

The role of the European Union in Local and Regional Development

**World Bank Institute City Round
OECD
Paris, 16 February 2004**

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1. Local employment development: the role of regional and local authorities

European and national employment strategies – like any policies designed centrally – cannot succeed without action, commitment and engagement on the part of regional and local actors.

Thus success in the fight against unemployment and poverty in Europe is dependent on the mobilisation and support of all resources available, including, and especially, at regional and local level. For it is localities that are best placed to translate national and regional strategies into action on the ground. And are local actors that best understand local conditions, aspirations and needs.

It is at local level that the potential for job creation can be tapped: in services – from tourism to transport; in the social sector – for example, home help and childcare; in the environmental sector; in manufacturing and marketing local produce and goods; in housing improvements, security, culture and sport.

It is at the local level that education and training is organised, developed and delivered. And it is at the local level where services are provided to help integrate the most vulnerable into our societies.

Hence employment policies are being broadened to encompass local renewal, the re-inclusion of the socially excluded and the generation of social capital through local development. The idea is to restore mutual trust and civic commitment, to support the common good through collective action.

Gender equality should be a key element of those policies. No local employment initiative can be successful unless women are actively involved in it as both partners and beneficiaries.

Today there is a growing awareness among EU Member States that empowering the local level can not only improve effectiveness of central policies but also enhance democracy, equal opportunities for all and social cohesion.

This is why local and regional governments, local agencies and other local actors are becoming key partners in delivering economic and social development across Europe. Many Member States see decentralisation as a way to improve the relevance and quality of services.

They see decentralisation, and the autonomy of decision-making it demands, as a more efficient way to respond to needs and opportunities in the local economy.

Today, local development policies and local initiatives are stronger and much more integrated into national and European strategies than ever before. Local action has gained its rightful place in the mainstream of policies, as more and more local players are involved not only in the delivery, but also in the design and development of job creation and inclusion policies. Nevertheless, much remains to be done.

The European Union contains more than 80,000 local authorities. These are the basic administrative units of community life both in rural and urban areas. In most Member States they have powers in a wide range of areas that include social assistance, education, health, housing, environmental protection, local public transport, water and energy supply, sewer systems, the collection and treatment of household waste, infrastructure maintenance, culture, and leisure activities.

Although the situation varies from country to country, the importance of the functions that they perform is reflected in local authorities' share of public expenditure. This varies from 3.8% of GDP in Portugal to 33.3% of GDP in Denmark. In Denmark, Finland, the Netherlands and Sweden the local authorities administer a total budget that exceeds that administered by central government.

This wide range of functions is also reflected in the total number of people employed by municipal structures, e.g., more than 600,000 municipal workers in France and more than 20% of the working population in the Scandinavian countries. Indeed, the local administration is often a major employer, even the main employer, in the territory that it oversees.

Such a diversified range of administrative powers means that local authorities' actions have considerable impact on local employment. Thus, the actions of the municipalities of Berlin, Göteborg, and Helsinki are estimated to influence 40% of employment in these cities, about 20% in cities such as Manchester and Stockholm and 12-14% in medium-sized French towns such as Tours and Amiens.

Although local authorities do not have powers to fix employment policies, they are increasingly considered by national governments as naturally involved in the development and operation of active labour market measures. This is particularly the case in the Scandinavian countries and the Netherlands.

Some Member States are also starting to consider local authorities, especially cities, as partners not only for implementing active measures, but also as a way of taking a comprehensive, integrated approach to a whole range of problems influencing local employment and social cohesion.

In addition, many local authorities have recently started to take more interest in employment and social cohesion issues. For local elected officials, this is often a matter of accountability. As unemployment has become a major problem, local people tend to judge their administrators also by what they have achieved in the employment field. Although the challenges are

somewhat different in rural areas the role of local authorities there is no less important as they have to provide employment opportunities and good quality services to the population in order to retain it. Thus besides the measures taken under national and regional policies, many more independent initiatives have been taken recently, in areas as varied as helping young people with problems find jobs, providing vocational guidance and training, and even supporting job creation directly.

