Local Partnerships for Better Governance

TERRITORIAL ECONOMY





OECD

© OECD, 2001.

© Software: 1987-1996, Acrobat is a trademark of ADOBE.

All rights reserved. OECD grants you the right to use one copy of this Program for your personal use only. Unauthorised reproduction, lending, hiring, transmission or distribution of any data or software is prohibited. You must treat the Program and associated materials and any elements thereof like any other copyrighted material.

All requests should be made to:

Head of Publications Service,
OECD Publications Service,
2, rue André-Pascal,
75775 Paris Cedex 16, France.

Local Partnerships for Better Governance

OECD

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

Pursuant to Article 1 of the Convention signed in Paris on 14th December 1960, and which came into force on 30th September 1961, the Organisation for Economic Co-operation and Development (OECD) shall promote policies designed:

- to achieve the highest sustainable economic growth and employment and a rising standard of living in Member countries, while maintaining financial stability, and thus to contribute to the development of the world economy;
- to contribute to sound economic expansion in Member as well as non-member countries in the process of economic development; and
- to contribute to the expansion of world trade on a multilateral, non-discriminatory basis in accordance with international obligations.

The original Member countries of the OECD are Austria, Belgium, Canada, Denmark, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The following countries became Members subsequently through accession at the dates indicated hereafter: Japan (28th April 1964), Finland (28th January 1969), Australia (7th June 1971), New Zealand (29th May 1973), Mexico (18th May 1994), the Czech Republic (21st December 1995), Hungary (7th May 1996), Poland (22nd November 1996), Korea (12th December 1996) and the Slovak Republic (14th December 2000). The Commission of the European Communities takes part in the work of the OECD (Article 13 of the OECD Convention).

Publié en français sous le titre :
DES PARTENARIATS LOCAUX POUR UNE MEILLEURE GOUVERNANCE

© OECD 2001
Permission to reproduce a portion of this work for non-commercial purposes or classroom use should be obtained through the Centre français d'exploitation du droit de copie (CFC), 20, rue des Grands-Augustins, 75006 Paris, France, tel. (33-1) 44 07 47 70, fax (33-1) 46 34 67 19, for every country except the United States. In the United States permission should be obtained through the Copyright Clearance Center, Customer Service, (508)750-8400, 222 Rosewood Drive, Danvers, MA 01923 USA, or CCC Online: *www.copyright.com*. All other applications for permission to reproduce or translate all or part of this book should be made to OECD Publications, 2, rue André-Pascal, 75775 Paris Cedex 16, France.

Foreword

An important driving force for the work carried out by the OECD's Co-operative Action Programme on Local Economic and Employment Development (LEED Programme, Territorial Development Service) during the past few years has been the need to co-ordinate government policies and to make them consistent with strategies designed locally. *Local Management for More Effective Employment Policies* published in 1998 identified the potential of area-based partnerships in linking labour market policies to economic development. Partnerships' role in reconciling the goals of economic competitiveness and social cohesion was emphasised by OECD ministers and policy makers from 25 countries when they met in Venice in 1998 to discuss the first results from ongoing decentralisation reforms across the OECD (*Decentralising Employment Policy: New Trends and Challenges*, 1999).

At the request of the LEED Committee, based on a proposal from Finland, the OECD Secretariat then undertook the Study on Local Partnerships to explore further the contribution of partnerships to improve policy effectiveness and governance. This publication presents the findings from this study carried out in 1999-2000 in seven countries: Austria, Belgium (Flanders), Denmark (Storstrøm), Finland, Ireland, Italy (Sicily), United States (Illinois, Michigan and Ohio). Its conclusions, at various stages of completion, were discussed in seminars held in Vienna (Austria), Helsinki (Finland), Dublin (Ireland), Ghent (Belgium), Næstved (Denmark) and Bergen (Norway). The LEED Committee adopted the recommendations at its 37th Session on 16-17 November 2000 in Paris. The study is still underway, as the Walloon Region of Belgium, the Czech Republic, Mexico, Norway and Sweden will be examined in light of the lessons learnt.

Sylvain Giguère of the OECD Secretariat led this study and prepared this publication. Invaluable help was provided throughout the study by a panel of experts composed of Mike Campbell (Leeds Metropolitan University, UK), Marie Corman (FOREM, Belgium), Sarah Craig (Dublin Institute of Technology, Ireland), Randall W. Eberts and George A. Erickcek (W.E. Upjohn Institute for Employment Research, United States), Michael Geddes (Warwick Business School, UK), Ron Immink (TASC, Ireland), Michael J. Keane and Micheál Ó Cinnéide (National University of Ireland, Galway), Alberto Melo (Universidade do Algarve, Portugal), Hans Pflaumer (consultant, Germany) and Ivan Turok (University of Glasgow, UK).

© OECD 2001

This study could not have been possible without the commitment of the LEED delegates and the other people in each country who provided assistance: Michael Förschner, Martina Berger and Anette Scoppetta (Austria), Erik Loddewykx and Marion Vrijens (Belgium), Jan Hendeliowitz, Suzanne Hansen and Jens Josephsen (Denmark), Paavo Saikkonen, Matti Pukkio, Lauri Lamminmäki and Helena Korhonen (Finland), Paul Cullen, Tony Crooks and Hilary Curley (Ireland), Carlo Borgomeo, Giuliano Frosini, Fabrizio Barca, Federica Tellini and Raffaella Zinzi (Italy). In the United States, special collaboration with the W.E. Upjohn Institute for Employment Research and assistance from Phyllis Molhoek were instrumental in the success of the exercise. Sheelagh Delf, Valérie Labourdette, Stéphane Leroy, Alistair Nolan, Deirdre O' Flynn and Jonathan Potter provided essential help with the preparation of this publication.

This book is published under the responsibility of the Secretary-General of the OECD.

