opportunities available to them across a border. Secondly, they need information about how to access those opportunities. Mainstream public employment services, being designed and managed by national authorities in the main, do not necessarily provide such information about cross-border opportunities. Specialist information, advice and guidance are necessary. Such support has been provided in a number of cases, often with EU funding.

In this section, we consider two such examples, Øresunddirekt.com and Infobest.

### **Øresunddirekt.com<sup>35</sup>**

At the end of the 1990s, the regional public employment services on both sides of Øresund began to co-operate more closely to capitalise on the opportunities offered by a new bridge joining Denmark with Sweden. This collaboration led to the creation of a cross-border jobcentre, Af Øresund in 1999. Four offices were set up, all of them with Danish and Swedish jobcentre staff working side by side.

Af Øresund initially focussed mainly on helping people to find jobs and companies to recruit on either side of the border. Gradually though, it was realised that customers needed a much wider range of services, for example, information and advice about the social and economic consequences of taking a job on the other side. Likewise, it was as important for employers to know about costs, the labour market regulations and the cultural codes.

The growing interest in integrated activities resulted in an information centre, Øresunddirekt.com, bringing together key local actors from both side and sponsored by a range of partners:

- Swedish Department for Foreign Affairs;
- Public Employment Services from both regions;
- local offices of the tax authorities and social insurance boards; and
- County Administration of Skåne and County Council of Skåne.

Øresunddirekt.com's main task is to inform the public, employers, other organisations and local authorities of the differences in legal systems – and the consequences of leaving one system for the other. By 2004, more than 1600 individuals per month were receiving support from the Øresunddirekt.com centre.

### **Infobest<sup>36</sup>**

Infobest is a tri-national institution that is funded by 32 partners (mainly public bodies) operating in the border areas of Northwest Switzerland (CH), Baden and Palatinate (D) and

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<sup>35</sup> [www.oresunddirekt.com](http://www.oresunddirekt.com)

<sup>36</sup> [www.infobest.org](http://www.infobest.org)

Alsace (F). The core task of the network of 4 information centres is to advise cross-border workers, assist local authorities in cross-border matters and implement cross-border labour market projects together with the Upper Rhein EURES programme.

Infobest offices hold “Advice Open Days” where jobseekers or other workers meet experts from employment, tax and social insurance authorities to receive advice on the fiscal, judicial and social security implications of working across the border.

The work of Infobest is particularly benefited by common statutory instruments, such as EEC-Regulation 1408/71 or treaties on double taxation. Infobest is thus able to advise individuals and employers on their rights and obligations regarding cross-border working.

#### 4.2.2. *Addressing the differences in national systems*

As noted earlier, in many ways, the single European market remains incomplete due to the differences in national systems of tax, social security, pensions, health, etc. Whilst much progress has been made – dating back at least as far as the 1971 agreement on social security – differences remain. Indeed, these differences are likely to remain for the foreseeable future – witness the recent debate on the merits of the French ‘social model’ versus the UK’s ‘Anglo-Saxon model’, as well as the ‘No’ votes in the French and Dutch referendums on the European Constitution.

The effects of this absence of complete harmonisation in these areas (whether desirable or not) is most evident in cross-border areas – particularly those with actual or potentially continuous labour markets. Here, workers may be reluctant or even unwilling to benefit from the very real economic opportunities available to them, either through a distortion of incentives or through fear (whether justified or not) of losing particular benefits, such as pensions, social security cover, health cover, etc.

Experience shows that these obstacles to cross-border employment have a disproportionate effect on the lower-skilled and the lower paid. Highly paid, highly skilled and highly qualified individuals tend to have a ‘mindset’ that is open to cross-border working (developed through previous moves whether for work or study). They are also more able to overcome such obstacles. For example, they are less likely to rely on (national) state provision of healthcare and pensions and also less likely to fear unemployment and the need for social security cover. The experience of the Maastricht and the Upper Rhein regions bear this out; in both areas, cross-border workers are typically the highest paid and the low skilled/low paid feel more risk when crossing the border for work.

What can be done in such areas, is for local partners on both sides of the border to work together to develop creative solutions *within the existing national systems*. Such co-operation need not be entirely altruistic; in many cases, it can be and is driven by the desire of local authorities to recoup lost tax revenue paid to authorities in other countries by residents that work across the border.

## **5. OPENING THE BORDERS: CROSS-BORDER CO-OPERATION FOR SCOPE AND SCALE**

As we explored in Section 2, many border areas are peripheral either in geographical terms through their sheer remoteness from the main national or European centres of population or in political and economic terms, due to their weak ‘clout’ relative to capital or other large cities. Here, cross-border local employment development is about generating scope and scale - aggregating local markets for goods, services, labour and capital and combining economic and political power. It may also be about the opportunities and threats posed by the opening up of borders, for example through improved physical access or European integration. Unlike the cases considered in the last section, which focussed on the need to make the single European market operate more effectively, these types of places look to exploit the opportunities *already offered* by European integration.

In these areas, a continuous cross-border (regional) labour market is unlikely to exist already. Indeed, where the border is between a new and an old Member State, transitional limits on labour mobility may remain for up to seven years following the accession of new Member States<sup>37</sup> in 2004. In other cases, previously disconnected localities may only become connected by the provision of new transport infrastructure and border crossing points, such as the case of Storstrøm (DK) and Lübeck (D) where a new bridge is proposed.

### **5.1. Building co-operation**

The challenge then is to initiate cross-border co-operation and partnership, as a first step in the long process of creating a fully integrated cross-border labour market (or at least as integrated as the process of harmonisation will allow) and capturing the associated economic and social benefits. Initiating such co-operation need not necessarily be driven by a grand strategy developed at the outset; it might initially be developed piecemeal, with a focus on removing some of the obstacles that people and businesses face day-to-day. Alternatively, the spur to action might be a specific new infrastructure development, such as a bridge or the Channel Tunnel or it might be the accession of new Member States to the EU.

#### **5.1.1. Capturing scope and scale**

The case of Haparanda (Sweden) and Tornio (Finland) provides an illustrative example of how peripheral localities can develop, step-by-step, a process of cross-border co-operation that reaps the benefits of greater scope and scale.

#### **Haparanda / Tornio**

Haparanda (population 10 350) and Tornio (population 22 200) are located adjacently, either side of the border between Sweden and Finland. Historically, the two share a common heritage having been a single city until the Russian invasion of 1809 that divided the city into

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<sup>37</sup> Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia

two, across an international border. Swedish and Finnish are both widely spoken on either side of the border.

Municipal co-operation between the two cities began in the 1970s with a series of agreements intended to improve the lives of residents by improving access to educational and cultural services, such as free attendance at schools on either side of the border. This co-operation became more formalised with the establishment of the Provincia Bothniensis co-operation organisation in 1987.

The accession of Finland and Sweden to the EU in 1995 further accelerated the process of co-operation. Further reciprocal agreements were made, offering residents free access to vocational training and polytechnic education on either side of the border. Moreover, the border controls between the two cities have now been entirely removed.

This incremental process of co-operation and integration has released new employment potential through the aggregation of markets. The two local labour markets thus display a high level of continuity, and operate in effect as one single labour market. For example, although the number of people working across the border is not clear from official statistics, it is estimated that approximately 1000 people cross the border to work every day (more than 3% of all residents). Moreover, the biggest private employer for the residents of Haparanda in Sweden is Outokumpu Py, a Finnish company in Tornio. Opening the border has not only improved the supply of labour; it has also created a new demand as employers move in to serve what is now a bigger market for goods and services. For example, new shopping centres, hotels and a branch of IKEA have opened, creating new jobs.

An important contributory factor has been the new opportunities for real estate development on land that was previously on the border and on which border controls were previously located. With the need for border controls gone and full access now possible, such real estate opportunities have not only provided the space for new, job-creating developments, they have also brought the two cities physically closer to each other.

