

CREATING EMPLOYMENT OPPORTUNITIES AND IMPROVING EMPLOYABILITY – THE ROLE AND CONTRIBUTION OF LOCAL PARTNERSHIPS

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Introduction¹²

The following report highlights the role and the contribution of partnerships in local employment development in two Croatian counties: Vukovar-Sirmium and Varazdin.

The focus of the study is on employment as one of the key issues of local development. The employment rate in Croatia in 2006 was 55.6% compared to 64.4% in the European Union in the same year (figures from Eurostat). In addition, the employment rates for women and older workers are lower than the average in the European Union. The unemployment rate in Croatia, however, has decreased rapidly within the last year, from 23.4% in June 2006 to 14.3% in June 2007. Similar positive trends have also been identified in the two counties.

The perspectives of local stakeholders in both counties, such as the Employment Service, the Chambers of Arts and Crafts or the local authorities, show that considerable efforts have been made to foster employment and to create new jobs, for instance, through specialised training measures or through the settlement of investors in so-called 'economic zones'. However, there is still an imbalance between job offers and the skills of the (long-term) unemployed as well as a lack of future-oriented and sufficient job-creation and training schemes.

The county strategies are based on different national strategies implemented by different ministries. On the one hand, these strategies provide active labour market measures for special target groups, like wage subsidy and training measures. On the other hand, the national government provides partnership-related development strategies within the framework of the ROP (Regional Operational Programme). Thus, a challenging issue is the further integration of the different partnerships in one strategic partnership per county which includes the most relevant stakeholders. By combining efforts, these partnerships will set up a common action plan which will reduce transaction costs and bring different projects under one strategy. Priorities, guidelines, committed participants, and good-practice examples already exist, but these should be expanded upon and focused on increased and higher standards of employment and towards a knowledge-based society.

It will be revealed that the implementation of national and EU-programmes at the county and local levels requires too much time. The local people cannot wait because of urgent challenges on the ground. Professional intermediary bodies can help to accelerate, co-ordinate and organise these processes.

¹² This report is based on interviews conducted April 23–27, 2007, by the expert group with different representatives and stakeholders of the Croatian counties of Vukovar-Sirmium and Varazdin. The author was involved in 13 of these interviews, which are the main sources of the following expertise.

An additional challenging issue is business involvement, particularly small firms in the craft sector, but also big companies, *i.e.* those in the food, leather and metal industries, and their contribution to local or county development.

Strengths and Weaknesses

General observations

In both Vukovar-Sirmium and Varazdin, similarities are evident in terms of the target groups entering the labour market (*e.g.* older workers, women, and young people) and in terms of the orientation towards traditional manufacturing and construction industries. The national strategy appears to leave limited scope for special bottom-up regional and/or local economic and employment development initiatives. Perhaps not surprisingly, both counties respond with similar strategies and approaches: the limited number of training programmes, the small number (20 to 60 places) of publicly subsidised employment schemes and, in general, the limited adaptability in job creation schemes.

The transfer of financial resources from the national level to the county and city levels is reportedly time-consuming, and communication is reportedly both sporadic and ineffective. However, funding for good project ideas is not an issue and relatively easy to access (whereas funding for permanent partnership structures is an on-going discussion!). The more challenging issues are human resource development and the political/bureaucratic attitudes (mindsets) which are not aligned with the modern, market-oriented and knowledge-based democratic and participative principles and goals. Other issues raised were the slow recovery from the war, the socio-economic consequences of the 1990s, privatisation, and the dynamic environment of the market-oriented economy.

In terms of partnerships, a two-fold approach was clearly visible while conducting the interviews. At the county level, the County Partnerships have been established through the ROP exercise, which has ambitious objectives and inclusive participation process (businesses, government/politicians, civil society). On the other hand, there are employment-oriented partnerships (*e.g.* in Vukovar) or economic development-focused partnerships (Varazdin Economic Council) which may need to be incorporated better into the ROP-defined partnerships. However, this two-fold county level approach reflects a two-fold strategy at the national government level: on the one hand, the 'National Policy Guidelines for County Partnerships' by the Ministry of the Sea, Tourism, Transport and Development (2005) aim at strengthening local capacities and local social capital in the counties. On the other, 'The National Action Plan for Employment for the Period 2005–2008' by the Ministry of Economy, Labour and Entrepreneurship, based on the European Guidelines, mainly addresses the Croatian Employment Service and its branch offices in the counties, enhancing active labour market policies and 'employment partnerships' and strategies at the county level. As in many other European countries, such two-fold strategies stem from different ministries which do not co-ordinate sufficiently their strategies at the national level. They supervise their local (county) bodies, which then tend to respond separately to their national strategies. Here, the recommendation is to combine and connect the different national and county approaches into one common strategy (see also below).

In addition, both strategies link to different development agencies. It appears that both areas are ripe for a strategic partnership ('umbrella partnership') which encompasses both local and county levels. (However, it became obvious later that the ROP partnership is the umbrella partnership and that this is recognised by the members of the different partnerships). In both counties, it seems that a stronger commitment and ownership within partnerships would be helpful and would overcome the barriers of political connotation or vertical and hierarchical decision-making processes. The decision-making and implementation phase of EU-related programmes such as CARDS and INTERREG is too slow according to the needs of the local and regional residents and should be accelerated in the future.

According to labour market needs, knowledge such as foreign language skills, IT-competencies and quality management should in the future be enhanced by lifelong learning schemes which also address older workers. In the 'Recommendations' section of this document this issue will be discussed further.

Vukovar-Sirmium region

The situation in Vukovar-Sirmium in terms of post-war employment can be demonstrated briefly as follows: before the war, out of a total of 50,000 inhabitants, 27,000 were employed (54%); currently, out of a total of 32,000 inhabitants, 8,000 are employed (25%). Labour market figures are considerably better for Vinkovci than for Vukovar-Sirmium (34% for Vukovar, 28% for Vinkovci, and 30% for the entire county). The main problem zones are the regions close to the border as they are separated from former commuter links. Previously, for instance, people from Bunja (a Croatian town) worked in the town of Brčko (in Bosnia) and commuted via a bridge crossing the River Danube. Since 2006, less than 20,000 unemployed are registered in the entire Vukovar-Sirmium County and the number is still decreasing; this seems to be a success that should not be underestimated.

Manufacturing (*e.g.* textiles and leather) and construction industries, are the most prevalent but the hospitality and agricultural sectors are also important in providing jobs. According to the Chamber of Arts and Crafts, the crafts sector is the strongest pillar of the economy in Vukovar-Sirmium and also one of the most important suppliers of jobs. There are well-equipped schools, good teachers and a highly-skilled workforce in most of the professions. There is also plenty of additional capacity for start-ups and SMEs in the craft sector, which is projected to continue its growth, in particular in the sectors related to hospitality, tourism, the wood industry, and agriculture.

The peak of mass redundancies seems to have passed in the region. However, restructuring processes will go on permanently and must be accompanied. Additionally, it is crucial to attract more investment as well as larger companies in order to increase activity in the craft sector. Otherwise, the younger workers will increasingly leave the region, in particular the academics, but also artisans and craftsmen, due to better opportunities elsewhere.

Initiated by the CARDS 2002 programme, a successful local partnership for employment, comprising the relevant stakeholders in Vukovar-Sirmium, was formed on a formal basis. Members of this partnership are: the Chamber of Arts and Crafts, the Chamber of Economy, trade unions, employers' organisations, educational institutions, representatives from the county government, the municipalities and the Croatian Employment Service, as well as a development agency. Currently, the CARDS 2004 programme assistance will further this work and partnership development.

Linked to this partnership, the Regional Operative Programme (ROP) has been developed over the last three years, initiated at the national level through CARDS 2003 and through the support of international agencies. The employment issue is very important in this document. All national and international funds will be related to the ROP. Activities or measures which request funding need to be in line with the objectives stated in the ROP document.

As mentioned above, it would be helpful to bring these two approaches – the County Partnership and the 'Local Partnership for Employment' – closer together, particularly as some of the partners are already represented in both partnerships. One 'umbrella partnership' with one common strategy and one common action plan would have more impact on local economic and employment development.