© OECD 2001

Table of Contents

Part I

LESSONS FROM THE PARTNERSHIP EXPERIENCE

Introduction 13

First experiments 15
Partnerships mainstreamed 16
A new area-based management framework 16
The impact of decentralisation 17
Partnerships: a black box? 18
The local governance agenda 19
Methodology of the study 21

Chapter 1. **Governance Contexts and Management Frameworks** 25

Why the governance context matters 26
Management frameworks 32

Chapter 2. **Fostering Co-operation** 41

Cohesion within sectors 41
An interface between institutions 45
Unbalanced co-operation 51
Informal co-operation 53
Towards an integrated approach 56

Chapter 3. **Designing a Strategy** 61

Social development 62
Economic development 65
Labour market strategies 75

Chapter 4. **Implementing the Strategy** 85

Designing and running activities 85
Defining the targets 92
Delivering services 95
Reforming policy 99
Promoting and assisting the use of measures 101

© OECD 2001

Chapter 5. **Improving the Effectiveness of Partnerships: Recommendations** 107
The contribution of partnerships 108
An accountability failure 109
Inconsistencies in the national policy framework 111
An unreleased capacity to improve governance 111
Recommendations: a strategy to improve governance through partnerships 113

Summary and Conclusion 123
Partnerships and governance 123
New challenges, new potential 124
A potential yet to be fulfilled 125
Failures and obstacles 125
Making partnerships more effective 126

Part II

COUNTRY CASE STUDIES

Introductory Note 131

Chapter 6. **Innovation in Local Governance: the Irish Partnership Model**
by Ivan Turok, Department of Urban Studies, University of Glasgow, United Kingdom 135
The development of local partnerships 135
The achievements of partnerships 151
Conclusions 163

Chapter 7. **Fighting Unemployment and Social Exclusion with Partnerships in Finland**
by Micheál Ó Cinnéide, Department of Geography, National University of Ireland, Galway 175
Employment, governance and partnerships 175
Case studies 184
Conclusions 205

Chapter 8. **A New Approach to Economic Development in Sicily: Planning in Partnership**
by Alberto Melo, University of Algarve, Portugal 213
The general institutional framework 213
Partnerships in Sicily 224
Planning in partnership: first effects and future prospects 240

Chapter 9. **The Role of Partnerships in Economic Development and Labour Markets in the United States**
by Randall W. Eberts and George A. Erickcek, W.E. Upjohn Institute for Employment Research, United States 251
Introduction 251
Workforce development 255
Economic development 265

© OECD 2001

The impact of local partnerships ... 273
Conclusions ... 275

Chapter 10. **Partnerships in Austria: Enhancing Regional Co-operation in a Decentralised Policy Framework**
by Mike Campbell, Policy Research Institute, Leeds Metropolitan University, United Kingdom ... 281

Employment and partnership development ... 281
Performance assessment ... 289
Enhancing the effectiveness of partnerships ... 299

Annex. 1999 AMS Targets ... 307

Chapter 11. **Broadening Social Dialogue: the Experience of the Flemish Region of Belgium**
by Sarah Craig, Centre for Social and Educational Research, Dublin Institute of Technology, Ireland ... 309

Overview of the Flemish context ... 309
Sub-regional developments and local partnerships in Flanders ... 316
Conclusions ... 334

Chapter 12. **Tripartism, Partnership and Regional Integration of Policies in Denmark**
by Michael J. Keane, Department of Economics, National University of Ireland, Galway and Marie Corman, FOREM, Belgium ... 341

Introduction ... 341
Regional and local government in Denmark ... 342
The Danish approach to the labour market ... 344
Support systems for the unemployed ... 346
The activities of regional labour market councils ... 348
Combining tripartism and networking ... 357
Labour market policy and social issues ... 362
Regional and local economic development ... 366
Conclusions ... 369

Annex. Main activation instruments ... 372

Bibliography ... 375

Annex I. Authors' Biographical Notes ... 383
Annex II. Fieldwork Information Details ... 385

Boxes

1. *Programmazione negoziata*, or Planning in Partnership ... 31
2. Social capital ... 44
3. A partnership on both decision-making and delivery: the Workforce Investment Act in the United States ... 49
4. Increasing the efficiency of the labour market in Limburg (Belgium) ... 50
5. Informal co-operation: the Danish model ... 54
6. Strategies for social development in Ireland ... 63

© OECD 2001

7. Spatial consistency of objectives: the Tyrol example 72
8. The reform of the STCs in Flanders 80
9. Implementing the local strategy in Finland 87
10. The Community Employment/Job Initiative Framework Agreement in Ireland 94
11. A partnership strategy to improve governance 127
12. Local development instruments in the South of Italy 215
13. Public agencies to support local development in Italy 216

Figures

1. Map of Ireland 149
2. Economic and employment trends in Finland, 1990-1999 177
3. Trends in unemployment rate and long-term unemployment share in the Iisalmi area, 1991-1999 187
4. Map of Finland 188
5. Trends in unemployment rate and long-term unemployment share in the Sipoo area, 1991-1999 195
6. Trends in unemployment rate and long-term unemployment share in the Keski-Uusimaa area, 1991-1999 201
7. Map of Sicily 230
8. Real gross domestic product, United States 253
9. Map of the United States: the Midwest Region 262
10. Map of Austria 283
11. Flemish organisations in economic and employment development 312
12. Map of Belgium: the Flemish Region (*Vlaams Gewest*) 318
13. The Danish "golden triangle" 345
14. Selected labour market institutions in Denmark 350
15. Map of Denmark 353

Tables

1. Operating costs for partnerships and tripartite organisations 36
2. Socio-economic profile of four partnership areas, Ireland, 1996 150
3. Performance monitoring data for four partnerships, Ireland 153
4. Exports by product group, Finland, 1998 175
5. Changes in subsidised employment and related measures, Finland, 1999-2000 178
6. Selected features of the Iisalmi area 185
7. Employment and enterprise targets and achievements, ISKU partnership, Finland, 1997-1999 192
8. Selected features of the Sipoo area 194
9. Member organisations and representation on the board of the Partnership Association of Sipoo 196
10. Selected features of the Keski-Uusimaa area 200
11. Characteristics of the areas surveyed in the Midwest 253
12. Employment and unemployment, Austria and EU, 1998 281
13. Authorities and bodies responsible for economic development and labour market policy in Austria, by implementation level 285