### *5.1.2. Responding to improved access*

Of course, one of the natural advantages of the example of Haparanda and Tornio has been the common culture, history and, to a certain extent, languages as well as geographical proximity. These have enabled the two cities to take a proactive approach to cross-border co-operation.

However, in other places, cross-border co-operation may be more of a *defensive* response to external events that bring cross-border localities together. As noted earlier, these include new infrastructure developments or European integration that open up borders, regardless of any common culture and proactive action on the part of local actors. The example of Storstrøm (Denmark) and Lübeck (Germany) illustrates the challenges facing previously disconnected cross-border localities that are about to become connected by a new bridge.

## **Storstrøm / Lübeck**

Being separated by a stretch of sea, the two localities either end of the proposed new bridge do not share a common culture, history or language and have little or no tradition of co-operating for local employment development. Both suffer from a rate of unemployment that is above the national average.

The proposed new bridge presents new opportunities, but also, and perhaps more importantly, threats to both localities. For example, there is a risk of economic activity moving away from Storstrøm as a result of the improved opportunities for travelling between Copenhagen and Hamburg and for Storstrøm to become a mere transit area. Moreover, local jobs in the ferry industry may also be lost as people choose to cross the bridge rather than travel by boat. In political terms, there is also the danger that the opportunities and threats facing the two localities will not be fully addressed by national policymakers who may tend to recognise only the overall macro-benefits that the new bridge delivers to each country as a whole.

The long-run challenge then, is to make the cross-border localities increasingly attractive to employers and to build a cross-border labour market that can serve those employers. But the immediate challenge is for local actors to start the slow and gradual process of building trust and engendering co-operation in an effective cross-border partnership. Here, the public employment services have initiated cross-border local employment development, including the Gaf project operational from 2004-2006. Activity has included the exchange of employees, language training, cultural exchange and exchange of information about opportunities in each country. Unemployed people have also benefited from cross-border training and development opportunities.

Local partners will, in due course, have to address the problems facing any cross-border locality, such as different national jurisdictions for tax and social security and the non-recognition of skills and qualifications in different countries. But for the moment, it is more important to put the basic building blocks of partnership working in place.

### *5.1.3. Responding to accession*

The accession of new Member States to the EU also changes the nature and circumstances of previously 'peripheral' border areas within both old and new Member States. Here, localities, particularly those at the edge of EU15<sup>38</sup> and/or bordering what used to be the 'iron curtain', that previously looked inwards to the rest of their own country now begin to look 'outwards' towards their neighbours across the border. As with localities where borders open up through the provision of new infrastructure, for these localities the decision to co-operate may be as much a *defensive* reaction to new risks and threats, as a positive response to new opportunities. Of course, there are real opportunities, such as in Styria (Austria) where a lack of skilled nurses for the elderly was addressed in part by a co-operative project with partners

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<sup>38</sup> EU15 being those 15 countries constituting the European Union prior to April 2004, i.e. Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the UK.

in Slovenia where unemployed nurses were enabled to get work permits to cross the border to work.

But one of the perceived threats is the free access of workers in neighbouring countries where wages may be significantly lower and unemployment higher. This poses risks to localities on both sides of the border – those in the richer country fearing an influx of cheap labour and those in the poorer country fearing the loss of the brightest and best of its workers.

### **Mühlviertel (A) / South Bohemia (CZ)**

The Austrian labour market is attractive to Czech workers as the average wage in South Bohemia is only a quarter of the average Austrian salary. Such a wage differential even outweighs the 40% higher cost of living in Mühlviertel than in South Bohemia. The differential in unemployment rates - 2.6% in Mühlviertel against 6% in South Bohemia - also makes working in Austria more attractive.

Unsurprisingly, labour mobility tends to be one-way with 400-500 people commuting daily from South Bohemia to Mühlviertel. Only a small number of Austrians commute the other way, and those that do, tend to work for Austrian companies with a base in the Czech Republic.

Relatively weak cross-border transport infrastructure and recent incidents, during which Austrian protestors blocked the roads on the border, are other factors weakening cross-border labour mobility.

Despite differentials in salaries and levels of unemployment, the Mühlviertel border area shares a common industrial structure and common economic problems with South Bohemia; in both areas, there is a high prevalence of SMEs, mainly in the agricultural sector. The region has not been able to attract larger companies to move in to the area mainly because of the peripheral nature of the regions in both countries. Clearly, there is potential here for cross-border co-operation to reap the benefits of greater scope and scale, as the example of EUREGIO Bayerischer wald-Böhmerwald demonstrates (below).

EU funding has in many cases provided the means for local actors from both sides of a border to come together to exploit the opportunities and address the threats of accession and to create economies of scale. Two examples from Austria – one bordering the Czech Republic, the other bordering Slovenia – demonstrate how such localities can initiate the process of cross-border co-operation.

### **EUREGIO Bayerischer wald - Böhmerwald**

A regional co-operation platform, EUREGIO, for the cross-border region of Mühlviertel (A), South Bohemia (CZ) and Lower Bavaria (D) was established in 1994. The association was set up to manage and co-ordinate regional cross-border development programmes and projects funded by the EU. Today the rationale for cross-border co-operation in the field of

employment is very clear. The Austrian (and German) labour market will be open to Czech workers after the seven-year transition period. Consequently, shared strategies and instruments are required to manage the challenges and opportunities that the open borders will create. There is a growing interest on both sides of the border to develop human resources and facilitate creation of a common labour market.

A cross-border co-operation board for local employment initiatives was created in 2003 with the aim of improving information transfer, exchanging best practice, tackling common regional challenges and creating personal contacts between relevant organisations. The board consists of public employment services in both countries, the regional authority of Mühlviertel, employer organisations in Austria and trade unions in both countries. The EUREGIO consists of a wider range of partners, including municipalities, employers, NGOs etc.

The Czech partners are now implementing ESF-funded activities and the next step will be to formalise co-operation between the Mühlviertel Territorial Employment Pact (TEP) and the South Bohemian partners.

During the transition period, a number of new labour market regulations will be introduced. For example, a bilateral cross-border commuting agreement will be implemented in 2005. A number of EU-funded cross-border labour market projects have also been implemented, including bilateral co-operation between trade unions, intercultural training in vocational training schools (tourism), exchange of apprentices and projects to tackle discrimination in the labour market and improve the employment prospects of older workers.

### **Styria (A) / Northern Slovenia Territorial Employment Pact<sup>39</sup>**

In 2003, a four-year INTERREG project set up a cross-border Territorial Employment Pact between Styria and three northern regions of Slovenia. The fundamental aim is to develop deeper co-operation in the field of employment and regional development. The idea for the Pact emerged during trilateral conferences between regional employment services of Austria, Hungary and Slovenia in 1999. Trilateral co-operation was, however, found to be challenging in the frame of social, economic and institutional challenges. Bilateral arrangements were therefore considered to be more realistic and effective.

The Pact brings together a range of national, regional and local actors:

- regional authorities in Slovenia (Pomurje, Podravje, Koroška) and Austria (East Styria, West Styria, Graz & surroundings);
- Slovenian national public employment service and regional departments;
- Austrian regional employment service in Styria; and
- social partners and regional partnerships in both countries.

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<sup>39</sup> [www.bab.at/english/p-paktaufbau-slo.html](http://www.bab.at/english/p-paktaufbau-slo.html)

Co-operation for employment development is considered by all parties as a priority as currently people on both sides of the border feel somewhat fearful and uneasy about the future. But by building local cross-border networks and co-operative structures and through extensive public relations campaigns and information exchange, the region is trying to combat and reduce fear of losing qualified employees from Slovenia to Austria and on the other hand, fear on the Austrian side of competition from cheaper Slovenian employees. Therefore, both sides have recognised the importance of building the Pact on fairness.