The importance of local authorities' responsibilities, and their closeness to the people's needs, make them key partners, vital to the European Employment Strategy's success. However, the developments described above are not yet the rule. Recent consultations of the main national associations of local authorities by the Commission revealed a considerable information gap. This concerns not only knowledge about the EES, but also about the types of action that lend themselves to local commitment, and indeed how to act locally in employment matters.

Local Authorities are among the most important players in the development of employment at local level. However, their role may need strengthening if they are to play their part most efficiently.

As the first level of democratically elected government and thus the level closest to the people and the local economy, local authorities clearly have an important role in developing partnerships to promote employment that bring together all the local public and private players. Local authorities have powers in many areas that are potential sources of new jobs, so their actions are likely to structure a considerable portion of the local labour market.

2. How can the EU support local employment development?

The European Union is firmly committed to providing continuing support for promoting employment at regional and local level.

On numerous occasions, the European Parliament, the Committee of the Regions and the Economic and Social Committee have expressed their strong support for local employment strategies and have called on the Member States and the Commission to involve regional and local actors in designing and delivering employment policies.

In its White Paper on European governance, issued in July 2001, the Commission stresses the importance of linking together the various regional and local levels and asks for a greater use of the skills and practical experience of regional and local actors.

Today, the European Union has three major levers for encouraging local action for employment:

The first lever is political – the European Employment Strategy (EES).

The European Employment Strategy provides an appropriate policy framework for local players intending to integrate the employment dimension in all their actions.

Since their inception, the Luxembourg process and the Employment Guidelines in particular have increasingly incorporated the local dimension, by inviting Member States to involve the regional and local levels. Starting with a focus on job creation at local level, the Guidelines underlined first *"the special role of local authorities and the social partners"* (1999), and then the need to support *"the special role and responsibility of (...) other partners at the regional and local levels, as well as the social partners"* (2000).

In March 2000, the Lisbon European Council created a strategy stressing the importance of interaction between economic, employment and social policies, of the mobilisation of all players, and established a reinforced open method of co-ordination, described as a *"fully decentralised approach, applied in line with the principle of subsidiarity in which the Union, the Member States, the regional and local levels, as well as the social partners and civil society will be actively involved, using variable forms of partnership"*.

Moreover, a consistent, comprehensive approach was included in the Guidelines for 2001:

"All actors at the regional and local levels, including the social partners, must be mobilised to implement the European Employment Strategy by identifying the potential of job creation at local level and strengthening partnerships to this end. (...) Member States will (...) take into account, where appropriate, in their overall employment policy the regional development dimension(...); encourage local and regional authorities to develop strategies for employment in order to exploit fully the possibilities offered by job creation at local level and promote partnerships to this end with all the actors concerned, including the representatives of civil society(...)"

Finally, in the European Employment Guidelines for 2002, there is a strong emphasis on local employment action, where *"all actors ... must be mobilised to implement the European Employment Strategy by identifying the potential of job creation at local level and strengthening partnerships to this end"*.

The EES is now being revised, but regional and local development will remain, as in the past, a key policy priority.

This is something that Member States are already taking on board. Despite important differences from one country to another, national employment policies increasingly take into account the role that local and regional actors, especially regional and local administrations, can play in the European Employment Strategy.

The Commission encourages this trend and stresses the contribution that the local and regional levels can have in the development of new forms of governance in the Union.

It is one of the founding principles of the European Employment Strategy, that employment policies should be a component of all other policies, at both European and national levels. This principle should underpin the development of integrated strategies for local employment development that can in turn, strengthen similar approaches at the other levels.

The second lever that the Union has is financial – the Structural Funds and the Community Initiatives.

It is essential to fully exploit the potential offered by the Structural Funds mainstream operations, especially the EQUAL, URBAN and LEADER Community Initiatives and the Innovative Actions of both the European Social and Regional Development Funds.

The European Social Fund (ESF) in particular - within its overall 62 billion € grant allocation for the 2000-2006 period - provides considerable support for local action:

- Local development must be taken into account in each of the five policy fields of the Social Fund
- Small grants from the ESF for the activities of NGOs and local partnerships should be made available
- The Community Initiative EQUAL, which is part of the ESF, provides substantial funding for testing new approaches to combat discrimination and exclusion, based on the key principles of local development – bottom-up strategy building, partnership and empowerment
- The innovative actions under Art. 6 of the ESF Regulation encourage close co-operation between European, national, regional and local levels as well as the social partners and third system organisations.