© OECD 2001

14. Context of the partnerships surveyed in Austria, 1998 288
15. Geographical relevance of selected criteria, Austria 301
16. Labour force, employment and unemployment in Flanders, 1999 310
17. Socio-economic profile of the partnerships studied in Flanders and their areas, 1999 324
18. Representation on local partnership organisations in Flanders 329
19. The size of the public sector in selected OECD countries, 1996 343
20. Welfare state-related activity, expenditure1 and share of public expenditure at three levels of administration in Denmark, 1991 and 1997 343
21. Storstrøm, Lolland-Falster, Denmark: some comparative statistics 353
22. Regional labour market council objectives and result requirements for the year 2000, region of Storstrøm 355
23. Number of participants in various labour market programmes, leave schemes and early retirement, Denmark and region of Storstrøm, 1999 356

© OECD 2001

Part I

LESSONS FROM THE PARTNERSHIP EXPERIENCE

Introduction

Improving governance – the way society collectively solves its problems and meets its needs – is at the core of government strategies to reconcile economic prosperity, social cohesion and environmental progress. In a framework of good governance, government services across administrative levels co-ordinate their activities in order to enhance the global effectiveness of policies and minimise conflicting action. Civil society and the corporate sector are invited to participate in collective decisions and are encouraged to translate their involvement into concrete initiatives.

To improve governance, governments throughout the OECD have recently created and supported networks of area-based partnerships. Through partnerships, agreements on long-term priorities involving a wide range of stakeholders may be used as a guide to deliver programmes and services consistent with local conditions and allocate resources in a way conducive to sustainable development. These partnerships facilitate consultation, co-operation and co-ordination. They are, in short, a tool to improve governance.

While governments have increased their involvement in partnerships, the forces working from "below" have also changed. Previously, partnerships were established mainly as a response to an acute problem threatening a particular area, such as the decline of a vital industry that triggered the need to mobilise available resources. Today, however, local actors wish to participate more systematically in the design of strategies for their area. This wish for greater local participation has often come about as a reaction to the poor results attained by policies only weakly linked to local conditions. It has also been a reaction to the persistence of social exclusion and its associated problems, despite recent economic growth. Partnerships are seen as a means to an improved quality of life.

There are partnerships today in most regions of the OECD. In 1995, Ireland launched a network of 38 partnerships aimed at improving social inclusion – an initiative replicated in several countries since then – and repeated the experience in 2000, establishing boards tasked with the design of economic, social and cultural development strategies in all counties and cities. In Italy, nearly 100 territorial pacts, concentrating mainly on economic development, are in operation. Networks

© OECD 2001

of partnerships flourish in most parts of Europe, notably under the impetus of the European Union (EU), whose funding programmes have both favoured projects agreed in partnerships and stimulated partnership experimentation since the late-1990s. In North America, where they have long been involved in socio-economic fields, partnerships are increasingly addressing diverse tasks ranging from co-ordinating government policies in the labour market to pooling resources and giving coherence to initiatives for urban regeneration and rural development.

While many of the recent partnership exercises focus on social and employment goals, partnerships are increasingly assigned a broader role as co-ordinators of "integrated" development. Several networks set up recently have been tasked with designing a comprehensive development strategy adapted to the conditions of the area and based on local competitive advantages. The development councils in France set up at sub-regional level (*conseils de développement* of the *pays*), the regional development agencies created in the United Kingdom, the new Irish county development boards mentioned above, and the regional growth agreements in Sweden are all a part of this trend. In Italy, the partnerships are central to the participatory planning exercises conducted across different levels of government to design and implement more integrated and effective development policies (*programmazione negoziata*, or planning in partnership). There are high expectations for the results of these processes, which currently are still at the stage of defining modalities of application, and identifying opportunities and challenges.

The opportunities offered by this participatory approach to development are numerous. First, a number of current concerns of the population at large are seen to have a better chance of finding an adequate policy response. For example, there is today a broad consensus on the need to protect the environment and to work towards sustainable economic development. This calls for greater co-ordination of actions within a longer-term framework, which can in principle be facilitated within area-based partnerships. Second, sustained economic growth in many countries allows more room for manoeuvre to tackle geographical disparities, pockets of poverty and social exclusion, all issues for which a partnership approach is often appropriate. Third, partnership may help to identify areas of synergy among activities based on local knowledge and skills, thereby allowing new economic development opportunities to be seized in a context of intense global competition.

Mixing public policy and partnership raises difficulties, however. Civil servants often find themselves in an ambiguous position when working in partnerships, as it proves difficult to reconcile local and institutional responsibilities. Partnership presents a challenge to the power of local elected officials, who have a mandate from their constituents on issues that may be drawn into the debate by other partners. Trade unions and employer organisations, which defend the inter-

© OECD 2001

ests of their members in tripartite organisations, have often perceived cross-sector co-operation and the involvement of the civil society as a threat. Civil society also faces its share of challenges: in many countries, community-based organisations and non-government organisations (NGOs) have not been represented in a way suitable for efficient co-operation with official bodies. This undermines the legitimacy of the whole process and limits the scope for institutional commitment to partnerships.

Obstacles such as these suggest that improving governance through partnerships is not an easy task. This is confirmed by the mixed results obtained by partnerships so far. Although some partnerships have met their objectives successfully, the efforts of others to improve governance have been ineffective. Given the high expectations surrounding partnerships, the opportunities offered by this governance tool, and the challenges it raises, more in-depth examination is required of the mechanisms through which policies can be co-ordinated, integrated and adapted to local conditions through partnerships.

First experiments

The partnership concept was identified some 20 years ago as a promising way of helping local communities to cope with problems specific to their area. In response to mounting pressures, local officials, private companies and community-based organisations sought new ways of promoting local economic and employment development. Partnership was suggested as a way of maximising mobilisation, resources and impact, and has helped responses to crisis situations, such as plant closures and problems in deprived urban areas. Partnership has been a recurring feature of local employment and development initiatives throughout the OECD area.