A County Partnership weakness is that the national strategy is not yet approved. Moreover, funding for the expected projects is not yet clear. However, both topics are very important for the legal basis and the commitment of the local/regional participants. Another challenge is to overcome the personal and

particular interests which may hinder the County Partnership process. This includes transparent discussions and decisions about conflicting strategies and goals. For instance, according to the representative from the city of Vukovar-Sirmium (Department for Economic Development) the first priority in the ROP process is to accelerate privatisation and to develop the infrastructure by setting up entrepreneurial zones in the Vukovar-Sirmium County. This priority includes considerable financial incentives for companies which settle in these zones.

Another priority (out of nine) is to stimulate ecological and sustainable development. In fact, the main industries in Vukovar-Sirmium are the food, metal, construction, textile and leather industries, partly with low net product and low-skilled jobs. According to the County Employment Service, it is difficult to attract people for these 'traditional' industries. Thus, in the long run, it may be an appropriate strategy to attract more knowledge-based branches and jobs (as an already existing example see the E-Vukovar initiative, 'Good Practice' section) and to intensify the co-operation between companies and universities (see 'Recommendations' section). The 'personal issue' refers to the fact that partnerships are often dependent upon single persons as individuals, who represent – for instance – special political interests, or upon actors who dominate a partnership by their strong commitment. Therefore, establishing 'horizontal' instead of 'vertical' communication and pursuing mutual benefits based on the participation by many different and committed actors who represent mainly the residents and special target groups is an ongoing task in such partnerships.

For many partners, the partnership idea is a novelty, yet others are familiar with it. One interviewee proposed that more could be done concerning the partnership and that they could take a more active leadership position in the partnership process.

The National Action Plan for Employment 2005–2008 and the National Annual Plan for Employment Promotion 2006 are sound top-down strategic plans applicable to county programmes which enable a broad variety of traditional active labour market schemes. A major issue, in addition to the high unemployment rate, is the gap between supply and demand in the local labour market. Paradoxically, there appears to be a shortage of certain skills and qualifications. For example, the construction industry experiences a chronic shortage of labour. According to the Croatian Employment Service, this may be the most challenging issue in the near term. Other issues include illegal workers, placement of special target groups like older workers (45 plus), young workers (under 29), women, and the disabled.

Training programmes also need tailoring further to meet the needs and time restrictions of seasonal labour force demands. At the moment, training measures start in March, when many seasonal workers commute to the coast for seasonal jobs. Instead, training courses should be organised during the winter when the workers are at home in Vukovar-Sirmium County.

Most training is targeted towards traditional jobs in the manufacturing sector and less towards a knowledge-based, market economy. There is also a general lack of job creation programmes in terms of self-employment or 'start-your-own-business' programmes. The idea of being self-employed should be fostered (instead of working dependently) as should the region's and particularly of the job-seekers' entrepreneurial spirit.

The number of active labour market measures appears to be inadequate in the light of the high unemployment rate. Even though a broad variety of interesting 'good practice' projects has been implemented recently in Vukovar-Sirmium (see below), the amount of training places, wage subsidies, internships in companies, public-financed job offers and other active labour-market schemes should increase. The benchmarks of the 'European Integrative Guidelines' from July 2005 could serve as indicators: within six months at least, every young, unemployed person under 25 should have a job, a vocational or training offer and, within a year, every adult.

Another weakness which could be changed into a strength in the future with impact on employment has to do with the issue of regional identity or, as one interviewee stated: 'There is, for instance, tax reduction as an incentive for investors but there is a lack of a "positive aggressiveness" to present and sell Vukovar-Sirmium as a special region with special advantages, e.g. special wine, special cuisine and other special and exclusive assets of the region.'

Varazdin

Varazdin has one of the strongest local economies in Croatia and the employment rate is continuing to rise. At the county level the unemployment rate is at 12.5%, while the city level it is around 8–9%. In spite of the encouraging unemployment figures, structural unemployment persists. The usual disadvantaged groups have much higher unemployment rates: people of 45 years of age or older (44%); young workers under 29 (32%). The situation worsens in the remote rural and border municipalities.

Generally, there is a large gap between the employer's labour needs and the skills offered by the unemployed. According to the Croatian Employment Service, the highest demands for skilled labour are in the textile and leather, food and construction industries. However, other interviewees note the urgent demand for production managers, marketing professionals, foreign language speakers, IT specialists and, more generally, competencies in managing information and communications technologies. The county craft businesses noted the general lack of skilled labour (particularly in the construction industry), lengthy delays of contractor payments and illegal workers. Varazdin's economic success is based upon a sound transformation of formerly state-owned companies (sold to small shareholders), a stable political environment based on multiparty agreement, a strategic location (close to Austria and Slovenia, which have excellent transportation systems), and considerable foreign capital investments.

Similar to Vukovar, there are two parallel partnerships and employment strategies: the ROP (Regional Operative Programme) process which addresses the entire county, and the city's own strategy which focuses on the city's economic development and is steered by the Varazdin city 'Economic Council'. Both strategies are assisted technically by different development agencies, which act more or less separately.

Even the city of Varazdin is not directly competent in employment issues; the city applies successfully for national and European pre-accession funds supported by the DAN development agency (Development Partnership North). However, it seems that the scope of this partnership, which covers five different cities in four different counties, is not sufficiently focused on the special needs of Varazdin city and Varazdin County.

To sum up, there is a need to close the gap between the different partnerships and a need for common goals and strategies at the horizontal level for Varazdin - in particular in economic development and employment - and being linked vertically at the national and the European level.

Stakeholders of the city of Varazdin and the DAN highlight the fact that they can act much faster than the national level and that the city cannot wait until programmes or decisions at a national level have been implemented or put into practice.

According to the Chamber of Arts and Crafts, the most striking future challenges are: preparation for the accession to the EU, participation in international projects and fostering relationships with neighbouring counties in terms of economic development and employment. Voices from the private sector on what is needed are in favour of a total reform of the public services to have less bureaucracy and an acceleration of procedures. Currently, residents and unemployed people are going to be educated for jobs more suitable to the previous generation than to modern requirements. The present ratio of counsellors to registered unemployed persons (1:530) in the Regional Employment Service does not permit an

appropriate guidance for (re) integration into jobs (in comparison to Germany where the ratio is 1:150 for adults and 1:75 for young people under 25).

The Varazdin Regional Employment Service states that it was consulted concerning the design and implementation of the 'National Plan for Employment 2005–2008' before it was approved at the national level. Thus, the regional level could make its input and influence the final version of the national plan. However, the Regional Employment Service requests more recognition of its abilities in problem description and problem solving by the other partners at the regional level and the Varazdin city level.

Good Practice in Vukovar-Sirmium and Varazdin

Customised training tailored to local business needs - Vukovar-Sirmium

The Regional Employment Service (RES) and the regional employment partnership provides 'good practice' in terms of customised training, *e.g.* (i) professional orientation for young people ('My choice' project), (ii) the integration of former unemployed persons in the SPACWA company (a wood processing firm), (iii) a project in the tourism sector providing language skills, training in catering, and other opportunities, or (iv) the ECDL – European Computer Driving License project and similar measures in small numbers. Such projects, oriented towards concrete work experience and labour positions, may be intensified and widened in the future, *i.e.* the training measures should be better targeted to current and future jobs.

The Regional Employment Service approach can be considered as good practice in terms of co-ordination and integration at programme level, allowing for increased synergies between different relevant stakeholders. The good-practice examples are relevant to small and medium-sized SMEs as one of the most important 'actors' for local partnerships. In particular, the small firms are the main job providers, but they often do not know what kind of qualification they need and do not have either personnel recruitment capacities or in-company training strategies. These good-practice measures can help to bridge the gap between the job offers and the skills of the unemployed.