The third lever at the disposal of the Union for promoting local employment development relates to the development, through experimentation and evaluation, and dissemination, through information tools and networking, of best practice among Member States.

The Commission considers indeed that developing the local dimension of the European Employment Strategy requires not only political will, but also awareness-raising, experimentation and exchange of good practice through networking and otherwise. New initiatives are being taken to do this.

In its communication of November 2001 on "*Strengthening the local dimension of the European Employment Strategy*" the Commission acknowledges the increasing importance of the regional and local level, suggests ways for developing employment at local level and presents the next steps for capitalising on existing experience and enhancing transfer of best practice at European level.

Local development covers not only employment, but also, among others, gender equality, social inclusion, economic development, innovation and information society. Evaluation in this area is therefore essential for further policy development.

Building on past experience in this field is essential for well-designed and efficiently implemented local employment strategies. It is the Commission's view that gender equality has received insufficient attention in the past, and it is at the local level that gender equality measures can be most effective. Women should be more closely involved as both actors and target groups in local employment strategies.

Finally, it is important that institutions, organisations, social partners and individuals that are involved in this area are given the opportunity to discuss and exchange experiences and information in order to strengthen the local dimension of the European Employment Strategy. This is the purpose of the European Forum on local employment development, which will take place in Rhodes on 16 and 17 May 2003. This major event, the first of its kind, is organised by the Greek Presidency in close co-operation with the Commission and with the support of the European Parliament, the Committee of the Regions and the Economic and Social Committee.

3. How do EU Member States approach local employment development?

Member States have been striving for years to allow for local particularities and needs as they set and implement their policies. However, support for policies that encourage local players to join forces in an integrated development of employment within their territory is a more recent development.

The realisation that the structural changes were too complex to be handled by central policies alone has helped to speed up the processes of institutional and administrative decentralisation that were already going on in most Member States. This "devolution" brought certain number of decision-making levers closer to local communities, and has made them more responsive to their needs.

Centrally designed policies have proved too inflexible to allow for these variations, so solutions that allow for local particularities have proved indispensable. Almost all Member States are decentralising the implementation of policies decided and financed at national level. Although this is mainly done through local public employment services (PES), there is an increasing tendency to build working partnerships with different types of local actors, some of them based on the EU experience of Territorial Employment Pacts (TEPs). This is particularly the case in the Scandinavian

countries, where labour boards bring together public employment offices, social partners and local authorities and play an important role in the planning and delivery of active employment policies.

Employment initiatives taken by local players must be seen in a broader regional, national and even European context. If they are to be fully effective, they must take account of guidelines set at all these levels.

National and regional governments and the social partners all have essential roles to play. They must not only build local players better into decision-making, but they must also develop a regulatory framework and support measures which facilitate the development and extension of integrated local strategies.

One way of increasing the effectiveness of the European Employment Strategy would be a deeper involvement of local players in drawing up and implementing the National Action Plans for employment (NAPs). How this is done is a matter for national and, where appropriate, regional governments to arrange. Experience also shows that active labour market measures are more effective if they are part of an integrated local strategy worked out jointly by all the local players and supported by the other institutional levels.

Participation of local actors in the National Action Plans for Employment

Across the EU, Employment NAPs have so far been elaborated primarily by central Government in consultation with – but rarely in partnership with – other actors. The social partners are, in most Member States, the principal actor consulted.

Where the regional level has significant political and administrative competencies and resources (e.g. the German Länder, the Belgium Regions, the devolved administrations for Scotland, Wales and Northern Ireland in the UK, the Autonomous Regions in Spain), regional governments or authorities appear to be involved in negotiations on the content of NAPs.

Municipalities – through their national umbrella associations – are involved in the preparation of NAPs in some Member States, in particular where they play a significant role in social welfare and inclusion policies. This is true in Denmark and Sweden, but is not the case in Austria or France.

Some progress with respect to the consultation of local and regional authorities can be noted between 1998 and 2001 in some Member States. Future progress is likely in Greece and Ireland with the strengthening of the regional level.