Building trust for co-operation has been very time-consuming, primarily because of the different levels of governance. Creation of trust also builds a strong base for further co-operation between the regions.

Design and implementation of the territorial employment pact for the region is a proactive response from the regional actors to prepare the region for the opening of the borders after the transition period. The Pact also illustrates how the involvement and motivation of local and regional actors who are directly affected by the opening of the border is much greater than that of national authorities.

## **6. CROSS-BORDER CO-OPERATION FOR CONFLICT RESOLUTION**

### **6.1. Disputed Borders**

The two broad types of co-operation considered in the two previous Sections (4 and 5) were based on a clear economic rationale for activity and a certain openness amongst local actors on both sides of the border to co-operation. However, borders – particularly those that are not ‘natural’ – may reflect deep divisions and their very existence may indeed be a cause or a consequence of conflict. Here, the challenge for local employment development is much deeper; before a fully integrated cross-border labour market can be developed, a long, slow process of building trust and developing partnerships will need to take place.

The experience of localities adjacent to the border between Northern Ireland and the Republic of Ireland provides valuable lessons about the difficulties but also the potential of local employment development in cross-border localities emerging from years of conflict.

#### **Northern Ireland / Republic of Ireland**

Since the Republic of Ireland became independent of the UK in 1921, with six northern counties<sup>40</sup> (Northern Ireland) remaining within the UK and twenty-six southern counties forming the Republic, the border between Northern Ireland and the Republic has been a source of dispute and conflict. Irish governments have sought the peaceful unification of Ireland, whilst UK governments have continued to assert UK sovereignty over Northern Ireland.

Within Northern Ireland and the border counties of the Republic, two distinct communities have co-existed and have at times experienced division, mistrust and prejudice. This has been reflected in the emergence of paramilitary, terrorist and criminal groups and a period of violent conflict (‘The Troubles’) lasting from the late 1960s to the political resolution enshrined in the 1998 Good Friday Agreement<sup>41</sup>.

One of the legacies of the Troubles has been the physical closing, or at least obstruction, of several border crossing points as well as a significant military presence and a fear of paramilitary activity. Consequently, traditional patterns of employment, trade and commerce have been disrupted and (legitimate) cross-border employment activity has been significantly less than might otherwise have been expected<sup>42</sup>. However, since the Good Friday Agreement, the border between Northern Ireland and the Republic of Ireland is becoming

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<sup>40</sup> Antrim, Armagh, Derry, Down, Fermanagh and Tyrone – see map below

<sup>41</sup> It should be noted that the period since the signing of the Good Friday Agreement has not been without its difficulties.

<sup>42</sup> The difficulties in undertaking formal economic activity have encouraged a significant informal/illegal economy.

easier to cross due to the removal of physical barriers, reduced (fear of) paramilitary activity and de-militarization.

## **6.2. Building Cross-Border Partnerships**

As demonstrated by the examples in the previous sections, it is more typical for cross-border employment partnerships to emerge from the 'bottom-up' by local actors on either side of the border coming together to initiate activities and develop common strategies. However, in border areas with a history of conflict, that slow and gradual coming together of partners may not be possible, or at least not easy. As well as mistrust and prejudice, there may also be a lack of community structures that can initiate cross-border partnerships. In these circumstances, it may therefore be necessary for regional or national governments to give special political priority to cross-border co-operation and to provide the necessary financial and legal means.

### **Special European Union Programmes Body (SEUPB)**

The Good Friday Agreement created six cross-border bodies, including the Special European Union Programmes Body. Its mission is:

*To develop co-operation, understanding and action between people and organisations in Ireland and Northern Ireland through consultation and the implementation of EU social, economic, reconciliation and cultural programmes.*

Importantly, the SEUPB was incorporated by joint legislation by the British and Irish governments, and acts as a managing and paying authority for the PEACE II and Interreg IIIA programmes operating in the six counties of Northern Ireland and the six border counties of the Republic. Such a structure tackles divisions between the two national administrations and disputes between the local authorities and communities along the border or communities within Northern Ireland. In particular, it allows the body to act in a neutral, transparent and fair way to manage EU funds, with the support of both national administrations as well as businesses, trade unions and third sector organisations. This is critical for the success of programmes in areas that have suffered from recent conflict or other historical events that causes mistrust between communities.

The legal recognition of SEUPB by both national jurisdictions has allowed SEUPB to address economic factors such as different systems of tax, social security, pensions and education. For example, the SEUPB has been able to initiate changes to national legislation in both countries enabling the introduction of a 'north-south' pension scheme, generally available to workers and residents in the border regions. Reciprocal agreements have also enabled people to visit their nearest doctor or hospital, regardless of nationality. Similarly, much important work has been done encourage the cross-border recognition of skills and qualifications. Such co-operation has stimulated a growth in cross-border employment development.

Legal forms are, then, an important element of cross-border co-operation. The experience of the SEUPB offers useful lessons that can guide future European activity in this area and

particularly, the proposed new European Groupings of Cross-border Co-operation (EGCC)<sup>43</sup>. For example, one important development has been for the SEUPB to initiate and/or enhance co-operation between officials in equivalent departments of the different national/regional administrations who may previously had little or no contact with each other.

### 6.3. *Building Trust*

Of course, appropriate legal forms of partnership alone are insufficient to bring about cross-border local employment development; it requires the building of capacity and the implementation of activity ‘on the ground’ in local communities.

#### **PEACE I and II**

An important challenge for the SEUPB has been the generation of trust from and between different local communities and to build the capacity for participation within those communities. A first action here has been to recognise the distinct ways in which communities organise themselves. For example, the unionist<sup>44</sup> community has a tradition of community involvement broadly based on *representative* democracy, whereas the nationalist<sup>45</sup> community has one broadly based on *participative* democracy.

More specifically, the PEACE I programme has built community infrastructure through enabling an increase in employment in the community and voluntary sector<sup>46</sup> as well as by stimulating the participation of a wide range of individuals and groups in activities. For example, 13% of projects within the PEACE I programme are reported to have created new cross-border linkages or networks, enabling 50 000 individuals to participate in cross-border activities for the first time<sup>47</sup>.

An important tool here has been the use of small grants and networks operating at the very local level, which has taken away some of the complexity in applying accounting for EU funding, as well as enabling groups to interact on the basis of a shared common understanding or need. Decentralised delivery mechanisms in the form of District Partnerships also contributed to community empowerment and engagement.

More formally, the PEACE II programme also incorporates a Monitoring and Evaluation Working Group that is charged with ensuring that the programme funds are distributed equitably. The Group assesses the extent to which the two different communities in the programme area have engaged with and benefited from the programme as well as identifying factors likely to have influenced programme accessibility and uptake.

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<sup>43</sup> See [http://europa.eu.int/comm/regional\\_policy/sources/docoffic/official/regulation/newreg10713\\_en.htm](http://europa.eu.int/comm/regional_policy/sources/docoffic/official/regulation/newreg10713_en.htm)

<sup>44</sup> Those communities broadly identifying with the union of Northern Ireland with Great Britain within the United Kingdom.

<sup>45</sup> Those communities broadly supporting the reunification of Ireland by consent.

<sup>46</sup> The sustainability of these jobs may be less certain beyond the period of EU funding.

<sup>47</sup> *Ex-post Evaluation of Peace I and Mid-term Evaluation of Peace II*; PricewaterhouseCoopers.

Although the number of border areas requiring conflict resolution may be few in Europe, the example of Northern Ireland and the Republic of Ireland does offer useful experience for other areas about the process of building trust between different cross-border communities that have previously been separated by conflict, or at least political division and mistrust. Such experience will be particularly useful for cross-border localities in the new Member States or those straddling what used to be the ‘iron curtain’, where the process of building trust and developing cross-border partnerships will take time.