E-Vukovar: expanding IT skills in Vukovar-Sirmium

Another good practice example is the E-Vukovar project, which started in November 2006 after a preparation phase launched in mid-2006 with the support of USAID. It represents the private-public project-based partnership, including, amongst others, global players such as Microsoft, IBM, Hewlett Packard, TCOM, and Cisco at the county and city level, as well as USAID. The E-Vukovar project is aimed at implementing and improving E-government at both city and county level, delivering IT know-how to the administration, hardware equipment, software, and improving the residents' computer skills. The E-Vukovar project is also a good example of a bilateral partnership between the City of Vukovar Department of Economic Development and IT-oriented firms and institutions like the polytechnic college, which recently opened the Microsoft and Cisco Academies. These two academies within the polytechnic institute offer an informal, less bureaucratic kind of education, and are able to spread IT knowledge across the region. Formal education by the Croatian state is much slower because of the need for approved curricula, teachers, etc., procedures which require a lot of time. The E-Vukovar project aims at improving the use of IT technologies to implement an E-government process in the Vukovar city administration. USAID installed the city's E-government system and trained city staff. Additionally, it pursues obviously commercial goals. Internet penetration in Vukovar City is at 13%, while it is at 37% on average in Croatia. Thus, by June 2008, 20 locations in Vukovar City such as café bars (internet cafes), will provide free Internet access to all their customers. In June 2008, the local stakeholders must assume ownership of equipment, procedures and future developments because USAID will withdraw from Croatia. Well-skilled young people, organised as a private company or association, will run the 20 Internet locations. Perhaps

this partnership could be developed towards a multilateral partnership integrated into an umbrella county partnership.

Varazdin

One type of good practice derives from the 'Economic Council', representing the strategic alliance between the local business sector and the local government in the city of Varazdin. The city is very active in improving economic activities and attracting 'global capital' and investors. According to the mayor, the city of Varazdin looks back on a successful tradition of permanent restructuring and pro-active planning of labour force management and mass redundancies:

- One current 'good-practice' example of these efforts is the Varazdin Free Zone with 1 800 employees, offering, amongst other things, tax reductions of between 0 and 20%, depending on the number of investment and employment opportunities. Additionally, other tools aim at attracting investors from abroad and from Croatia itself.
- The Austrian BOXMARK Company (in the leather business) absorbed a lot of female workers from the textile company VARTEX. This transfer and restructuring process was carried out by avoiding unemployment.

Both examples fit very well into the European strategy of permanent restructuring as a 'way of life' for many regions and localities in Europe (see – for instance - European Employment Week, Brussels 2007). It is a permanent challenge for the regions to manage change and capture new job opportunities, and regional or local partnerships play a key role in turning these processes into success stories. This is why one of our learning models will be linked to this point.

Other good partnership initiatives have been promoted by the Chamber of Arts and Crafts:

- The Chamber of Arts and Crafts has its own 'partnership', including the Regional Employment Service and principals of the vocational schools, which analyses annually craft sector's demands and vacancies. Approximately 470 businesses in the craft sector are licensed for apprenticeship; 450 students enrolled in 2006. Further college seminars by the Chamber cover adult seminars (e.g. master craftsman; license for opening a craft business).

With a high unemployment rate amongst young people in the county of Vukovar-Sirmium and a lack of educational completion, it is crucial that the Chamber of Arts and Crafts (one main actor of the partnerships in Varazdin) invest in vocational training and apprenticeships. This strategy could be fostered by being implemented within a broader-based partnership.

- Moreover, Varazdin County provides an entrepreneurial zone for craft businesses with infrastructure and facilities on the condition that the businesses employ a specific number of new employees. The arts and crafts sector represents 3 357 businesses (1 090 manufacturing, 861 service sector, 521 trade and commerce, 479 transport, 406 hospitality and tourism) providing 10 500 positions. This underlines the fact that the craft sector is one of the main players in terms of local partnerships and job creation and links partly the different partnerships in the city of Varazdin and the county, due to the importance of the craft sector in terms of labour places and vocational training. In terms of social inclusion, the city of Varazdin Foundation for Solidarity and city Department for Social Affairs projects can be viewed as good practice projects.

Recommendations

General

From a project-based to a sustainable strategic partnership. As mentioned above, in Vukovar-Sirmium and Varazdin Counties the various partnership structures may need to be more integrated in one strategic partnership with one action plan and one steering committee on the county level. There exist ROP-driven county partnerships, focusing on investments and economic development, and employment- and social inclusion-oriented partnerships. Moreover, partnerships are largely project-oriented and tend to dissolve after project completion. Although project-based partnerships are necessary, the legacies require lasting governance through strategic partnerships. These latter types of partnerships include county and city-level stakeholders across many fields (economic development, employment, etc.). This partnership should assuage any organisational or policy tensions between the different levels of government and the different areas of activity. Regular meetings are recommended once every two months. An effective organisational structure through a formal agreement between the partners is strongly recommended. The partnership may be founded as a legal entity (association or Limited Liability Company) with a board, an executive secretariat, a decision-making steering committee, and broad participation by the stakeholders. The recommendation is to bring together a) the main stakeholders of the employment-oriented (Vukovar) or city-oriented (Varazdin) partnerships with the main stakeholders of the ROP-partnerships in both counties b) the professional intermediaries in each county, in order to accelerate and co-ordinate the process in a professional manner (see below). The public administration should take the leading role because it is a kind of ‘neutral’ player and less driven by particular interests than one in the private sector. However, the public sector/the administration should not dominate the partnership; it is crucial to integrate the business sector as the main provider for jobs and the civil society as a sector in touch with the people on the ground, representing and participating ethnic minorities and vulnerable groups.

Use a performing public administration or an external intermediary body/agency as a leading force. For a well-functioning partnership, a professional support structure must provide assistance with project application procedures, organisation and facilitation of partner meetings and financial management. In short, such a body would assume administrative tasks, allowing partners to focus on strategic matters. In OECD countries, an intermediary agency is usually founded as a separate entity from the public administration, primarily for the reasons of flexibility and speed. The intermediary should have the authority to act within publicly-defined parameters and may be tasked to mediate and facilitate. It is of paramount importance that the intermediary has the requisite professional and technical skills and the service focus. In most OECD countries, international co-operation and networking (through professional, NGO, university, and business exchanges) is widely seen as the prerequisite to successful partnership management.

Activate local enterprises – not only the organisations, which represent them – to join the local partnerships. With the E-Vukovar initiative and the Employment Zone in Varazdin, for instance, the respective partnerships have already involved the local enterprises in a very satisfactory and efficient manner. Both Vukovar-Sirmium and Varazdin may benefit from additional incentives for job creation and SME support has been one of the leading job creation routes in OECD countries. According to EU studies as well, increased business involvement (especially SMEs) in the partnerships is one of the central success factors of a local partnership¹³. It is crucial that not only the representatives of employer organisations but also the enterprises themselves be involved in local (or county) partnership activities and structures. According to other European studies, labour-market schemes and EU programmes which were conducted

¹³ See for instance – ‘AVALON – Added Value of Local Networking’, a study in six European countries under the EU programme ‘Preparatory measures for a Local Commitment for Employment’, Berlin 2001, available through www.avalon.de.

by social partners, chambers of commerce or arts and crafts and other organisations and institutions only, had quite good outcomes in terms of formal results or in a proper use of the expenditure, but they have had a low impact on employment.

Support services for business start-ups and to foster job creation. This appears to be of increasing importance. International experience in social corporate responsibility and OECD research point to the potential lead role of large businesses to be ‘parent companies’ of local employment organisations and business linkages between the SMEs and large firms. For instance, in the Berlin-Neukölln TEP (Territorial Employment Pact) in Germany, a large company allied with a start-up company to facilitate future contracts for the latter. Another big company offered premises and in-kind support for young founders in order to assist their start-up-phase. Thus the recommendation is: foster and support business start-up projects but also look after existing firms. In other words, improve both the ‘birth and survival rate’ of enterprises at the local level. This requires well-organised and professional working partnerships where partners co-operate at the same ‘eye-level’. In addition, transparency and communication of business support services may be improved by the establishment of single institutional identities, brands, or gateways, perhaps applying the ‘One-Stop-Shop’ model (see also ‘Recommendations’ section). The issues for discussion may include whether this service should be outsourced or established in-house as a public agency, separated or integrated into existing structures.