In general, there are no mechanisms for reconciling local, regional and national policies, and local or regional strategies are not used in elaborating the NAPs. In most Member States, the policy-design process remains resolutely ‘top-down’, even where significant encouragement is being given to local and regional strategic plans for employment and development.

In no Member State is there evidence of local or regional involvement in the monitoring and evaluation of the NAPs. Moreover, in the national contributions to the EES impact evaluation; rather little attention is given to the local and regional dimension.

In all Member States, local and regional authorities participate in implementing (certain) policies and programmes that are mentioned in the NAPs. However, the nature and extent of their involvement varies significantly from country to country, in line with the constitutional distribution of competencies between the different levels of government and as a result of widely differing institutional arrangements for the delivery of active labour market policy.

In addition to the key role played by local authorities in delivering social welfare and social inclusion policies in some Member States, territorial authorities are involved to an increasing extent in local and regional strategies for employment and development.

The adoption of territorial development strategies – aimed broadly at economic development or more specifically at employment – has also been a significant factor in increasing the involvement of local authorities. This can be seen notably in Italy, Austria, Portugal and the UK.

Institutional arrangements for the participation of local authorities in employment policies

Not only is local government structured differently from Member State to Member State, but the constitutional division of responsibilities and institutional arrangements for implementation of active labour market policy vary substantially. Moreover, most Member States have put in place, or are in the process of implementing, substantial reforms in the management and delivery of active labour market policies.

Paralleling the varied distribution of competencies for employment policies, the degree of autonomy and influence of public administrations at local and regional levels differs substantially across the EU.

Beyond the issue of the constitutional distribution of competencies, is a key issue of resources and capacity. Although local authorities in Greece for instance have accumulated some experience through involvement in regional Structural Fund programmes, they often do not appear to have sufficient resources or capacity to develop their own employment policies.

Some of principal differences between the Member States in terms of institutional arrangements for the participation of local authorities in implementing active labour market policy relate to:

- The role of local authorities in delivering social welfare (income support, welfare services). In Denmark, Finland, France, Germany, Belgium and the Netherlands, for example, they are important managers of social inclusion and employment services to unemployed people and those on income support.

However, in Ireland and the UK the competencies of local authorities do not include welfare support.

- The role of the public employment services (PES) in managing and implementing active labour market policy. In some Member States, the PES is still omnipresent (e.g. Austria). In other countries – as has been indicated earlier – major reforms have taken place, entailing decentralisation of service design and delivery as well as outsourcing (for example in the UK and the Netherlands) of services. This has enabled the involvement of local authorities, both as providers of services and as partners in the design and management of local initiatives and strategies.

- The size of the public sector and its capacities, in particular at local levels, to manage and implement employment policies.

There is an increasing use of territorial partnerships or co-ordination mechanisms for employment in which local authorities are statutory partners. In Denmark, social co-ordination committees operate at local level to co-ordinate between municipalities, social partners and regional labour market authorities. In Finland, the 15 Regional Employment and Economic Development Centres and 200 local PES offices act in close co-operation with local authorities. In Ireland, the newly-established County or City Development Boards are the mechanism for local government, the social partners, local development actors and state agencies to work out an agreed vision for their county or city. The Regional Employment Plans in Portugal establish institutional arrangements for the involvement of local and regional authorities.

The reforms of the PES and processes of decentralisation, as well as the shift from passive to more active labour market policies, have had a significant impact on the institutional arrangements for the participation of local and regional authorities in employment policy. It is clear that local authorities have been – and are being – encouraged, through national as well as European initiatives, to become more active in employment issues. As well as constitutional changes, local authorities in Member States where they are responsible for social welfare are being given increasing incentives to decrease the numbers of welfare recipients. This can be seen in the Netherlands and Denmark.

4. Conditions for success in local employment development

Local action for employment is certainly not the only way to solve the unemployment problem. However, it is a necessary condition for any effective strategy. In this respect, previous experience, confirmed by a wide variety of research and experimental projects, now enables us to identify some of the requirements for success.

The local dimension

The local area is the level at which unsatisfied local needs can be identified and the supply of jobs organised. However, it is more than just a place for implementing decisions taken elsewhere. Here, it is also possible to combine different labour market instruments, and to develop ways of giving added value to decisions taken centrally. The local area is not limited by administrative boundaries. The appropriate territory for local intervention is more often defined by the cultural affinities with which local people identify local production systems and trade flows, and the travel-to-work area.