OECD (1993) surveyed the partnership experience as a response to increasing unemployment. The study highlighted that local initiatives aimed at developing employment were more effective when agreements, formal or informal, were made among the various layers of government, the private sector and voluntary organisations. Without a partnership arrangement, the chances of success are reduced since various groups and individuals may attempt to tackle major structural problems without having the information and support required, and there is a risk of duplication and counter-productive competition. However, the study suggested that partnerships might complicate the process, as the objectives and methods of the parties involved may not be complementary, leading to conflicts of interest. Partnerships should then be flexible, clearly identifying aims and methods and assigning responsibilities.

The study also surveyed a number of partnership-led local employment initiatives and identified common features from those that were most effective:

© OECD 2001

1) clear and realistic objectives and strategies are best formulated on the basis of an assessment of strengths and weaknesses and a sound understanding of the local economic environment, resources and markets for local products; and 2) since activities carried out on a strong local base are more likely to be sustainable in the long term, they must draw on local human, physical and financial resources.

Partnerships mainstreamed

Soon after the early experiments, the first government policies on local partnerships were implemented. In Canada, the Community Futures Programme was designed in the mid-1980s to help local communities achieve sustained economic self-reliance through partnerships. In Ireland, following the success of 12 pilot partnerships set up in 1991 by the government in response to long-term unemployment, support (with additional aid from the European Union) was extended to 38 areas in 1994.

A survey conducted on local partnerships in Ireland helped to characterise further the role of partnerships in improving governance frameworks (OECD, 1996*a*). The study showed that partnerships provide models for broader participation in changing the economy and society. They act as a conduit for local involvement, not only in the development of local areas, but also in the orientation of national policies as lessons learned and concerns raised at local level are fed back to national authorities. In this respect, Irish partnerships have been seen as having an important role to play in stimulating reforms in public administration and in adapting national objectives to better meet local needs.

Local partnerships were described as weak structures, however. They lacked institutional and democratic legitimacy and suffered from problems of co-ordination, both horizontally (between partnerships) and vertically (between partnerships and central government). A more stable framework was needed to help partnerships define their role and retain their capacity to innovate. It was recommended that the accountability framework of partnerships be strengthened while maintaining a significant degree of flexibility in local activity management. This could be achieved through a process of experimentation, comparison and evaluation of the various models of co-ordination and relationship combinations operated locally (termed "democratic experimentalism").

A new area-based management framework

The emergence of local employment initiatives and partnerships was strengthened in the 1990s by an increasing move towards more area-based approaches in employment and development policies. Reforms have extended the powers of regional governments, partly because budgetary pressures have

© OECD 2001

forced central governments to share the financial burden of unemployment. Local authorities have had to support growing social assistance needs in a number of countries. Certain activities and services have been placed in the hands of private and non-profit enterprises, and support to community-based initiatives has been extended.

A multiplication of actors involved in economic development, employment and social policies at local level resulted from this development. An OECD study has explored the local and regional dimension of labour market policies (OECD, 1998*a*), examining the decentralisation of government policy in OECD countries and the contribution of local actors in promoting employment. The study recognised the importance of providing a flexible management framework for policies at local level to foster an integrated approach to policy development and a better adaptation of employment policy to local development strategies. It highlighted the potential of both decentralisation and partnerships in promoting such flexibility, although none of these developments was considered a sufficient condition. When little flexibility is allowed in the management of programmes, partnership can easily remain a marginal instrument. Yet partnerships involving key local actors may lead to a greater consistency between resource allocation and local priorities. The study recommended that partnerships operating within the framework of local and regional development strategies be involved in the implementation of labour market policies.

The impact of decentralisation

To support this area-based management framework, should governments further decentralise labour market policy? Experience reveals that decentralisation, as such, does not necessarily translate into greater flexibility at local level. Naturally, transferring decision-making from one administrative level to another closer to the population may facilitate adaptation to local conditions. In decentralised public employment services (PES), local officers are often free to vary the use of the different measures available in response to local requests and other factors. However, this flexibility is matched by performance monitoring to ensure that progress is made with respect to the targets fixed. Hence, the actual degree of flexibility depends on how these targets are fixed and by whom (*e.g.*, by national or regional government, negotiated with the local office, or in co-operation with other partners).[1]

In 1998 OECD ministers and policy makers emphasised the role of partnerships in co-ordinating economic development, labour market and social policies when they met to draw initial conclusions from their ongoing decentralisation processes.[2] While ensuring that public accountability has remained a high priority,

© OECD 2001

decentralisation reforms have provided greater flexibility to policy frameworks through their ability to match responsibilities with regional administrative capacities. Asymmetric decentralisation, as experienced in Canada, Italy and Spain, has led to different degrees of responsibility across regions, through negotiated arrangements. However, to provide satisfactory coherence between labour market policy, implemented at regional level, with economic and social development concerns, often expressed at more local level, requires further co-operative arrangements. It was concluded that partnerships are a useful tool to reconcile the goals of competitiveness and social cohesion (OECD, 1999*a*).[3]

Partnerships: a black box?

Today, in most OECD countries, governments support networks of partnerships, which involve actors from the public, private and non-profit sectors, representing governments, employers, workers and the broader civil society. Despite the new popularity of partnerships, the mechanisms through which partnerships contribute to economic development, social inclusion, or any other policy objective pursued, are not fully clear.

Partnerships are sometimes compared to a "black box": inputs and outputs are visible, but the mechanisms enabling the transformation from input to output are not. Inputs to the black box include the local actors who accept to participate in the exercise; the public programmes which partnerships can use to various degrees; and the government funding made available for operations and, possibly, projects. The output, or the "value added" of partnerships, consists of the numbers of jobs created, people referred to job vacancies, business start-ups, and people going back to school, as reported by the partnerships within their performance-management systems.