#### **6.4. Developing Employment**

Building cross-border partnerships and trust reinforces and is reinforced by successful local employment development. Indeed, the experience of the Northern Ireland/Ireland border is that local economic and employment development can:

- have an indirect impact on peace and reconciliation by *increasing prosperity*, which reduces social exclusion, supports social skills, empowers individuals and groups and diverts attention from political or sectarian issues; and
- *facilitate processes of engagement* that have a direct impact on peace and reconciliation by building networks and facilitating relationships on a cross-border basis.<sup>48</sup>

The economic measures within the PEACE II programme have indeed increased prosperity by supporting parts of the economy hindered by conflict, developing new economic activities. They have started to establish a new image for the area and to reduce economic inequalities. They have also targeted geographic areas and groups particularly affected by the conflict. But increasing prosperity has been a *necessary* rather than *sufficient* condition for cross-border (and cross-community) conflict resolution. Indeed, the Qualitative Assessment notes that broad economic development has only made a limited and indirect impact on peace and reconciliation.

#### **Economic Renewal in Ireland and Northern Ireland<sup>49</sup>**

Both the PEACE I and PEACE II programmes have included sub-measures focussed on the economic renewal of border areas. A diversity of activity has been supported, including the following projects:

- Fermanagh Leitrim Organic Co-operation Project, bringing together the Organic Centre in Rossinver, County Leitrim and the Devenish Partnership in Enniskillen for the benefit of both communities;
- Blacklion Enterprise Centre providing facilities to businesses on both sides of the border; and
- Aquaculture project which markets produce from fisheries on both sides of the border.

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<sup>48</sup> Peace II Qualitative Assessment of the Economic Measures; [www.seupb.org](http://www.seupb.org)

<sup>49</sup> *Moving Ahead*: SEUPB Annual Report and Accounts 2003

What is more important to peace and reconciliation is the use of a *bottom-up, participative approach* to economic and employment development. Again, the experience from Ireland/Northern Ireland is that such an approach can empower communities affected by conflict, increase a sense of opportunity and facilitate positive engagement among different stakeholders. Such approaches should bring different communities together within a neutral workplace to focus on common economic issues, interact and promote co-operation. They should also be socially inclusive, from example by including cross-border/cross-community training programmes, business events, seminars, partnership arrangements or mentoring systems. *Cultural diversity* should also be addressed through training that includes structured break-out reconciliation seminars and conflict learning projects, although such training cannot be forced on communities that are unwilling to participate.

### **Peace and reconciliation through local development: lessons from PEACE II**

The Qualitative Assessment of the Economic Measures within the PEACE II Programme<sup>50</sup> identified a range of ways to facilitate peace and reconciliation through local development activity.

- Conducting training programmes, business events, working seminars, etc. in neutral areas or alternating training between communities;
- Holding business events or working seminars in which employers and employees can come together on a cross-border basis to discuss common economic issues;
- Developing business partnerships on a cross-border basis to share experience and develop learning;
- Developing cross-community management boards;
- Developing mentoring or shadowing systems on a cross-community basis in which new businesses will be linked to existing projects;
- Allowing increased involvement of stakeholders from different communities in economic development projects;
- Undertaking cultural diversity training;
- Encouraging cross-community representation in local small business groups and Chambers of Commerce, etc.;
- Facilitating greater interaction between Chambers of Commerce, etc. that represent mainly single identity areas or cross-border areas.

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<sup>50</sup> Peace II Qualitative Assessment of the Economic Measures; [www.seupb.org](http://www.seupb.org)

## **7. BUILDING CROSS-BORDER PARTNERSHIPS FOR LOCAL EMPLOYMENT DEVELOPMENT**

Nation states act in the interests of the nation as a whole and respond to political pressures at the national level. They are limited in the extent to which they can and do draft laws and take actions on account of the problems and opportunities of border localities. As noted by the Association of European Border Regions<sup>51</sup> (AEBR), cross-border co-operation between local and regional actors remains a necessity in order to:

- prevent cross-border conflicts;
- overcome psychological barriers; and
- facilitate partnerships that will balance and reconcile differences.

This view is supported by the experience of partnerships operating across Europe, such as the case examples in this report. Such partnerships have been operating in a diversity of contexts – geographic, cultural, economic and political – to address the problems and opportunities of cross-border local employment development. Many have profited from EU funding, but all have taken the initiative to find their own local solutions to local problems. Indeed, given the limits of national action, local partnerships can and should develop their own approaches and strategies for cross-border local employment development, using EU funding wherever possible.

### **7.1. Stages of partnership**

The starting point for cross-border local employment development will inevitably differ from place to place. For some, it will be a proactive approach that aims to capture the benefits of European integration or new infrastructure. For others, it may initially be a defensive reaction to the threats of European integration or new infrastructure – for example, loss of jobs to other areas, large influxes of migrants, loss of skilled workers, etc. Some will start out with a grand vision; others will develop activities in a more piecemeal fashion. Whatever, the starting point, we can identify five key stages in creating a partnership that works towards creating a common cross-border labour market.

#### **Key stages in building a cross-border partnership for local employment development**

1. *Networks* for sharing information, advice and guidance
2. *Reciprocal agreements* on tax, social security, etc.
3. *Partnerships* for co-ordinating the delivery of services
4. *Cross-border delivery agencies* for jointly delivering services
5. *Complete harmonisation* of local employment development activities and the completion of a common cross-border labour market

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<sup>51</sup> [www.aebr.net](http://www.aebr.net)

*Networks* can emerge in many different forms and be initiated by different actors. They can include the establishment of reciprocal contacts between education, training and employment services and their counterparts on the other side of the border. Activities of networks can include meetings, study trips, exchanges of staff etc. in order to exchange knowledge of structures, policies and procedures as well as for key individuals to get to know each other. For example, in Storstrøm (DK) and Lübeck (D), the starting point for co-operation has been the networking between the local offices of the public employment service in each locality.

*Reciprocal agreements* must be made within the limits of national systems and regulations. But there is scope, particularly for local and regional authorities, to enter into such agreements. For example, the different tax regimes operating in the Euregio Mass Rhein created a need to double the number of tax returns up until 2004. Reciprocal agreements in operation from 2005 now allow German companies operating in the Netherlands only to pay German taxes, while Dutch companies operating in Germany are only required to pay Dutch taxes. Where possible, a range of reciprocal agreements should be considered, covering all the elements that affect the choice of an individual or company to work across a border. For example, the agreements applying across the Northern Ireland/Republic of Ireland in the area of health care have been important. Similarly, the various reciprocal agreements operating in Haparanda and Tornio, particularly relating to access to education and training, have improved the quality of life of local residents as well as their employment prospects.

*Partnerships* go beyond reciprocal agreements by initiating real activities in support of local employment development. They usually bring a broad-based membership of public, private and third-sector organisations together around a common purpose, often enshrined in a partnership agreement and perhaps even a formal structure.<sup>52</sup> Partnerships are often developed in response to European funding programmes such as ESF, ERDF, Phare and Interreg. Activity may be delivered by the individual partners, working to a common strategy or by specific cross-border delivery agencies.

### **Styria-Slovenia Cross-border Territorial Employment Pact**

As outlined in Section 5, national, regional and local actors on either side of the border between Styria (A) and Slovenia have created a cross-border Territorial Employment Pact.

The aim of the Pact is to ‘*sustain and guarantee the preconditions for a deeper, stable cooperation of the common region relevant for employment and labour market policy.*’ It provides the structural framing for successful regional cooperation by developing and transforming common projects. Specifically this agreement includes a commitment to develop common strategies, implement common projects, exchange good-practice and complete the cross-border pact.