Address special target groups by active labour market policies. Like in all European countries, there seems to be the necessity to pay special attention to specific target groups. These target groups have already been identified by Employment Services. However, to tackle structural unemployment there is a need for more programmes aiming at activating and (re) integrating these target groups into the labour market. Three groups need special attention and ‘promise’ high outcomes in return in terms of reducing unemployment and fostering employment: a) the older workers (50 and 55 plus), as the employment rate of the 55–64 age group was 34.3% last year in Croatia, whereas the average employment rate in the EU was 43.5% in 2006; b) women, especially the 20–24 and 45–54 age groups (OECD/USAID background reader); and c) long-term unemployed, as structural unemployment usually hits individuals as well as the economy and grows ‘automatically’ if no preventive measures are taken.. Besides, young unemployed under 25 without qualifications and/or early school leavers should be the focus of attention dealing with the passage from school to job or from vocational training to a labour position.

Foster participation and the social capital in the regions. Due to predominantly vertical and hierarchal structures inside and outside the institutions and the decision-making processes, additional efforts should be undertaken to strengthen residents’ participation and the regions’ social capital by implementing appropriate programmes and action. The corporate identity and the marketing of the region should be enhanced, as there is an interdependence between a region’s competitiveness and that of its businesses.

Vukovar

Enhance and expand knowledge and market-based training programmes. The Croatian Employment Service and the regional employment partnership provide good practice in terms of customised training. The training programme measures should be targeted for current and anticipated jobs. In order to assess future labour demands better, additional business surveys and questionnaires may be warranted. Knowledge-based training measures, like IT, should be expanded and improved to bolster workforce qualifications and attract new businesses and investment. In this case, the local partnership may provide the local baseline knowledge and information for the development of locally-tailored strategies and approaches.

Improve the co-operation between training institutions and businesses. Moreover, co-operation between these sectors can help guide the education system in meeting the market demands for professional and technical cadres. It appears that a local college could play a significant role in terms of increasing employment opportunities through skills development and upgrading. The craft industry's potential is not fully recognised, in particular the hospitality and tourism, wood processing, and agricultural sector, where new labour demands are anticipated. The application of the German apprenticeship model (a dual system with internships and lectures) has shown encouraging results in Vukovar-Sirmium. Here, the role of the partnership would be to integrate initiatives between training institutions and local businesses into a wider local development strategy comprised of employment and skill-development issues.

Devise a regional (county) action plan for additional job creation. The already existing and very useful schemes of active labour market policies under the CARDS programmes should be enlarged in number and simultaneously completed by measures and projects which aim at activation, integration, and self-employment of the different target groups in the labour market. The application of European guidelines and the National Action Plan for Employment should be linked to the regional (county) bottom-up employment strategy, with adaptations in various environments (urban, rural, and underdeveloped). The cornerstones of such an action plan could be: (i) preventive measures, such as adaptation for businesses and employees to prevent dismissals or mass redundancies, (ii) measures intended for special target groups (older workers, youth, and women) including subsidised job creation schemes for the groups most difficult to employ, and (iv) schemes which provide support for start-ups and which promote entrepreneurial engagement and spirit in the region (for example a 'start-your-own-business award', micro-grants, and/or micro-credit schemes). A partnership framework could facilitate: (i) the introduction and implementation of a strong bottom-up strategy; (ii) alignment of economic, social, and environmental factors of local development; (iii) action planning with robust targets, clearly-assigned tasks and responsibilities and associated performance indicators; and, (iv) linkages with national and European strategic priorities and programme to ensure continuity and sustainability.

A better relationship to the employers, a better impact on the educational system in the direction of higher flexibility, and the modernisation and improvement of the Employment Service itself are the most challenging tasks for the future, according to the leading persons of the Vukovar-Sirmium Employment Service. Support is also needed in terms of finding project ideas, design and implementation.

Informal project-based partnerships work best here, but no sustainable strategic partnership exists. The most urgent problems are to increase the competitiveness of the businesses in the EU precession phase and to introduce quality systems and computer skills.

Varazdin

Expand on the existing good practice projects. The Varazdin partnerships (County Partnership and the Economic Council of the city of Varazdin) could assume the role in evaluation of results achieved through these initiatives, actively disseminate relevant information and contribute to partnership learning. Local development projects should be focused from the beginning on qualitative and quantitative targets.

Make better use of the Regional (county) Employment Service. In Varazdin, the Regional Employment Service offers a wide range of active labour market measures. It offers problem-solving strategies, employment generation know-how and training needs assessments which could contribute significantly to the local Economic Council and the ROP-driven County Partnership.

Provide investor incentives through attractive recruitment strategies and an educated workforce at the county level. Varazdin needs lifelong learning programmes and preventive active labour market measures based on the successful county practice of active transfer and adaptation measures. Investors are

attracted on the one hand by the free zones and tax exemptions but also on the other by the abundance of skilled workers. The role of the partnership would be to integrate initiatives through the training institutions and local businesses in a broader local development strategy addressing employment and skill development issues.

Towards an umbrella partnership for the entire county and an appointed impartial body as the driving force. The two partnerships: the city's Economic Council and the County Partnership are led by strong governments. The impartial body would act as mediator through the umbrella partnership. Potential members may be from training institutions, NGOs or Chambers. It is important to keep the partnership open to new members in order to be responsive to local needs and revise strategic directions as the circumstances arise.

International learning models¹⁴

***'Local social capital – fostering the social capital of a region or local area by global grants'*¹⁵**

Description of the approach (aims, delivery, budget, etc.)

'LOS – *Lokales Kapital für soziale Zwecke*' stands for the 'Local Social Capital' (LSC) programme at the German national level. The LSC programme was started in 1999 as a European Commission pilot project and mainstreamed in the period 2000–2006 under Article 4.2 of the ESF Regulation, Priority F: 'Local Social Capital, Measure 11' (small projects for promoting local employment development). Measure 11 includes encouraging locally-based initiatives to make greater use of the local and regional employment potential.

In other European countries the programme is better known as the 'Global Grant Programme' or 'LSC Programme', aiming at:

- Enhancing local social capital;
- Fostering employability and social inclusion;
- Empowering vulnerable people; and,
- Supporting local networking, local initiatives, and local start-ups.

The rationale behind LOS is to develop and establish a structure which works closely with people who want to carry out micro-level projects. An example of this is the 'Peace Initiative' in Northern Ireland. Local groups should not be treated as passive recipients of aid but as independent players who participate actively in local networks created by the intermediary bodies. LOS essentially targets people who are excluded (or threatened with exclusion) from the labour market and, as a consequence, from society. The definition of these target groups threatened by exclusion may differ according to regional or local realities. Thus, one of the first tasks of a partnership is to find out which are the most vulnerable groups in the region or locality which have to be addressed.

¹⁴ The international learning models were selected on the basis of the assumed or identified local needs of the two regions and simultaneously on the basis of the experiences of the author and the consulting company he is heading: the gsub – Social Business Consultancy Corporation.

¹⁵ This international learning model applies for both counties.

Many initiatives dealing with such groups of people fail to materialise because of the lack of necessary funding, support and professional advice. Accordingly, an important aim of LOS is to facilitate the reintegration of particularly disadvantaged people into the workforce by utilising local resources, such as local networks of civil society organisations, local enterprises or committed local people, departments and local authorities' special schemes. Here, the aim is to reach local players who, as recipient agencies for micro-projects, have previously been largely overlooked within the framework of traditional ESF interventions. These may be legal or natural bodies.

In addition to supporting people, the respective micro-projects are intended to facilitate structural changes at the local level which will continue to have an impact beyond the duration of the LOS programme. It is also intended to combat xenophobia as well as to strengthen regional cohesion and sustainability. Eligible organisations and target groups with similar aims are being sought.

The German Federal Ministry for Family Affairs, Senior Citizens, Women and Youth (BMFSFJ) is responsible for conducting the programme areas allocated to the German government. In 2007, roughly 200 communes with 286 local areas and 8,800 micro-projects are involved in the programme. One percent of the European Social Fund was earmarked for this programme.

A total of €87.5 million has been provided for the period 2003–2008 in Germany to conduct the LOS programme at national level. The programme is 100% financed by the European Social Fund, which was an exception in the structural funds period 2000–2006. However, the European Commission recently recommended to the National States to keep this 100% financing by ESF-means for the new period 2007–2013, because the last period has shown that a co-financing is too bureaucratic and complicated for micro-projects.