In such a model, relating the output to the input is difficult. The degree of utilisation of the various sources of funds, the distribution of responsibility in programme implementation, the role of the various local actors and the extent of institutional involvement are unknown parameters, as are the external factors which may influence the outcome of the partnership. Therefore, it is difficult to assess the efficiency of partnerships, and to draw proper comparison with other governance instruments, such as government services operating programmes within conventional public management frameworks. It is equally difficult to formulate recommendations to improve the working methods used by partnerships. As stated by the Irish National Economic and Social Forum:

> *"Counting numbers of people and groups and profiling them convey no insight into what actually happens in a partnership programme, why it happened as it did, or the efficiency with which it was made to happen.* (...) *The absence of a model that plausibly articulates the mechanisms at work makes it difficult to conclude that much of what has happened would not*

© OECD 2001

have happened anyway because of the unprecedented growth in aggregate employment, what local communities would themselves have done in the absence of partnerships and changes in other national policies" (NESF, 1999*a*).

Since the performance-management systems used do not fully reflect the mechanisms at work in partnerships, an exploration of the work of partnerships is needed to understand their contribution in the pursuit of policy goals. Such an assessment would enable a more accurate monitoring and evaluation of the performance of partnerships and thus facilitate policy analysis.

The local governance agenda

Assessing the work of partnerships represents a significant challenge when the diversity of partnership experiments is considered. That diversity lies in the range of policy goals they seek to achieve. Individual partnerships have pursued objectives such as promoting employment and social inclusion for disadvantaged groups, or business development in under-developed areas, training, fostering broader integrated development involving environmental issues. This diversity makes the policy results of partnerships an inappropriate basis for comparison across partnerships.

Partnerships are also diverse with regard to their structure, as groups and sectors are more fully represented in some partnerships than in others. The geographical scale of partnerships also varies significantly: some cover large regions while others operate at a more sub-regional, local level.

More generally, the goals pursued by partnerships have, in some countries, been pursued by other entities with different structures and historical backgrounds, such as the tripartite organisations bringing together representatives from trade unions, employer organisations and the government. Increasingly, tripartite organisations, whose first concern is often with labour market policy and working conditions, broaden the scope of their work to include some of that which is typically carried out by partnerships, such as promoting economic development and social cohesion.

A study exploring the work of partnerships should then benefit from broadening the field of examination to a sample of this type of tripartite structures, despite their apparent differences with partnerships. The partnership concept implicitly refers to involvement from the civil society at large, and not only the population represented by trade unions and employer organisations. However, the institutional differences between partnerships with the civil society and tripartite organisations are sometimes blurred. Tripartite organisations increasingly involve NGOs or consult the population through various mechanisms comparable with those used by partnerships. Moreover, co-ordination of pro-

© OECD 2001

grammes and actions is a function clearly shared by both partnerships and tripartite organisations.

Thus, there is no universal model of partnerships. Nonetheless, the recent waves of partnerships and the new developments in tripartism point to a common general agenda for these co-operative bodies established throughout countries. Governments – often their main sponsor – have assigned partnerships (and tripartite organisations in some countries, in co-operation with the social partners) with a "local governance agenda", irrespective of the structure of the bodies involved. Its four axes are as follows:

1. to pursue a policy goal, such as stimulating economic development, promoting social cohesion, improving the quality of life;
2. to seek to attain this goal mainly through increasing the degree of co-ordination between policies and programmes across government services and levels, and adapting them to local conditions;
3. where better co-ordination is not enough, to set up new projects and services;
4. to work at local level to involve local actors, including the civil society, in the definition of priorities and in the development of projects, and to draw on local resources and skills.

This mandate is illustrated well by the new policy on local strategic partnerships (LSPs) launched in the United Kingdom. This policy aims to bring together, at local level, the different parts of the public sector as well as the business, community and voluntary sectors to better co-ordinate initiatives and services, with a view to achieving a more global policy goal:

> "*Our aim is to improve everyone's quality of life. It is only common sense to accept that we can do so better if we work together. Government sees local strategic partnerships as one key route to ensuring that we all work this way.* LSPs *are multi-agency, multi-sectoral, strategic partnerships. They can co-ordinate between local services, agencies and bodies to ensure coherence and effective working at the local level. They can embrace the community, voluntary and private sectors to ensure their influence over service provision.* (…)
>
> *The aspiration behind* LSPs *is that all local service providers should work with each other, the private sector and the broader local community to agree a holistic approach to solving problems with a common vision, agreed objectives, pooled expertise and agreed priorities for the allocation of resources*" (Rt Hon Hilary Armstrong MP, foreword to the consultation document for the LSPs, Department for the Environment, Transport and Regions, 2000).

Examining the work of partnerships on the basis of the local governance agenda gives the opportunity to study a wide range of experiments, avoiding limitations associated with arbitrary choices of institutional contexts.

© OECD 2001

Methodology of the study

The aim of this study is to identify the contribution of partnerships and other co-operative arrangements to the pursuit of policy goals, for example promoting social cohesion and stimulating economic development.

To attain its objective, the study explores the work of partnerships through a cross-country comparative analysis of their main functions. In line with the local governance agenda assigned by the constituent partners, the work of partnerships can be distributed among some main tasks, performed by all partnerships whatever the policy goal pursued and the administrative structure used.

The work of partnerships can be divided as follows:

– F*ostering co-operation*. To pursue their assigned goals, partnerships first promote co-operation across organisations involved in the policy area of concern, assessing the coherence of the various actions conducted and proposing ways to improve it.

– C*onducting a strategic planning exercise*. As a second step, partnerships conduct a strategic planning exercise aimed at setting up common objectives in order to better achieve the policy goals assigned.

– I*mplementing the local strategy*. Finally, the partnership implements its strategy: it proposes or appraises projects, designs specific measures, delivers services and so on.

Fieldwork has been carried out to examine in detail the activities conducted and the working methods used by the partnerships and their constituencies. Representatives of all partner organisations involved (government across administrative levels, local and regional governments, trade unions and employer organisations, NGOs and community-based organisations) as well as the partnerships' co-ordinators have been met by a team of experts led by the OECD Secretariat. Research and assessment have followed methodological guidelines based on research conducted at national and international level and on conclusions reached at a number of seminars held by the OECD on local development and partnerships.[4] The partnership experience of seven countries has been examined in this exercise: Austria, Belgium (Flanders), Denmark (Storstrøm), Finland, Ireland, Italy (Sicily), United States (Illinois, Michigan and Ohio).