The integrated approach

All policies operated at local level must, for maximum efficiency, be integrated into a single strategy. In this respect, specific measures to boost employment must also be regarded as an extension of other development policy instruments, into which in turn the employment dimension must be integrated.

Partnership

Following a significant cultural change in the approach to development issues, employment policy is no longer seen as the exclusive concern of political decision-makers and economic operators, but as a concern of society as a whole. This means that better co-ordination is required not only between local players but also between various institutional levels. Creating local partnerships which bring together all the forces in an area must be regarded as a fundamental condition for successful local employment development strategies.

The bottom-up approach

Local strategy and action must be based on an analysis of local needs and local skills if they are to produce appropriate solutions. This should lead local organisations to re-examine the way they work, and how they can better respond to local needs.

A supportive environment

The development of integrated local strategies often depends on whether national or regional legislation promotes local initiative. This concerns not only the devolution of powers to regional and sub-regional institutional levels, but also the adoption of fiscal policies which facilitate such initiative.

Integrating administrative practice

Public sector policies are increasingly organised according to cross sector objectives, but they are still largely administered within the framework of sectoral programmes; and current administrative practices still favour specialisation of tasks to the detriment of holistic approaches. This situation arises because decision-making and managerial powers are segmented between departments at all levels, so each department gives priority to its own areas. As integrated local development strategies need cross-sector approaches, this segmentation in administrative practices tends to hinder their design and implementation.

Financing suited to local needs

Micro-firms have great difficulty in accessing credit, not least because of problems in providing tangible guarantees. When public financing exists, it is usually linked to specific conditions required by competition policy and public accountability. However, the strict rules that these imply may make access to the finance difficult, particularly for micro-firms and individual entrepreneurs. Moreover, there are other sources and forms of financing that are still under-used and deserve special attention. These are micro-credit, local investment capital, especially for social purposes, the resources of corporate foundations, and certain alternative forms of financing, such as local solidarity savings.

Intermediate support structures

Local employment activity does not usually arise spontaneously. The existence of intermediate support structures, such as local development agencies and local employment observatories, is often the key to successful local action. Support to set up and operate such intermediaries can thus be essential.

Appropriate vocational training systems

Vocational training systems have had great difficulty in responding to recent developments. For instance, the increasingly frequent combinations of statuses, such as when an unemployed person is also an entrepreneur, require training that allows for the particular needs of those concerned. On the other hand, new trades tapping into new job possibilities may need special skills (multidisciplinarity, relational skills, capacity to take initiatives, etc.) or access arrangements (teleworking, etc.). Vocational training must be able to deliver in all such circumstances.

Mutually supportive economic, structural and social policies

The persistence of high levels of structural unemployment in some areas calls for mutually supportive economic, structural and social policies. Each of these has a contribution to make: but they are often approached as though they had separate perspectives. The European Employment Strategy, which is shifting national employment policies more and more away from passive measures

towards active with the recognition that employment provides the best route out of social exclusion and poverty.

5. How to set up a local action plan for employment?

The implementation of a local development strategy or Local Action Plan (LAP) depends above all on specific institutional, administrative and socio-economic characteristics that vary considerably within Member States.

The indicative orientations outlined here should therefore be seen rather as policy support to be adapted by local authorities and actors on the ground, rather than one-size-fits-all prescriptions.

Targeting a territory and establishing a diagnosis

A local strategy applies to a local area defined in accordance with national circumstances prevailing in each Member State and considered relevant in socio-economic terms to promote employment. However, two essential criteria are to be considered to appreciate the relevance: the territory has to be large enough to give the action for employment a sufficient critical mass; it has to be sufficiently small to use the assets of proximity, and it has to be coherent and compatible with existing administrative structures.

A strategy can thus coincide with zones of economic activity, travel-to-work areas, territorial divisions of social partner organisations, areas retained for the implementation of the Structural Funds or other European or national programmes such as the Territorial Employment Pacts.