Specific activities of the Pact include:

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<sup>52</sup> For more guidance on local employment development partnerships, see the European Commission’s *Practical Handbook on Developing Local Employment Strategies* available from: [http://europa.eu.int/comm/employment\\_social/local\\_employment/publi\\_en.htm](http://europa.eu.int/comm/employment_social/local_employment/publi_en.htm)

- Cross border accompanying of the process and process steering to define the objective and to develop the strategy of the joint pact and incorporation of the principle Gender Mainstreaming;
- mobilising the relevant actors (businesses, social partners, regional development agencies, educational institutions, NGOs and other) on both sides of the border;
- exchange of good practice in local employment development;
- co-operation in the field of education and training, such as the development of jointly-certified training;
- bilateral meetings on specific issues such as regional development and labour market, cooperation between regional offices of the public employment service, recognition of qualifications, gender equality;
- public relations and information activities to address prejudice and mistrust, especially relating to employment and to stimulate events, discussion forums, etc.

*Cross-border delivery agencies* present their own difficulties in terms of legal form. As demonstrated in the case of the SEUPB, the support of national authorities can be vital in facilitating institutionalised cross-border partnership structures. Notwithstanding such difficulties, cross-border delivery agencies can offer improvements in efficiency, by creating economies of scale, particularly in rural or remote areas. They can also improve effectiveness by drawing in wider and deeper expertise. Such delivery agencies can deliver a wide range of services and undertake single/joint marketing of the area as a location for business and enterprise. For example, Øresund Network AB is a cross-border body responsible for the international marketing and branding of the region. Similarly, the various cross-border delivery agencies operating in Haparanda (Sweden) and Tornio (Finland), such as Provincia Bothniensis are also interesting examples.

### **Øresund Network AB**

Øresund Network AB is a network organisation that coordinates information about the region, related to inward investment, new company formation, or public sector activities that affect the lives of people who live on either side of Øresund. Øresund Network AB also maintains the common web-portal for organisations that operate in the region.<sup>53</sup>

*Complete harmonisation* of local employment development activities across a border is, as yet, rare given the intrinsic difficulties in working across two national systems. It involves either combining *mainstream* agencies across a border, or at least, incorporating a cross-border approach into all the planning and delivery of all their activities. Residents and businesses enjoy equality of access to employment and training services on either side of the border, regardless of nationality. Haparanda-Tornio has gone the furthest in developing this approach.

### **Haparanda-Tornio**

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<sup>53</sup> [www.oresundregion.org](http://www.oresundregion.org)

The cross-border delivery agency in Haparanda-Tornio, Provincia Bothniensi, has facilitated partnership working in all other municipal operations including economic development, education and training, town management and technical operations, as well as the operations of other local actors such as the public employment services. Provincia Bothniensi is steered by a board consisting of five representatives of each municipality, as well as working groups in areas such as business and tourism, and education.

Through this approach, Haparanda-Tornio has pioneered the approach of 'borderless education and training'. Residents have for some time had equal access to education, vocational training and childcare provision either side of the border. Provincia Bothniensi is now planning new borderless combined upper secondary school and vocational training programmes from 2005.

A completely harmonised approach has been introduced into the economic development of the Haparanda-Tornio area. Indeed, unified development and realisation plans have been in place since 1998 and 2001 respectively. Moreover, there is a single approach to the marketing and promotion of Haparanda-Tornio as a location for business and enterprise, in line with the cross-border development plan<sup>54</sup>.

Complete harmonisation between the local public employment services has been difficult due to the inflexibility of national systems and legislation. Local jobcentres have been able, nonetheless, to introduce a cross-border approach into their mainstream services, for example by buying education and training services from each other. This reduces inefficient duplication of services and creates important economies of scale in delivery, as well as improving the service to local residents.

## **7.2. Partnership dimensions**

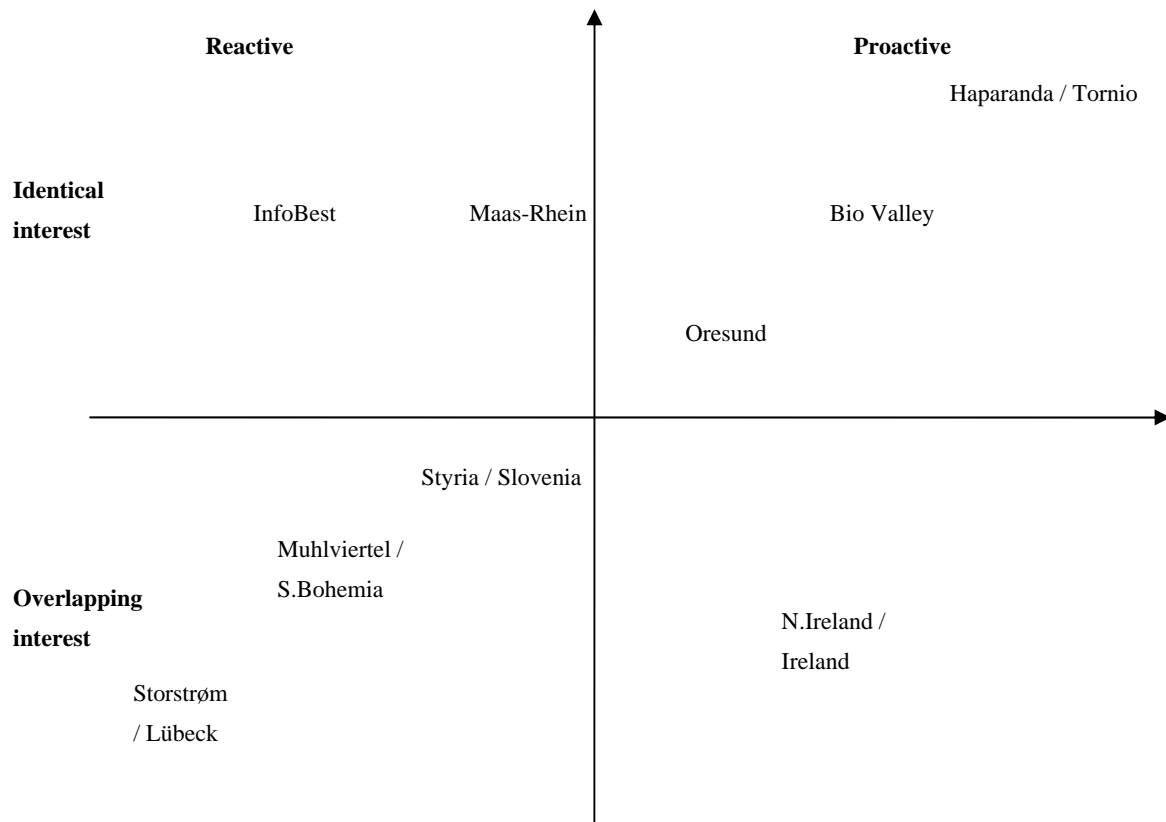
In addition to the key stages in building a cross-border partnership for local employment development, the real-life examples considered in this report reflect two key dimensions of cross-border partnerships. These are:

- the extent to which the partnership is proactive or reactive; and
- the extent to which the interests of the localities on either side of the border are *overlapping or identical*.

It can be argued, of course, that these two dimensions apply to any form of partnership. But they are particularly marked in a cross-border partnership, where there are two (or three) clear 'sides' that need to be brought together. Figure 7.1 below charts the examples presented in this report against the two dimensions. We explore the two dimensions in more detail in Sections 7.21 and 7.22.

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<sup>54</sup> See [www.pagransen.com](http://www.pagransen.com).