Chapter 1 examines the governance context relevant to partnerships and reviews the management frameworks provided for partnerships. Chapter 2 analyses the contribution of partnerships in fostering co-operation among the organisations relevant to the policy issues addressed. Chapter 3 studies how specific objectives have been pursued through strategic planning exercises. Chapter 4 examines how partnerships have implemented the strategies designed and explains their broader role in policy implementation. Chapter 5 draws lessons and

© OECD 2001

formulates recommendations, outlining a strategy that government can implement to improve governance through partnerships. Summary and Conclusion follows and concludes Part I – Lessons from the Partnership Experience – of this publication. The second part of the book (Chapter 6 to 12) presents in greater detail, and provides specific analysis of, the partnership experience in the countries examined.

© OECD 2001

Notes

1. Ensuring strong accountability in a decentralised framework remains nonetheless a challenge, as the experience of several countries currently experiencing decentralisation shows (OECD, 1999*a*). The multiplication of partners and intermediaries may be accompanied by blurring responsibility, weaknesses in monitoring and reporting, and difficulties in agreeing on an accountability framework politically acceptable to the various government levels concerned.

2. "International Conference on the Decentralisation of the Public Employment Service and Local Management of Employment Policies", Venice, 23-24 April 1998, organised by the Italian Ministry of Labour and Social Security and the OECD/LEED Programme. Proceedings published in OECD (1999*a*).

3. The need for greater co-ordination between labour market policy and other policy areas was also expressed at the Conference "Labour Market Policies and the Public Employment Service: Lessons from Recent Experience and Directions for the Future", Prague, 3-4 July 2000, organised by the Czech Ministry of Labour and the OECD (OECD, 2001*a*). The performance targets fixed for local public employment service offices often lose relevance in a wider policy perspective as they generate screening effects, privileging short-term unemployed over individuals with less skills and work experience.

4. From the body of literature on partnerships, it is possible to outline some main general conditions under which partnerships may work effectively. First, there must be enough flexibility at local and regional levels in the management frameworks of policies and programmes. The low degree of flexibility provided in the management of public service at decentralised levels is seen as an obstacle to cross-sector approaches to policy (OECD, 1998*a*; Sabel and O'Donnell, 2001). Second, institutional commitment, in particular from public service, is essential in making the partnership relevant and useful, as it helps to foster trust in the process, leading to further involvement and pooling of resources. This condition has been demonstrated using dynamic game theory, by Xavier Greffe (LEDA, 1998*a*). Efficiency is reached when the gains from partnerships are distributed evenly among partners, *i.e.*, when each of them can, at low cost, anticipate the behaviour and foresee the reactions of the others. Public officials must then prove to the other partners that their participation is substantial, and not only formal. Social partners (trade unions and employer organisations) should also assume local responsibilities in partnership and refrain from formal protection of vested interests. Third, participation of the civil society is a key to stimulate innovation and networking (European Foundation for the Improvement of Living and Working Conditions, 1998), yet low mobilisation is one of the main weaknesses of partnerships, according to the results of a comparison of rural partnerships in eight countries (Esparcia, Moseley and Noguera, 2000). Mobilisation can be stimulated by clear strategies and objectives (Hutchinson and Campbell, 1998; OECD, 1999*b*). Fourthly, accountability and transpar-

© OECD 2001

ency in the management process are required to foster legitimacy and administrative efficiency (EFILWC, 1998; Westholm, 2000).

Preparatory seminars and conferences included "Decentralisation of the Public Employment Service and Local Management of Employment Policies" (Venice, April 1998), "The Local Dimension of Welfare-to-Work" (Sheffield, November 1998), "Local Authorities and Economic Policy" (Berlin, December 1998), "Forum on Finnish Partnerships" (Järvenpää, Finland, December 1998). The OECD also presented its draft methodology at conferences in Wiesbaden ("Local Authorities and Labour Market Policy", June 1998) organised by the Konrad Adenauer Stiftung, and Liège, Belgium ("Seminar on Local Development", November 1998) organised by the FOREM.

© OECD 2001

Chapter 1

Governance Contexts and Management Frameworks

The rationale for developing partnerships in the fields of social, employment and economic development is twofold: 1) the disappointing results of policies only weakly based on local conditions and 2) the inefficiencies of governance frameworks.

Governments have been better equipped to facilitate the structural adjustment of the economy than to deal with its negative spillovers. While unemployment has been partly resolved in recent years, some problems persist: long-term unemployment; social exclusion and poverty; poor living conditions of low-paid workers, single parents and the elderly; urban decay. Low performances obtained through the implementation of successive national economic development programmes and jobs subsidy schemes, combined with tightening government budgets, have encouraged governments to broaden the range of implementation mechanisms and to pool resources with other partners.

Disappointing results from government policy also shed light on a number of institutional and administrative weaknesses: rigid institutions and policy frameworks, vested interests slowing adjustments to the changing context, low degree of co-operation and co-ordination between compartmentalised government departments, absence of long-term planning, policies weakly adapted to the needs of target groups, long delays in government policy reaction. It is often argued that overcoming these problems will lead to more effective government actions to tackle development, labour market and social problems. For example, co-ordinating the content of training programmes with the efforts devoted to attracting investment may improve the results of both, enhancing the reasons to invest in an area and the chances of finding a job after a training programme. Another area of synergy is urban regeneration, in which funding programmes for development projects can be more efficiently implemented within the framework of a wider strategy, which takes account of actions taken by other actors, such as the municipality and the chamber of commerce. Examples of good matching in this field are given in OECD (1998*b*).

© OECD 2001

The governance context provides the background against which partnership agreements are built. This chapter first examines the main institutional characteristics relevant to the investigation of partnerships' contribution to policy matters, and then explores the management frameworks established for partnerships.