Micro-projects can be funded to a maximum of €10,000. The programme is being implemented on behalf of the BMFSFJ by the Arbeitsgemeinschaft Regiestelle LOS (ARGE Regiestelle LOS), which comprises the Gesellschaft für soziale Unternehmensberatung mbH (gsub mbH) and the SPI Foundation Berlin. The Regiestelle LOS (LOS co-ordinating office) is the contact and contractual partner for all local authorities taking part in the programme.

Target groups:

In particular, LOS is intended to support:

- Socially disadvantaged young people;
- Disabled people;
- Resettled ethnic Germans;
- Migrants;
- Single parents;
- People re-entering the labour market;
- Older employees;
- Long-term unemployed;

- The homeless;
- Addicts; and,
- Offenders.

The LOS project types (MicroProject Types 1–3) serve to attain the following programme objectives:

- Supporting individual activities to promote vocational integration (MP 1)
- Support for organisations, initiatives and networks which take up the cause of disadvantaged people in the labour market (MP 2); and,
- Support for start-up companies and for establishing social enterprises (MP 3), including:
 - Start-up advice
 - Limited start-up aid for disadvantaged people (Deminimis)
 - Start-up aid for social enterprises and self-help organisations
 - Support for start-ups/social enterprises which foster tolerance and democracy

All projects must contribute to improving the employability of disadvantaged groups in the labour market, but all measures which agree with the policy priorities of the European Employment Strategy can be funded. With regard to these objectives, the following policy priorities play a particularly important role:

- Active and preventive measures for the unemployed and people who are economically inactive;
- Promoting entrepreneurship and job creation;
- Gender equality; and,
- Promoting integration and combating the discrimination of disadvantaged groups in the labour market.

Programme implementation: Regional (or local) Co-ordinating Office

Each managing authority shall establish a Regional Co-ordinating Office and provide one member of staff to manage it. The Regional Co-ordinating Office is responsible for forwarding information within the administration and, through its communication channels, creates transparency. In addition, the Regional Co-ordinating Office is also responsible for the following tasks:

- Contact and contractual partner for the Regiestelle LOS at the national level;
- Instructing the local network;
- Contact partner for potential micro-project providers;
- Drawdown, allocation and controlling of funding;

- Providing information on the LOS programme at the local level, determining and advising applicants for the micro-projects and processing the applications (together with the local network and a monitoring committee);
- Participating in the regional conferences of the Regional Co-ordinating Offices/Collaborating with the evaluation provided by the national government; and,
- Producing documentation on the outcomes and impacts of the micro-projects and forwarding them to the *Regiestelle* LOS.

The LOS programme also aims to increase the participation by stakeholders and/or committed citizens in local decisions. For this reason, the micro-projects are selected not just by politicians and local authorities but also by representatives of all relevant players who assume responsibility in the respective development area. In addition to representatives from the local authorities or rural districts, the local networks should, in particular, include residents from the respective development area and representatives from the LOS target groups. Applicants for micro-projects will be determined and advised and the corresponding applications processed. Based on the LOS project types and the action concepts described in the respective local action plan, the local monitoring or steering committees will decide on which submitted projects receive funding and monitor these during the implementation. These monitoring (or steering) committees are owned by the main local stakeholders. Additionally, representatives of the local residents and local target groups must be recruited for the committees. (According to the official guidelines of the programme, the membership of the latter is compulsory and has to be documented in the reports to the National Ministry in order to guarantee the ‘participation issue’).

How does the ‘Local Social Capital programme’ work in practice? - The Berlin case

The Federal LOS programme, described above, should be distinguished from the various Federal States (Länder) programmes. The Länder programmes are implemented in accordance with their own specific guidelines.¹⁶

At Berlin level the ‘Local Social Capital’ (LSC) programme works as follows:

1st step: Call for proposals by the local steering committees

Each of the twelve Berlin districts is the owner of a district partnership (or local pact) run by a steering committee with the most important local stakeholders. This steering committee starts a ‘call for proposals’ by local newspapers, events, meetings with civil sector organisations or other small organisations and single actors potentially eligible for micro-projects. Moreover, the members of the steering committees (the mayor or deputy, other local authority representatives, representatives from the employers’ organisations, from the neighbourhood managements, from the Public (local) Employment Service, from the unions, etc.) contact their networks, in which they are involved, to disseminate the programme. As a result, many proposals will be submitted each year.

2nd step: Pre-selection by the ‘operational office’

Each steering committee is supported by a (district or local level) operational office, which is set up by the programme intermediary and by a member of the respective local authority. This office is

¹⁶ The respective contact partners for the Länder programmes can be found at www.los-online.de. In Berlin, gsub mbH is also in charge of the ‘Local Social Capital’ programme of the Berlin Land, www.loskapberlin.de.

responsible for pre-selection according to the guidelines which have been set up at the central level of the Berlin Land. The responsible department at the Berlin Land level (regional) is also involved in the pre-selection.

3rd step: Final selection – decision-making

The final selection is made by the steering committees in the districts.

4th step: From proposal to application

After the finalisation of the selection, the eligible projects will be notified and asked for formal application. In order to reduce bureaucracy, the former proposal can be turned into an application very easily with some additional indicators and signature.

5th step: Implementation of the projects

Now the projects can start accompanied by a very close guiding structure provided by the intermediary. This is necessary and explicitly foreseen in the programme because most of the applicants have no experience in applying the European Social Fund and other general rules of financing.

6th step: Monitoring and evaluation.

The monitoring evaluation of all initiatives is an on-going process. In some projects, the members of the steering committees are ‘parents’ for the micro-projects. Other projects use self-evaluation tools. The intermediary for all districts is also responsible for the monitoring and reporting system.

7th step: Presentation of good practice.

Sometimes awarded, the districts present the best projects after project closure (average duration of a micro-project: 6 months). All good practice projects will be presented and disseminated in a joint Berlin Land brochure.

The following are some examples of micro-projects that have been implemented at district level in Berlin:

- Foundation of a business incubator for migrant women;
- Establishment of the Neukölln citizen foundation – self-organised and financed by Neukölln residents with initial financial support by the LSC programme;
- Establishment of ‘Sunhouse’ – a social initiative promoting old and young living together;
- Start-up of a ‘not-for-profit catering network’ that offers catering for charities and vocational training opportunities for long-term unemployed youth;
- Establishment of a neighbourhood co-operative as an international encounter and service centre in a socially distressed borough; and,
- Design and delivery of special training courses for illiterates.

Within the framework of this programme, gsub is in the role of an intermediary: directly advising, coordinating, funding, and monitoring these micro-projects. The decision-making process (selection of and

eligibility for the micro-projects) in Berlin is made by the ‘Territorial Employment Pacts’ (district alliances) of each of the 12 districts of Berlin, in agreement with the Berlin Land Department for Labour.

Why the approach is relevant to Vukovar-Sirmium and Varazdin

First, the local social capital approach (LSC) is crucial to foster the civil society through the participation by the residents in a neighbourhood and/or groups in danger of exclusion; second, it is an excellent tool to improve local governance and, simultaneously, multilevel governance as the micro-projects have to be embedded in a (regional) local strategy and a (regional) local action plan. For instance, the approach could be integrated easily into the ROP process of both counties. The approach stimulates a process to overcome barriers between departments and external organisations/NGOs’ initiatives because a ‘county’ or ‘local monitoring or steering committee’ has to decide who will be the final beneficiaries of the local social capital fund. The keyword ‘participation’ is crucial for the approach: the local people or representatives of local groups are invited to join the decision-making process. In our Berlin example we observed that the decision-making process by the local (district) partnerships, which is essential in order to select the ‘right’ projects, was sometimes even more important than the projects themselves.

The LSC responds very well to the scarcity of resources: with relatively small amounts (€10,000 in Croatia due to the different income levels; it could be even less money per micro-project) you can move considerably towards local economic and employment development and in particular towards fostering social cohesion.

Integrated into the framework of the ROP strategy or another kind of a local action plan, the LSC approach enables the completion of traditional employment strategies such as training measures or wage subsidies. Single actions can be undertaken to reach the ‘hard-to-reach groups’, to develop new employment opportunities or to foster small initiatives and networks between NGOs or businesses, for example. The MicroProject type 3 is an appropriate tool to prepare or to coach business foundations and social enterprises – a type of enterprise which may also be appropriate for Vukovar-Sirmium and Varazdin.