**Figure 7.1 Comparison of cross-border partnerships**

### 7.2.1. *Reactive and Proactive Partnerships*

Partnerships that are reactive tend to be responding to cross-border activity that is taking place regardless of their own efforts. As discussed earlier, this could be in response to new infrastructure, such as the new bridges between Storstrøm and Lübeck, and between Copenhagen and Malmo. It may be in response to the extensive amount of cross-border working that already takes place, such as across the River Rhein in Alsace-Basle-Baden Württemberg. Alternatively, it may be in response to the challenges of accession and the fears (whether justified or not) of instability caused by an influx of workers into an old Member State from a new one.

The fact that a partnership forms initially as a reactive response does not negate its importance. It is important merely to note the nature of a partnership and work in the way that is most appropriate to local circumstances. For example, in 'central' areas enjoying a naturally integrated cross-border labour market, it may be sufficient merely to work with existing market forces and enable the labour market to function more effectively.

Moreover, both types of partnership or partnership activity may operate within the same area. For example, the InfoBest partnership is essentially reacting to the existing cross-border flows of labour, whereas the BioValley partnership is proactively promoting the life science industry in the same area.

Nor is the nature of a partnership necessarily fixed – a partnership that is initially reactive can become a proactive one. For example, in Øresund, the partnership itself was not the primary initiator of cross-border activity – this was the bridge built by other, national authorities<sup>55</sup>. But with the building of the bridge, the partnership has evolved and become more proactive.

### **Øresund Committee<sup>56</sup>**

Prior to 2000, cross-border co-operation for employment development was limited in Øresund, primarily due to the fact that a ferry was the only means of crossing the sea. However, with the completion of the bridge linking Copenhagen with Malmö in 2000 a common vision has been developed for the Øresund region. This vision is promoted and implemented by the Øresund Committee, a partnership between regional and local authorities in Skåne and Greater Copenhagen, with the national governments participating as observers. Specific activities of the Øresund Committee are based on new initiatives, co-operation and networks to implement regional economic development.

Key roles of the Øresund Committee now include:

- strengthening public ownership of the integration process;
- influencing national authorities and regional actors to eliminate barriers to cross-border employment development;
- continuous development of cross-border infrastructure and a sustainable environment;
- administration of the Interreg IIIA programme; and
- providing information about the region and the Committee through conferences, seminars etc.

Cross-border partnerships that are, at the outset, reactive in nature may need to work hard to develop a vision and strategy that are effective. In most cases, a ‘figurehead’ – often a key individual - will be essential in driving the process forward. However, once a partnership is established, appropriate and effective institutional frameworks will need to be put in place to carry the strategy forward and manage change, above and beyond the contribution of any particular individual or group of individuals.

In making the move from a reactive to a proactive partnership, it is important to keep the right mix of private and public sector involvement. Public frameworks are important in creating entitlements – for businesses and individuals – which can cement the achievements of a partnership. But approaches that are overly dominated by the public sector risk becoming too focussed on regulations and legislation; this stifles adaptability and innovation. Private sector-based approaches, in contrast, usually provide more opportunities to manage change and to attract venture capital into a cross-border area. Different approaches are possible here, such as the public sector commissioning activity that is delivered by the private

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<sup>55</sup> This is not to say, of course, that local partners had no influence at all on the decision to build the bridge.

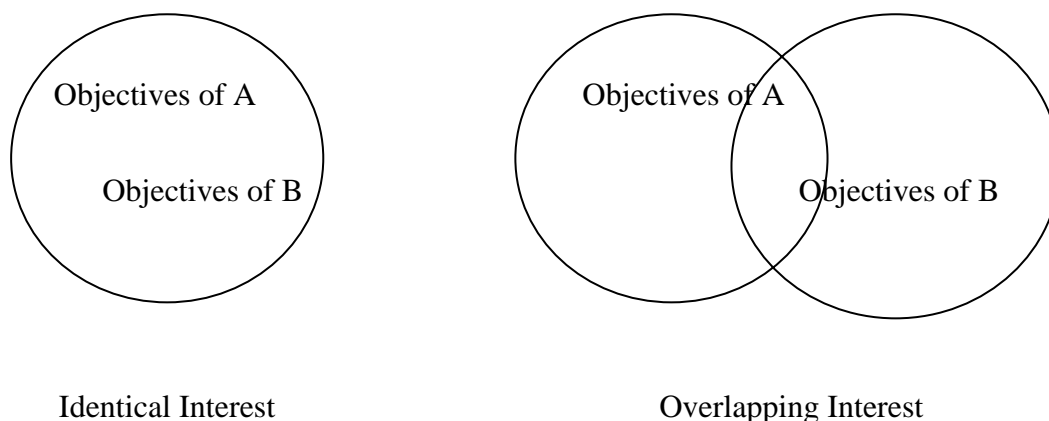
<sup>56</sup> [www.oresundskomiteen.dk](http://www.oresundskomiteen.dk)

sector, for example. But the key is to achieve the right *balance* of public-sector and private-sector participation.

### 7.2.2. *Overlapping and identical interests*

The second key dimension to cross-border partnership working is the extent to which the interests of partners are *overlapping* or *identical*. In the first case, partners come together across a border to achieve their own objectives; the extent to which they co-operate will depend on the extent to which these different (but overlapping) objectives are met. In the second case, partners come together to achieve the same, shared objective, which is of more or less equal benefit to each; these partnerships may even come to see themselves as a single entity. Of course, in practice it is not possible to strictly categorise all cross-border localities as one or the other, it will be more a matter of considering the *extent* to which the objectives of A and B overlap.

**Figure 7.2**



#### **Identical v Overlapping Interests: some real-life examples**

- *Overlapping: Mühlviertel (A) and South Bohemia (CZ)*

The two localities of Mühlviertel and South Bohemia face very different opportunities and threats resulting from the accession of the Czech Republic to the EU and thus different motivations for co-operating across the border. Mühlviertel faces a potentially increasing inflow of workers crossing the border for work, providing a ready source of labour but also risking hostility from Austrian workers who may fear being ‘undercut’ in the labour market by Czech workers prepared to accept lower wages. By contrast, South Bohemia may (continue to) benefit from the increasing demand for its labour from Austrian employers, particularly where unemployed people are attracted into the labour market. But local employers may also fear the loss of their brightest and best workers to Austrian employers.

Where the interests of the two localities overlap (and provides the incentive for cross-border co-operation) is, firstly, in managing this increasing cross-border mobility to the mutual advantage of both - in terms of increased economic efficiency and growth. Secondly, the similar industrial structure - a high prevalence of SMEs, mainly in the agricultural sector –

means that joint solutions may be appropriate, indeed more cost efficient if delivered at greater scale.

- *Identical: Haparanda (S) / Tornio (SF)*

The objectives of Haparanda and Tornio in cross-border co-operation for employment development are close to being identical. Both cities are small in size, share a common heritage and are at the extremity of their own countries, far from the main centres of population and power. The objectives, for both cities, of co-operating across the border are therefore to capture economies of scale in the delivery of services and in the aggregation of markets for goods, services and labour. The political objectives, again for both cities, are to increase political influence and to 'do it for ourselves', given their remoteness from (and therefore the possible neglect on the part of) the national centres of decision-making.

There may be several reasons for partners to have different objectives for co-operation, usually based on the particular local economic, political and geographical context. Firstly, the problems that each faces may be different; co-operation may therefore create unequal benefits and, at worst, may actually benefit one side at the expense of another. A new Member State may fear the loss of well-educated, highly skilled workers to its neighbour. Conversely, an old Member State may fear an influx of cheap labour and its associated needs for housing, health services, etc. Secondly, the systems of governance on either side of the border may create different objectives for the members of a partnership. For example, there may be a certain asymmetry in the status of negotiating partners, where some are local bodies and others are regional or national.

### **Styria / Slovenia**

Since there is no system of regional government in Slovenia, the cross-border partnership with Styria has involved national partners from Slovenia (notably the public employment service). But in Austria, it is the regional partners that are most appropriate, i.e. the regional level of the public employment service. The partners have therefore had to learn to work with others across the border that are not their direct equivalents.