Why the governance context matters

The scope for action by partnerships is closely related to the governance context in each country. The manner in which regions are administered and policies implemented provides the underlying conditions for the relationships between organisations. The main characteristics of the governance context that help to identify the need for organisations to work in partnership are decentralisation, tripartism, the role of local authorities, and the distribution of power, described below. The context in the seven countries surveyed in this study is then examined.

Decentralisation. In several sectors, such as labour market policy and training, government policy in a number of countries has been decentralised recently to the regional level. Decentralisation may help take account of local concerns in the implementation of national policies when regional offices are granted some degree of discretion. In addition, elected governments at regional level may be asked to take responsibility for co-ordination or supervision, thus allowing further representation of local interests in the decision-making process. The actual capacity to take account of local concerns also depends on the size of the regions and the administrative responsibility at local level. Decision-making in a decentralised policy framework may well remain relatively centralised in large regions if most decisions are made at regional level with little involvement from local offices.

Tripartism. In some countries, policy in a given sector is managed in co-operation with social partners (trade unions and employer organisations). Tripartite organisations involve actors with different perspectives, providing a forum to discuss policy options, which may lead to binding agreements. A degree of autonomy at regional levels can help take account of local conditions and promote practical solutions (OECD, 1996*b*), although tripartite bodies are often considered as static forums where vested interests are protected. Recent and ongoing developments in some countries have increased the relevance of tripartite mechanisms in addressing co-operation and co-ordination issues, as will be seen below. The difference between area-based partnerships and tripartite organisations is sometimes blurred, as the latter develop mechanisms to involve the civil society and broaden the scope of their work to social and economic themes.

The role of local authorities. Closest to citizens, local government is, in principle, most aware of local concerns as expressed by the population. Local authorities are often responsible for the delivery of social services, and for significant strands of economic development policies, particularly in infrastructure and business devel-

© OECD 2001

opment as well as in spatial planning. In countries where they have wide powers and convenient budget structures, local authorities may be in a good position to address local concerns within the framework of their duties. Although in many countries, a significant part of the municipal budget is transferred from other layers of government and earmarked for specific services, a capacity to levy taxes sometimes provides the flexibility needed to address issues that are not part of their immediate remit.

Distribution of competencies. The extent to which the different areas of responsibility – social, employment, economic development, education, health – are managed in a comprehensive and coherent manner at higher levels of government is conducive to a good governance context at local and regional levels. In many countries, however, inconsistency of the different objectives pursued and in the programmes implemented across sectors have led to inefficiencies at local level (EFILWC, 1998). Some sectors, such as labour market policy, are themselves segmented, and few mechanisms can effectively co-ordinate actions when agencies operate under different jurisdictions. The way powers are distributed across government departments, agencies and tripartite organisations, the number of bodies involved and the existence or not of consulting, negotiating or contracting mechanisms are determinant for governance.

The context in the countries surveyed

The seven countries surveyed in this study provide a diversified sample of governance contexts, each of them presenting a unique combination of the factors described above.

A number of countries are characterised by decentralised policy making structures and an important role for tripartism. In Austria – a federal state – and Denmark, elected regional governments have responsibility for a number of sectors, such as economic development, infrastructures and education. In the labour market sector, both countries, as well the Flemish region in Belgium, have tripartite boards at regional (or sub-regional) level, in which trade unions and employer organisations agree with the government on the policy priorities of the area. Yet, although territories of regional governments and tripartite boards coincide, this distribution of responsibilities may not yield effective co-ordination of economic development and labour market policies. Ambitious targets set at national level for the implementation of labour market policies, combined with tightening budgetary resources, have tended to narrow the scope of the public employment service supervised by the tripartite board while more co-operation was sought from it. Regional governments have expressed a need for greater co-operation in setting up their economic development projects, and local authorities, in providing

© OECD 2001

assistance to unemployed people not entitled to unemployment insurance (UI) benefits.

Two kinds of partnership responses have been provided to overcome this barrier to good governance: 1) networking the tripartite organisation with other partners; and 2) broadening the partnership within the tripartite organisation.

In Austria, partnerships have been set up to co-ordinate the main actors at regional level and, in particular, the tripartite labour market board (AMS) and the regional government. After a trial run in three areas, initiated by the European Union, in 1998, the federal government offered all regions financial support to stimulate and formalise co-operation around specific projects developed in partnership. As a result, partnerships (called territorial pacts for employment) were set up in seven regions (*Länder*) in 1999, and, since then, the nine regions of Austria have been covered. The AMS is a partner in all of these pacts. The partnership agreements are mainly aimed at re-integrating the long-term unemployed, although some also concern economic development.

The response in Flanders was to expand the structure of the tripartite organisations, the sub-regional employment committees (STCs), and to broaden their scope of action. The STCs' mission has been extended from planning labour market policy (mainly directed at the unemployed registered to UI) to answering the needs of disadvantaged groups. The 1998 Flemish reform also strengthened the role of these boards in the sub-regional institutional landscape, re-scaling them and giving them more autonomy from the public employment service (VDAB). Another initiative to foster co-operation (in a relatively broader scope of activities, and notably economic development ones) at sub-regional level set up in 1995, the district platforms (*Streekplatformen*), is also surveyed in this study.

A direction similar to Flanders has been taken in the United States, where there used to be little co-ordination between the different employment policies supported either at the federal or the state level. Up to recently, tripartite boards (private industry councils) advised public services on the qualifications needs of enterprises at sub-regional (service delivery area) level. In 1998, the federal government proposed to strengthen these organisations and to broaden their scope of activities. Workforce investment boards (WIBs) are responsible for co-ordinating all measures on the labour market as well as education and social programmes, including those targeted at youth and other population groups.

A combination of these two responses has been made in Denmark. In 1994, the regional tripartite organisation (regional labour market council, RAR) emerged from the public employment service reform as one of the most influential bodies in employment and economic development. Politicians of the regional government, mayors, chairmen of trade unions and employer organisations are appointed to the boards of directors, where a broad agenda of issues is discussed.