In both counties of Varazdin and Vukovar-Sirmium we are facing problems in border or remote rural areas. In Germany, the programme was successful not only in urban but also in rural areas because the micro-projects and the rationale behind it brings people together even if they live away from each other. Small, flexible resources can also be provided for the agricultural sector and rural initiatives.

The approach addresses and stimulates the civil society. In particular in Vukovar, but also in Varazdin there are a lot of NGOs and other small initiatives. The LSC approach is tailor-made for these initiatives, which often have no access to national, EU, or other funding opportunities.

In the German LOS programme, an additional special thematic focus is on ‘Tolerance and Democracy’ (*i.e.* micro-projects which address, for example, intercultural or multicultural and inter-religious dialogue, ethnic minorities, or actions tackling xenophobia) and these may be also useful in Croatia.

Reasons for the success or failure of the approach

The LSC approach is successful because it stimulates local action with ‘tiny’ resources which can be ‘unbureaucratically’ and very quickly distributed to different actors and actions. ‘This is local money for local people’, as a resident in Berlin Neukölln once noted. However, it is crucial that the micro-projects be embedded in a local or regional strategy or action plan committed by regional stakeholders and addressing overarching goals of participating localities, otherwise the single projects will not have any impact. One success factor was the financing by 100% EU (ESF) means. This made it easier to convince local politicians and local authorities to use this option. A critical point for programme implementation was the

bureaucracy due to the dual legal framework: one has also to take in account EU and national regulations. However, most of the initiatives which are in the programme focus have no experience in accountability and are unable to follow such complicated rules. Therefore, a very stable, professional and close accompaniment structure is essential for the programme's success. The evaluation of the European Union pilot action and the German programme too recommended that an intermediary (or a very professional local department as a co-ordinator) should be used, receiving up to 20% of the budget to ensure appropriate guidance, monitoring, accountability and dissemination of the programme.

The German Federal programme is limited to so-called 'areas with special development needs', according to the parallel German national programme 'Socially Integrative City' (*i.e.* 440 Germany-wide areas have been defined as 'areas with special development needs'). This sometimes raises the question of 'over funding', which should be avoided. (This means that some of the areas which received funding by the programme have proved to be too small in terms of square miles, inhabitants, and percentage of vulnerable groups in relation to the different funds which had been allocated to them, whereas other areas, often in the neighbourhood of those officially-defined areas of 'special development needs', did not receive any funding at all).

The obstacles faced and the quality of the response provided

At the beginning of the last funding period of the ESF (2000–2006), the national and Länder governments did not use the programme, even though it was available under Art. 4 and even though it was 100% ESF-financed (which is very unusual as in all other EU programmes, national or otherwise, co-financing is compulsory). This reluctance was partly due to the fact that politicians and the administration at the national and regional levels distrusted both the local approach and the intended impact or contribution of small micro-projects/grants. The mainstream employment and social cohesion policies were concentrated on central and 'heavy' instruments, applying them everywhere in the same manner. However, the experiences since 2003, when the programme was initiated, were encouraging and convincing from the beginning due to the commitment of local stakeholders and the successful dissemination of the LSC approach at the local level. It eventually became increasingly obvious that the LSC approach met largely the real needs of local people and initiatives.

However, it was important that the national level required certain prerequisites, which were compulsory for the eligibility of the programme applicants, these include: (1) a sound local action plan, (2) an efficient local co-ordination office, (3) a steering committee which decides autonomously on the micro-projects, including local residents and/or target group representatives, (4) the gender mainstreaming approach (5) the establishment of a monitoring and evaluation system right from the beginning. Thus, the programme started with a 'call for proposals' and only local authorities and local areas were selected, which guaranteed by contract to pursue the goals, the strategy, and the methodology described above. Furthermore, it was crucial that the programme be accompanied by an intermediary, who organised regional conferences for exchanges by local co-ordinators in the regions and provided counselling and central application, monitoring, and accountability tools.

Considerations for adoption of this type of approach in Vukovar-Sirmium and/or Varazdin or in other Croatian cities

As described above, in Germany (and other EU countries) we had a two-fold LSC approach: one at the national (LOS) level and one at the regional level. We assume that it will not be possible in a short- or mid-term perspective to implement a national programme for the whole of Croatia. Thus, it could be easier to set up a pilot programme in both regions, taking into account all the experiences at European and German levels. The advantage: a formative evaluation could determine the outcomes and impact of the LSC approach in two very different regions: in one of the most developed counties (Varazdin) and in one

of the most deprived counties (Vukovar). The financing of the programme may be enabled by the pre-accession funds.

Furthermore, we would recommend a dissemination process in advance, to inform the local residents of the new programme. A public call for proposals is necessary, as there may be a lack of good ideas at the beginning and the best ideas should be selected in order to put them into practice. The project proposals should be submitted to a professional intermediary for formal pre-selection, based on agreed indicators, and finally decided by a committee at the county level, which could be the ROP steering committee, accompanied by regional (local) citizens and/or small initiatives.

A transfer of this model to the Croatian context could be organised by the gsub mbH.

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Co-operation between enterprises and Universities of Applied Sciences, ubb, Berlin¹⁷

Description of the approach (aims, delivery, budget, etc.)

The Environmental Information Systems in Berlin Enterprises, the '*Umweltinformatik in Berliner Betrieben*' (ubb) is an example of a win-win co-operation between the University of Applied Sciences and its surrounding region. The ubb project provides a framework for creating business and practice-oriented links between the Berlin business community and current research at the University of Applied Sciences of Management and Technology; FHTW (*Fachhochschule für Technik und Wirtschaft*). Together with students from the Business Environmental Information Systems (*beis*) course, Berlin enterprises develop individual solutions to tasks having a theme related to the environment. The ubb approach thus creates a win-win situation for the study course and the co-operating local enterprises as well as for the city of Berlin.

The aim of the ubb project is to integrate expertise and the research results from the *beis* course into business practice in the setting of workplace-based training projects. In consequence, ubb furthers the development of the environment-relevant potentials of Berlin businesses by sensitising and qualifying the employees who are involved in the co-operation project. At the same time, the students make their first experiments in planning and carrying out practical projects at Berlin industry. Collaboration between the *beis* course and the firm takes place in the context of enterprise projects during the Master's course or specialised practical placements during the Bachelor's course. These co-operation projects are coached individually by the staff of the FHTW University.

¹⁷ This international learning model provides inspiration in particular for Vukovar county.

The ubb project ran from 2004 to 2007 as a model project, co-financed by the Berlin Senate for Economy, Labour and Women's Issues and the European Social Fund. The Berlin Senate actually plans to develop further the ubb approach as a cross-university project between three Berlin Universities of Applied Sciences and to widen the range of co-operation themes beyond environmental topics. The ubb model project showed that there is a need for individual qualification and training on the job for the companies' staff in Berlin. It turned out that SMEs especially do not train their employees as a result of lack of adequate qualification offers. The co-operation between companies and local universities has the potential to fill this gap.

Project costs were planned for programme management, ongoing evaluation, the acquisition of co-operation partners, and the coaching of the student projects. The overall costs totalled €580,000 over the three-year project period.

Why the approach is relevant to Vukovar-Sirmium

We chose this project for Vukovar-Sirmium as the analysis demonstrated that there could be a better co-operation between the university and Vukovar-Sirmium County. The E-Vukovar project, the Cisco Academy and the Microsoft Academy at the Polytechnic of Applied Sciences in Vukovar are cornerstones for a better co-operation between the university (college) and the surrounding city and county or, more generally, between Higher Education Institutions (HEI) and enterprises. We assume that the co-operation between local enterprises and HEIs can be developed further for their mutual benefit. The college can be a driving force to foster a more knowledge-based society in the region. Currently, most students leave the Vukovar-Sirmium region after completing their studies. This could be changed through a closer co-operation between the universities/colleges and the enterprises and public institutions. In the best case scenario, new jobs can be created or students can enter existing jobs upon graduation supported a priori through the project. In co-operation projects, like the one we propose, the company's employees are trained to do specific jobs, while carrying out a workplace-based project with the students.