### **Kent (UK) / Nord-Pas-de-Calais (F)**

The University of the Transmanche<sup>57</sup> is a partnership between the University of Kent and four universities in Nord-Pas-de-Calais<sup>58</sup>. It offers interdisciplinary Masters Degree programmes in a range of subjects. All programmes are bilingual as teaching and learning is in both English and French, on both sides of the channel. Students are awarded a double degree- a British Masters from the University of Kent and a French Maîtrise from one of the French universities.

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<sup>57</sup> [www.kent.ac.uk/transmanche](http://www.kent.ac.uk/transmanche)

<sup>58</sup> Université du Littoral Côte d'Opale, Université des Sciences et Technologies de Lille, Université du Droit et de la Santé and Université Charles de Gaulle

French universities are ‘owned’ and controlled by the region, whereas in the UK, universities are largely independent institutions, answerable to national, rather than regional or local authorities. Partners have therefore had to overcome and adapt to this asymmetry in building the University of the Transmanche.

The fact that partners have an overlapping, rather than identical interest in working together does not make the partnership any less valid. The key is mutual recognition by each ‘side’ of the interests of the other and a willingness to ensure that each partner meets some or all its objectives through cross-border co-operation. Of course, as European integration deepens and cross-border labour markets become more of a reality, the interests of partners do become more and more intertwined, i.e. ‘identical’ rather than ‘overlapping’.

Experience from the examples presented in this report show that it is, in fact, easier to create (or at least identify) cross-border common interest at the local, rather than the national level. Cross-border opportunities and problems are more apparent and important to local partners and these same partners are best placed to respond. For example, according to one partner from Haparanda-Tornio, cross-border co-operation was, for these cities, a matter of survival given their small size and remote location. Similarly, in Maastricht, local partners have been able to find practical solutions to cross-border issues as mundane as car parking for cross-border workers, in a way that would not be possible at national level.

The common interest in cross-border co-operation is best identified and achieved through local employment development being part of a wider cross-border regional development strategy. Indeed, according to the AEBR<sup>59</sup>, this wider strategy should include measures covering infrastructure, economy, innovation, tourism, labour market, culture, etc. and should be applied on a long-term basis. To implement the strategy – and promote partners’ common interests – permanent cross-border networks should be created, managed by a cross-border region and encompassing:

- employers, unions, chambers of commerce and public employment services;
- health insurance and tax authorities; and
- bodies responsible for education and training.

Obviously, EU funding will be important in creating such networks and implementing cross-border strategies. But local and regional partners should not wait for EU funding before taking steps to capture the benefits of cross-border co-operation for local employment development. Instead, they should use EU funding to support and accelerate their own ideas and strategies as far as possible within the limits of the particular funding programme. Reducing (or preventing) reliance on EU funding will be especially important in old Member States from 2007 onwards, when the amount of support from structural funds is likely to be less than in previous periods and their management, to a certain extent, further decentralised to the national level. Indeed, new cross-border programmes or activities are likely to require approval from two national governments, rather than just the European Commission.

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<sup>59</sup> *Cross-border and Transnational Co-operation for Local Employment Development*; speech by Jens Gabbe, Secretary General AEBR, IDELE seminar 7-8 July 2005, Copenhagen.

## 8. CONCLUSIONS AND RECOMMENDATIONS

Cross-border localities are diverse and different, depending on whether they are ‘central’ or ‘peripheral’ and whether the borders are ‘natural’ or ‘political’. But cross-border localities are distinct from other areas and face common challenges and opportunities. Based on the examples considered in Sections 4, 5 and 6, we can draw conclusions in four key areas:

- Cross-border areas are where the incompleteness of the European single market is demonstrated; differences in national systems restrict the free movement of labour; however, cross-border co-operation can introduce innovative and effective *local* actions that enable the **supply** of labour to satisfy the existing demand and enhance **competitiveness**;
- Cross-border areas can suffer from reduced political and economic influence, often being at the periphery of their own countries and hindered in their access to neighbouring localities across the border; cross-border co-operation at the local level can create **scope and scale** for these localities, thus creating new **demand** for labour;
- Where borders themselves are a cause or consequence of **conflict** and dispute, local actors reduce their co-operation across the border and patterns of employment and trade are disrupted; with the right support from national and EU levels, local and regional actors can begin to open up borders and release the employment potential of cross-border localities.
- National and regional administrative systems and infrastructure do not necessarily promote cross-border co-operation; they can be more focussed on ‘pulling’ border areas back towards the centre; cross-border co-operation at the local level therefore requires particular **governance** solutions that are distinct from national activities.

In drawing lessons for cross-border local employment development, we therefore must consider these four main themes of labour supply, labour demand, conflict resolution and governance.

### 8.1. Conclusions for labour supply

In theory, if the single European market for labour worked effectively then cross-border issues would not arise. However to date, there has been no substantial community-wide co-ordination of tax agreements, nor co-ordination between tax and social security agreements for cross-border activities, despite the significant achievements of EU regulations.

Realistically, it has to be accepted that complete harmonisation of national systems of tax, social security, etc. remains politically unacceptable. European citizens and nations value the diversity of Europe that is reflected in the social and cultural life of states and regions. *‘They will not always wish to sacrifice aspects of their everyday lives for the cause of European harmonisation, particularly where this would result in the loss of Europe’s diversity.’*<sup>60</sup>

It is in border areas that the lack of harmonisation can hinder or distort employment and trade. Local partners in border areas may be able to lobby national and European decision-

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<sup>60</sup> *New Ways Towards A New Europe*; Association of European Border Regions, June 2004; [www.aebr.net](http://www.aebr.net).

makers to bring about changes in national systems. But the extent to which that is possible is limited. *'No state in Europe will alter its tried and trusted structures competencies and powers on account of the problems that arise in border regions. Furthermore, no state is able to draft its laws in such a way that they harmonise with all the neighbouring states on its borders.'*<sup>61</sup>

- 1. So, where national systems can not be changed, border localities must be creative in finding ways for national legislation and systems to work flexibly to the benefit of cross-border workers and their employers.**

Wage differentials will create the impetus for labour mobility. Indeed, many workers are indeed mobile in crossing a border to work, regardless of the activities of local employment partnerships. But individuals – particularly the lower-skilled, unemployed, or disadvantaged groups – may lack the information or confidence to access a job across an international border.

- 2. Local cross-border partnerships should provide practical, grass-roots support for cross-border workers in terms of information, advice and guidance.**

However, wage differentials alone may be insufficient to stimulate cross-border mobility and capture the associated efficiency gains.

- 3. Local employment partnerships must also consider the wider 'package' available to labour, i.e. access to health care, housing (availability and price), job security, social security and unemployment assistance. In particular, imaginative approaches to recognising entitlement to social security are needed.**

The single market does in fact operate relatively efficiently and effectively for high-skilled, high-paid workers. These individuals can afford to cross borders, enjoy better job security and worry less about levels of and access to unemployment benefit.

- 4. But for the single market to operate more effectively, local partnerships must particularly focus on enabling the lower-paid, lower-skilled to cross a border for work, where suitable opportunities for employment already exist.**

Where localities and regions compete in a global marketplace – for example in the life science industry - highly paid, highly skilled workers and their employers will require more than just the right economic incentives. They will also require a high quality of life, attractive environment, cultural and leisure facilities and access to first-class learning opportunities. It may not be possible, indeed perhaps not even necessary, for a border locality by itself to offer all these attributes. But by facilitating cross-border mobility, local partners can increase the attractiveness of their area to incoming employers, as well as improving the opportunities available to resident workers without the need to migrate.