An important step in the development of a local employment strategy is the establishment of a diagnosis of strengths and weaknesses, opportunities and threats (SWOT) of a territory regarding employment. The EU Employment Guidelines and the corresponding indicators offer useful guidance on what type of data to collect.

The analysis should make the best use of existing relevant information, and studies. In particular, there is a need to exploit local statistical tools as effectively as possible. The diagnosis can draw on analyses underpinning policies in other fields (social protection, economic development, urban renewal, rural development, gender equality, transport, environment protection etc) and at other territorial levels.

Based on the diagnosis, local players may define a local employment strategy that sets objectives for a determined period, spells the measures for achieving these objectives, allocates human and financial resources for their implementation, identifies responsibilities and makes provision for monitoring progress and evaluating the impact. The Employment Guidelines can offer a valuable guide for local players in the definition of the content of a strategy. In setting the objectives, particular attention should be paid to new sources of jobs that can have a positive impact on gender equality by enabling people to

reconcile work and private life throughout their lives: the information society, environment, leisure, tourism, local products, welfare and personal services.

The strategy has to take into account the policies defined at other levels of decision making than the local level and it should be cast in the context of the National Action Plan for Employment.

Attention should also be granted to the potential to interact at local level with actions under the National Action Plans for Social Inclusion.

The role of local actors in the implementation

Local authorities can act as model employers e.g. through offering their staff further training for instance in ICTs and through organising work so as to make it easier for the personnel to reconcile working and personal lives; help other players contribute positively to employment e.g. through setting up friendly environments for entrepreneurial activities in sectors where additional jobs can be created, and through simplifying procedures.

Enterprises: in their capacity as employers, they can contribute to all four pillars of the EES e.g. they can offer unemployed people temporary on-the-job training and work experience under the employability pillar, they can mentor smaller firms under the entrepreneurship pillar, organise work so as to combine flexibility and security under the adaptability pillar, enhance women's career prospects under the equal opportunities pillar.

In their capacity as partners, they can help other players improve their own contribution to employment development e.g. through informing training organisations of what skills they will need in the future, they will help them to develop adequate training programmes. Their skills in planning, and management can be a valuable contribution to the smooth, efficient running of partnerships.

Third system/social economy organisations and NGOs: they can potentially play two different roles in local employment strategies:

- As promoters of third system activities, they can contribute to all four pillars of the EES : e.g. they enhance the employability of disadvantaged people through giving them work experience combined with training, they provide new goods and services to meet unsatisfied needs and create jobs as a result, they tend to involve their staff in the management and they make it easier for women to access the labour market because they offer services that women had formerly to deliver in the domestic sphere;
- As representatives and advocacy organisations on behalf of citizens and groups, NGOs help the partnership to be more participatory. Because they pursue a multiplicity of economic and social objectives, they voice the concerns of different groups of citizens, and they are usually close to groups targeted by programmes.

Social partners: at enterprise level, social partners can contribute to the adaptability and equal opportunities pillars of the EES : e.g. they can promote agreements to achieve the required balance between flexibility and security, and they can improve the quality of jobs.

They can also offer organisational back-up for small businesses and valuable local assistance in crisis situations. To promote female career opportunities and to ease the reconciliation of work and family life, they can speed up the implementation of the various directives and social-partner agreements in this field, and see that high quality care services for children and other dependants are provided.

Public employment services (PES): they can act as model employers e.g. through offering training to their staff and promoting equal opportunities. In fulfilling their task of matching labour market supply and demand, they can identify local employment opportunities in a proactive way, offer customised and easy-to-access services to users, and use ICTs to improve their service provision and help to reduce the digital gap in the local area; in the local employment strategy process, they have a key role to play in producing detailed intelligence of the local labour market and business needs. They should experiment new solutions and promote integrated approaches linking unemployment to broader social needs, such as housing, health, culture and education. They can act as interfaces between enterprises and training organisations, and develop links with schools, training institutions, universities, research bodies and with private employment agencies.

Education and training providers contribute in a decisive way: they help the unemployed improve their competencies and all citizens to subscribe to life long education and training, they enhance the entrepreneurial skills of those seeking to set up an enterprise and they give all local players and citizens the necessary skills to act as civic entrepreneurs and active citizens, they help workers upgrade their skills and women improve their career prospects.

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