Reasons for the success or failure of the approach

Threats and weaknesses

- The co-operation projects between HEI and enterprises have to be designed, planned, and coached very carefully. In particular, if partners (company, students, and university staff) do not know each other, the risk of misunderstanding and time-consuming co-ordination is evident.
- University and private companies work with different cultures, methods, approaches, and constraints on both sides. This can cause conflict, which can be resolved by regular communication.
- Students seem to have a tendency to plan larger projects than they can handle in the foreseen project time. It is important that the design of the co-operation projects and the planned tasks are realistic and implemented within the scheduled timeframe.

Strengths and opportunities

- The practical benefit for the companies in 'using' the expertise of the universities (HEIs) is obvious, and is demonstrated by the positive feedback generated during the evaluation.
- Qualifying company staff is not easily done, especially in SMEs. This is due to the fact that often the offered qualification courses do not cover the actual needs of the company or the single

employee. Workplace-oriented qualification, initiated by co-operation projects such as the ubb projects, can be a solution through up-skilling the employees on the job.

- The biggest factor for a successful implementation of such local co-operation projects is motivated staff at the university who are interested in the companies' practical problems. They guarantee the actual knowledge transfer to the companies and therefore the win-win situation for the enterprises and the university. In the long term, this can affect the whole local economy.
- The Master's students are actually experts who develop individual solutions for companies' problems. This can be the basis for further co-operation between the businesses and the university, leading to further innovation and eventually the creation of spin-offs.

The obstacles faced and the quality of the response provided

At the start of the programme, implementation and organisational problems in the co-operation projects arose and were solved by frequent communication between the external project management (gsub) and the university staff. gsub also acted as a broker between the companies and the university project teams. The start of the individual co-operation projects needs more intensive coaching by the specialised university staff. Regular presentations by the students on the project's progress minimised mismanagement or misleading efforts.

A former attempt to implement the ubb project failed because the university staff was unable to convince the companies of the project's added value. The external programme management (gsub and BS&U) was needed for the project to succeed. The two bodies organised the contact with interested companies and trained the university staff to develop further the business contacts into strategic partnerships and to gain new future partners.

Considerations for adoption of this type of approach in the Vukovar-Sirmium County

The ubb approach is conducive to adoption by a willing and motivated university which has an interest in the local economy's practical problems. In addition, a partner able to reach and motivate the local enterprises is necessary. Business management or owners must be open to the approach. An intermediary or a well-trained person who is accepted by both sides should translate between the two cultures. The support by the local authorities and entrepreneurial associations is necessary to implement the new approach and to facilitate the dissemination of project results.

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'Business Recruiting Package' - Land Berlin and the Berlin Partner GmbH¹⁸

Description of the approach

As recommended above, there is already a lot of potential in Varazdin for attracting investors and permanent restructuring. The 'Business Recruiting Package' as a Berlin approach can support further this positive development.

Since 1991, gsub has gathered substantial experience in specific segments of human resource management. For example, gsub has implemented personnel procurement and personnel recruitment projects, particularly involving applicants who had formerly been unemployed (pre-selection, assessment). As a result of structural change, mass redundancies are often taking place, especially in large firms. In this context, gsub has implemented personnel transfer programmes, *i.e.* programmes to qualify, train, and transfer employees to new jobs in cases where personnel reduction is unavoidable. Moreover, gsub has been supporting Berlin businesses since 1994 in the creation and maintenance of jobs by utilising various kinds of support programmes. In this context, gsub – in co-operation with the Berlin Partner GmbH has set up a unique personnel recruitment and procurement service for companies in Berlin: the "Business Recruiting Package" (BRP).

The BRP is a new service operating since 2005 and comprising two components (two-fold approach):

- Module 1: personnel recruitment aimed at companies seeking to hire new staff (Budget 2006: €347.000)
- Module 2: employee training aid (in-company training) to raise skill levels in the workforce of medium-sized and large companies in alignment with regional/local needs and current EU regulations (Budget 2006: €1,350 Million)

This service is unique throughout Germany. The BRP provides free, one-stop support. This offer is made available through co-operation between the following partners: The Berlin Senate (government), the Department for Economic Development, Technology and Women, Berlin's Regional Public Employment Service, gsub Social Business Consultancy, and the Berlin Business Development Corporation (BBDC). The latter is the one-stop-agency for investors in Berlin and provides a broad variety of services and incentives in order to attract investors who tend to move to Berlin.

a) Module 1: BRP Personnel Recruitment:

The concrete service offers of the Business Recruiting Package are:

- Job description
- Job announcement
- Pre-selection/Assessment centre
- Job application management
- Training measures

¹⁸

This international learning model provides inspiration in particular for Varazdin county.

- Information and placement of special support programmes for recruitment

b) Module 2: BRP Employee training aid (in-company training)

The Employee Training or In-company Training Aid (*German: 'Anpassungsqualifizierung'*) is the other module of the BRP, an extensive programme of specific and general training to be carried out in Berlin companies. The primary objective of the training is to raise the skill level in Berlin's workforce.

Additionally, the project supports universal training in lean production techniques with a view to improving the effectiveness and the personnel's performance level.

Enterprises will be funded in the following circumstances:

- Reduction or closure of important plant sections;
- Relocation of the whole enterprise or important plant sections;
- Fusion with other plants or division of plants;
- Basic facility site changes; and,
- Production of basically new or radically changed material and immaterial goods.

The basis for funding is the EU regulation 68/2001. The funding predominantly covers internal training of employees.

Why the approach is relevant to Varazdin

If Varazdin is to compete in the global knowledge society, it must invest more in its most precious asset - its people. The productivity and competitiveness of Varazdin's economy are directly dependent upon a well-educated, skilled and adaptable workforce which is able to embrace change. We chose this topic as a learning model for Varazdin on the one hand in order to support the large companies in structural change and to avoid unemployment through transfer models. The Varazdin city and county has long-term experience in this field and the already proven models and strategies of the city - how to cope with structural change after socialist times - have been described as one of the key success factors of the city and the region (see 'Strengths and Weaknesses' chapter). Thus, the approach for this learning model in Varazdin is 'to strengthen further already existing strengths'. Moreover, due to the successful economic development in Varazdin, it is necessary to improve staff recruitment strategies as there are mismatch problems and a lack of a highly-skilled staff.

On the other hand, the personnel recruitment module of the Business Recruiting Package is geared towards foreign companies looking to relocate their offices and/or expand their business activities in a region's growth sectors. In order to stabilise or foster these sectors, the recruitment of qualified staff is of major importance.

The Employee Educational Aid module of the BRP aims at company restructuring and employee training, which also is important for Varazdin. Croatia (and here Varazdin) has to develop its own area of excellence and comparative advantage, which inevitably must lie in a commitment to the knowledge economy in its widest sense. In a global economy, Croatia and its sub-regions have no choice but to improve radically their knowledge economy and underlying economic performance if they are to respond to the challenges of Europe, Asia, and the US.

The other challenge comes from the enlargement of Europe. Growth and employment are here the two sides of the same coin.

Reasons for the success or failure of the approach

The expertise, experience, and language skills of the regional labour force have proven to be of great assistance when accessing new markets. In Berlin, over 19,000 students graduate each year from regional universities and colleges; personnel costs are approximately 20% lower than in other major cities in western Germany; people work longer hours on average than in Scandinavia, the Netherlands, Belgium, and France; and working hours are also longer and more flexible than in western Germany.

These facts attract investors to establish businesses in Berlin. The trick now is to combine the qualified workforce with the employers' needs. Very often this matching process is done by either service providers or institutions (which do not work together) and, if not, the companies are unable to find the right people.

The BRP builds a bridge over both gaps. The possible services offered by public institutions such as the Public Employment Service (labour agencies) and ESF-funded projects are combined and directed towards the company as a one-stop agency. The employers only have to discuss their job profiles with one contact person, which then groups all the different services so the recruitment is provided by one source in co-operation with partner organisations.