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<sup>61</sup> *New Ways Towards A New Europe*; Association of European Border Regions, June 2004; [www.aebr.net](http://www.aebr.net).

- 5. To attract and retain hi-tech, high value added employers and their staff, local partners in cross-border localities should co-operate across the border to create the best possible ‘offer’ to such companies and workers.**

### **8.2. Conclusions for stimulating demand**

Cross-border localities may particularly need to focus on stimulating demand for labour. The dislocation of economic activity caused by the border can make them less attractive to employers than they would otherwise be.

- 6. Greater scope and scale can be created through cross-border partnerships for local employment development. Such partnerships can attract new employers by aggregating markets for goods, services and labour.**

New transport infrastructure can be a threat to cross-border localities, if not primarily developed with their interests in mind.

- 7. Local actors may need to react to such threats by creating new economic opportunities for local residents and businesses. Cross-border local employment partnerships can offer an effective way to do this, but it will take time to build trust relationships, particularly where there are cultural and language barriers.**
- 8. Localities with a similar industrial structure but separated by a border can develop joint solutions in a more efficient and effective way if they co-operate, for example in attempting to attract new firms to the area.**

Peripheral border areas may suffer most from illegal or informal economic activity. Barriers to legitimate activity are highest here and there may also be tax differentials that can be exploited.

- 9. Effective cross-border local employment development can regularise informal economic activity (and create a demand for labour in the formal economy) by addressing the barriers of different national systems of legislation, tax, etc.**

### **8.3. Conclusions for conflict resolution**

Local employment development can contribute to peace and reconciliation by *increasing prosperity*, which reduces social exclusion, supports social skills, empowers individuals and groups and diverts attention from political or sectarian issues. But broad economic development is only a necessary not a sufficient condition for conflict resolution.

- 10. Partnerships in cross-border areas marked by conflict should take a *bottom-up, participative approach* to economic and employment development. Such approaches should bring different communities together within a neutral workplace to focus on common economic issues, interact and promote co-operation.**

- 11. In these areas, *cultural diversity* should also be addressed through training that includes structured break-out reconciliation seminars and conflict learning projects. But such training cannot be forced on communities that are unwilling to participate.**

Legal forms of partnership alone are very important but insufficient to bring about cross-border local employment development. By themselves, legal forms do not generate trust between different communities.

- 12. Local employment development in cross-border localities marked by conflict requires the building of capacity and the implementation of activity ‘on the ground’ in local communities. It should recognise and build on the particular ways that different communities organise themselves.**

#### **8.4. *Conclusions for cross-border governance***

Cross-border co-operation for local employment development requires particular approaches and structures of governance. Border areas face particular opportunities and problems that national bodies may be unaware of or unwilling to respond to – particularly where such areas are peripheral and sparsely populated, in other words, lacking the scope and scale to have significant economic and political ‘clout’.

- 13. Cross-border partnership structures must therefore be put in place at the local and regional level to do what national bodies are unable or unwilling to do.**

In developing cross-border local employment partnerships, there are five key stages to be undertaken. Of course, it is not necessarily the case that all partnerships can and should pass through these stages, but they are useful in guiding the direction of a partnership.

- 14. The five key stages of developing a cross-border partnership for employment are:**

- i) Networks for sharing information, advice and guidance*
- ii) Reciprocal agreements on tax, social security, etc.*
- iii) Partnerships for co-ordinating the delivery of services*
- iv) Cross-border delivery agencies for jointly delivering services*
- v) Complete harmonisation of local employment development activities and the completion of a common cross-border labour market*

The circumstances under which any cross-border partnership comes together will differ widely, whether reacting to external events, such as greater European integration, the accession of new Member States or the creation of new infrastructure or whether proactively exploiting existing opportunities. But, regardless of the starting point:

- 15. Local employment partnerships, at the outset or later in their development, will need to generate a shared vision and strategy for developing a cross-border labour**

**market. This local employment strategy should fit within a wider cross-border regional development strategy.**

In most cases, cross-border co-operation will be driven from the bottom-up, since it is easier to identify shared and common interests at the local level than at the national level. But it is hard to create a common strategy where the benefits are unlikely to be shared equally. However, as long as partners on both sides of the border are able to fulfil some or all of their objectives, the co-operation has the potential to be successful.

**16. Local actors should consider how cross-border co-operation can fulfil their own objectives as well as those of their cross-border partners. Initially, it may be that cross-border co-operation fulfils the *shared* interests of partners; but in the long run, as the cross-border co-operation becomes a reality, partners should develop their *common* interests.**

Building a cross-border partnership for local employment will require figureheads to initiate activity and drive it forward. But in the longer run, a partnership will need to put institutional frameworks in place to carry it forward and manage change. Public frameworks are important in providing entitlements but private frameworks provide opportunities to manage change.

**17. Cross-border partnerships for local employment development should ensure a healthy balance between private and public sector activity. Both are important. But a pre-dominance of public activity can stifle innovation and change management. Equally, a pre-dominance of private activity can fail to cement achievements by not putting in place the right legislation, for example in securing various entitlements (to services, social security assistance, etc.).**

Opportunities for EU funding for local employment development will be limited in the new Structural Funds programmes post-2006. Cross-border areas, in particular, may suffer as funding is 'renationalised'; new cross-border programmes may require approval from two national governments.

**18. Cross-border partnerships for local employment development should develop a strategy that is not dependent on any one particular source of funding. Where EU or national funding is secured, it should be used to create sustainable actions, rather than one-off projects.**

#### **Øresunddirekt.com**

The Swedish National Labour Market Board is looking to integrate many of the activities of Øresunddirekt.com into the whole of its organisation, as a means of ensuring their long-term sustainability. The overall aim is to disseminate the information and experience gained over the past five years to all local branches of the public employment service by:

- providing information at each office in the form of displays, brochures, etc.; and

- building a network of staff from different jobcentres that meets monthly to exchange information and promote the benefits of cross-border working to jobcentre colleagues and customers.

The precise legal form of a cross-border partnership is vital to its effectiveness. Effective cross-border agencies can deliver activity on both sides of a border, reducing costs and improving efficiency through economies of scale. They can also address issues such as entitlements to pensions, through their recognition by national authorities on both sides of the border. There is, then, a need for legal entities that can operate across a border.

- 19. The proposed European Groupings of Cross-border Co-operation<sup>62</sup> (EGCCs) should be considered by local actors as a suitable partnership form, post-2006. The European Commission should enable the EGCCs to take financial responsibility for the delivery of cross-border programmes, including EU programmes. National authorities should offer legal recognition to the EGCCs and consider them as a delivery vehicle for national programmes.**

Cross-border co-operation for local employment development is inherently a European issue. European integration, the accession of new Member States and new cross-border infrastructure (funded by the EU) all cause or contribute to cross-border opportunities and problems. Moreover, cross-border areas are the places where the “gaps” in the single European market are most evident; they can act as a laboratory for EU policy, highlighting wider dilemmas and solutions. As such, cross-border areas can act as a terrain of creativity and enterprise and a source of imaginative solutions in ‘unequal’ partnerships. However, despite the relevance and importance of cross-border areas to the EU, there is currently no overall EU policy, although the appointment of a special European emissary<sup>63</sup> for daily border problems will help here.

- 20. The EU should introduce an overall policy on border region issues, including the management of migration and the resolution of issues resulting from lack of harmonisation in tax, social security, etc. Moreover, this policy should be supported by appropriate funding programmes that support *local* cross-border activity in addition to national activities.**

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<sup>62</sup> See: [http://europa.eu.int/comm/regional\\_policy/sources/docoffic/official/regulation/newregl0713\\_en.htm](http://europa.eu.int/comm/regional_policy/sources/docoffic/official/regulation/newregl0713_en.htm)

<sup>63</sup> Vice-President of the European Parliament