The experience and network of the project's staff members is very important. They are business professionals who can cope with the different job profiles which the companies offer. Whatever they look for, a hybrid engineer or a helpdesk officer in a customer care service centre, the project has the right channels and contacts to find the right people. Most of the companies which have successfully used the BRP will later provide testimonials to attract new companies to set up new business in the region or expand.

One example in Berlin is the company Gillette, which was acquired by Procter & Gamble in 2005. Major companies are expanding towards East and often Poland is chosen as preferred location for new plants. This threat could only be overcome in Berlin by up-skilling the workers to raise productivity.

Very often, the first budget to be cut in case of a crisis is the budget for internal (in company) or vocational training. The fund of the 'In-company Training Aid' in Berlin assisted many companies to absorb this lack so that the training could be carried out.

The main results were the preservation of jobs and even the creation of new jobs. Overall, the funding is an investment in human capital and helps to strengthen the employability for employees and workers.

The obstacles faced and the quality of the response provided

All services must be custom-made and the Business Recruiting Package services must be combined efficiently with one another, making it possible for investors to take advantage of the package effectively at short notice.

To be successful, all relevant stakeholders must be convinced to work together and combine the different services. The main argument is the strengthening of the region as a common goal, personal concerns should be postponed. This obstacle was overcome when a round table was established and in this high-ranking group of experts the content could be outlined so that services could be combined effectively.

The two main obstacles in the personnel procurement or educational training aid module have been:

- Restructuring is often combined with crisis, redundancies, etc.; and,
- Restructuring is difficult and sometimes combined with insolvency (bankruptcy);

Both difficulties led to very passive behaviour by these companies towards ‘begging’ for (claiming) public support. Sometimes the requests for support arrive too late. ESF-Funding strictly bans financing such cases.

In Berlin, we found it helpful to work with company accountants.

Considerations for adopting this type of approach in the Varazdin or in other places in Croatia

The following implementation steps could be taken:

- Selection of branches searching for new staff (*e.g.* call-centres);
- Roundtable of relevant stakeholders;
- Definition of project leader (intermediary or department of an institution);
- Assurance of funding (either ESF or IPA);
- Searching for professional team members and professional services; and,
- Project visit in Berlin.

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Perspective 50plus – Employment pacts for older workers in the regions¹⁹

Description of the approach (aims, delivery, budget, etc.)

In 2005, the German Ministry of Labour launched a ‘call for proposals’ as an competition idea addressing all 444 local job centres across Germany (*i.e.* a special kind of Public Employment Service for the long-term unemployed and the unemployed with no legal right to unemployment benefit I, founded in 2005 after the modern Labour Market Reform ‘Hartz IV’. Since then, these new institutions have been in charge of the majority of Germany’s unemployed).

Sixty-two employment pacts were chosen for promotion, involving 93 joint agencies and licensed local authority agencies nationwide. The successful projects received a total of €250 million in grants to implement their ideas and schemes. At the same time, in order to develop further the competition idea, the

¹⁹ This international learning model applies for both counties.

activities of all employment pacts were consolidated in the new Federal programme entitled, '*Perspektive 50plus Beschäftigungspakte für Ältere in den Regionen*' (Employment Pacts for Older Workers in the Regions).

The aim of the programme is to increase the employment chances for those over 50. Another aim is to find regional solutions by addressing and convincing the regional or local companies, the workers themselves and the public, of the advantages of older workers and to reduce the barriers for their access to the labour market. The programme was delivered by the Ministry of Labour supported by the gsub mbH Berlin as a service provider with a duration of two years (2005–2007). A formative evaluation was implemented by contracting the IAQ Institute in Gelsenkirchen, now Duisburg.

Up to June 2007, more than 16 500 former long-term unemployed over 50 years of age have so far been integrated into regular jobs (by the end of the programme in 2007, an integration rate of 20,000 is expected). Because of the tremendous success of this programme, the German parliament and the Ministry recently decided to extend the programme until 2010. For the next three years, a similar budget is expected as for the first two years.

The pacts show what's needed for success: that industry, trade unions, joint agencies, local authority agencies and the actors in the regions pull on the same rope with all their strength and in the same direction to create more jobs for older people,' said Federal Labour Minister Franz Müntefering at an annual meeting of the Federal programme '*Perspektive 50plus*'.

During the two-year implementation phase, the pilot projects will be closely monitored and evaluated by professionals. The focus is on forming and intensifying regional networks and supra-regional dialogue between the projects. This process is supported by regional workshops with the project participants and a joint communications platform allowing structures to form which go beyond individual regions and the two-year grant period, and provide lasting support for the integration of older workers in the general job market. In addition, particularly successful projects can become the basis for nationwide strategies and solutions ('best practices').

The diversity of the approaches supported by the Federal '*Perspektive 50plus*' programme is remarkable. Some of the projects aim to enhance collaboration between the regional actors to create more jobs for older workers by founding regional associations and forming regional alliances. Other pacts focus on directly addressing employers and specifically encouraging them to hire older workers. Others again pursue a core idea, for instance, by consciously linking environmental policy objectives with labour market policy measures, *e.g.* in the housing or renewable resources sectors. The Federal government's EUR 25 billion investment programme for research and innovation creates the appropriate good overall conditions for this. Last, but not least, some of the pacts test new instruments or experiment with an innovative combination of instruments, resulting in effective integration strategies for older workers.

Why the approach is relevant for Varazdin and Vukovar – Sirmium

The employment rate of older workers (55 to 64) in Croatia was 34.3% in 2003 whereas it was 43.5% on average in the European Union (data from Eurostat). The interviewees from the Regional Employment Services in Vukovar-Sirmium and Varazdin both stated that the older workers are one of their most important target groups, in particular the women and the long-term unemployed amongst them. The demographic change and the top European issue of 'Active Ageing' also affect Croatia. As noted in the 'Strength and Weaknesses' chapter, in Varazdin, for instance, people of 45 years of age or older represent 44% of all unemployed. Additionally, this approach fits perfectly within the partnership strategy because it is a regional or local approach, based on a reliable network by regional social partners, local authorities, universities or higher education institutions, etc.

Reasons for the success or failure of the approach

As the interim results of the approach in Germany show, the success was predominantly attributed to the delivery procedure, concretely, the ‘free budget’ given to the Local Employment Services by the Federal Ministry. This means that there were – apart from the general rules of expenditure for a public institution – no special guidelines, limitations or additional rules for the pacts. They could decide on their budget on the basis of their ‘idea description’ from the beginning of the project. This includes the opportunity to give up projects which did not work and to launch new ones, *e.g.* as a ‘copy’ of a successful pact. Secondly, the regional meetings and the close co-operation within the pacts and between the different stakeholders has so far been a success factor. Thirdly, it turned out that those pacts which were particularly successful chose activating and individual coaching for the older long-term unemployed. The placements were particularly successful in small companies supported by wage subsidies or other strategies to attract employers to the older workers (*e.g.* instance pre-qualifications, up-skilling, in-company training).

The obstacles faced and the quality of the response provided

At the beginning, the new job centres had problems concentrating on the target group of the older workers as they were focused on the young unemployed or were still busy with setting up their (new) institutions. Some of them were reluctant to join an ‘additional’ new programme, being afraid of the additional work. However, this changed through the programme implementation. As a solution, the Employment Services (local job centres) commissioned professional training providers, consultants, and other specialised institutions to do the work but kept the responsibility and the decision-making processes. The thematic-oriented regional workshops provided by the National Ministries and the gsub supported the exchange of know-how across the several pacts. No further external input was necessary.

Considerations for adoption of this type of approach in the Varazdin or in other places in Croatia

The ‘Perspective50plus programme – Regional Pacts for Older Workers’ is a national programme within the wider ‘Initiative50plus’ of the Ministry of Labour and Social Affairs and the German National Government. Thus, the transfer to Croatia should be addressed at the national level, otherwise it could make sense to pilot two initiatives for (long-term) older workers in Varazdin and Vukovar-Sirmium based on the experiences of the ‘Perspective50plus’ programme and of other European countries. The topic is very much in the European Commission focus so there should be a good chance of additional funding. The German programme in the first period (2005–2007) was financed only by national means. In the second period (2008–2010) the regional pacts for older workers will be requested to find additional means, for instance, by the ESF (European Social Fund) or other resources.

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