© OECD 2001

Precedence over local and regional authorities is even given to the RAR on a number of questions of economic concern. This strong role has provided the board with the capacity to take account of some of the concerns of the municipalities and regional government with regard to unemployed people not entitled to UI benefits and some economic issues. In addition, a range of external co-operative links established with other relevant organisations has made the tripartite board the hub of a dense network of economic and training institutions at regional level.

A lack of co-ordination between a range of public services (and the tripartite board responsible for labour market policy, FÁS) has also been identified in Ireland, and designated as a cause of the insufficient assistance provided to the long-term unemployed and disadvantaged groups. Other factors may also have contributed to this situation, such as the relative centralisation of the public service. Apart from the national level, political representatives are elected at county level, *i.e.*, in the 29 county councils and five borough corporations (cities), which cover groups of small towns and urban districts. County and city authorities are granted very limited powers, mainly related to spatial planning and infrastructures. Weaknesses in representative democracy, compartmentalised public services, and few local powers have been among the main forces behind the creation of partnerships between organisations in disadvantaged areas. Various initiatives have been formed, among them the area-based partnerships referred to in Introduction. Led mainly by community-based organisations and voluntary associations familiar with the problems of disadvantaged groups, these partnerships have thrived through successive development programmes funded jointly by the Irish government and the EU, and survived various reforms.

A quite different context in Finland gave birth to partnerships with a similar focus. Following the deep recession of the early-1990s, the demand for labour declined sharply. The transition from near full employment to high unemployment gave impetus to the search for new ways to alleviate labour market problems. Inspired by the Irish initiative, a partnership programme was launched in 1996 by the Ministry of Labour. Partly funded by the EU, the programme supported 26 partnerships, to which were added 10 self-starting partnerships, which were funded through various local and national sources. Unlike Ireland, Finnish local authorities have strong powers and a great deal of autonomy. They have primary responsibility for education, social welfare, health care, environment and infrastructure, levy their own taxes and receive state subsidies and other charges. Decentralised administrative systems prevailing in the provision of government services come to support the strong local autonomy. Municipalities, sharing the burden of long-term unemployment, often took the lead in the establishment of partnerships as offered by the government programme.

A similar reaction was the one of Italian municipalities often unsatisfied with the efforts deployed in economic development in the South of the country and

© OECD 2001

the lack of co-ordination between the different public services. In Sicily, where the regional government has benefited from a greater flexibility in policy implementation provided by the status of autonomous region, weaknesses in vertical co-ordination and public service efficiency have been identified as among the main reasons for the poor success of economic development policies. When the government offered new funds for economic development to be allocated through partnerships, clear interest in co-operation was identified by municipalities, which have supported and provided bases for the different waves of territorial pacts launched since 1996. Today, partnerships design local strategies within the broader national framework of *programmazione negoziata*, a participatory process aimed at increasing the effectiveness of economic development policies through greater consistency across levels and areas (see Box 1).

The geographical scale of partnerships

Various combinations of institutional factors have thus produced a variety of partnership models and renewed tripartite ones. Yet no typology of partnerships is required in this study as, in order to ensure analytical consistency, partnerships are compared in terms of the functions they all perform. Their institutional differences (*e.g.*, in terms of policy goals, membership) are simply highlighted when they can be relevant to the analysis of a particular issue.

Nevertheless, one variation that may appear crucial in the analysis of partnership functions is geographical scale. The size of the geographical territory covered by partnerships varies widely. Some partnerships and tripartite organisations cover the territory of the largest administrative units in a country, referred to as "regions" in this study. Most often, however, partnerships cover smaller areas associated with groups of municipalities, and, sometimes, single municipalities, which correspond best to the term "local". The term "sub-regional" is also used. It denotes geographical scales smaller than the largest regional units. Compared to the regional level, the sub-regional one often suggests a higher degree of economic homogeneity and a greater scope for the establishment of co-operative relationships between local actors.

Although distinctions between local, sub-regional, regional and central (national) bring some accuracy into the analysis, this vocabulary can be misleading in certain circumstances. First, the size of regions and sub-regions are relative to the size of the country. For example, the regions in Denmark may compare with sub-regions in the United States, such as the counties, rather than the states. Second, the sub-regional level provides a wide space often filled with a number of layers used for either administrative or co-ordination purposes. In Belgium, the Flemish region comprises, at sub-regional level, one administrative level, the provinces, and two co-ordination levels, where sub-regional employment committees

© OECD 2001

Box 1. *Programmazione negoziata*, or Planning in Partnership

Policy making for the economic development of Southern Italy underwent significant change in the 1990s after decades of intervention had failed to achieve their targets. Calling for a more bottom-up approach in economic development, a new concept emerged in the legislation in 1996: P*rogrammazione negoziata* – Planning in Partnership. This change in approach was also stimulated by initiatives at local level. As early as 1993, co-operation processes such as the "local agreement for development" signed in the Sicilian province of Caltanissetta, highlighted the need for new directions in policy design for the South.

Planning in Partnership is an institutional strategy to harmonise the economic intervention of public and private actors in the territory. It requires that public policy identifies the strategic priorities of local and regional areas, selects the interventions that ensure coherent policy implementation, makes the necessary resources available and provides a consistent timeframe in order to achieve objectives across territorial levels. A participatory approach is taken to involve all relevant actors in identifying local priorities and to take account of their concerns to optimise the impact of joint intervention.

Planning in Partnership uses a number of instruments. The Institutional Agreement (I*ntesa istituzionale di programma*) provides for multi-year programmes of initiatives, which enable regions to direct public investment towards priority projects. A Framework Programme Agreement (A*ccordo di programma quadro*) defines the conditions of implementation for this intervention and agrees on the role of the central government, the region, the local authorities and the private sector.

At local level, instruments used include territorial pacts (*patti territoriali*) and area contracts (*contratti d'area*), which promote co-operation among local actors, define local priorities, co-ordinate public and private investment and stimulate economic development. Through territorial pacts, investments (financed at 30% by the private sector) are made in business development (industry, agri-industry, services and tourism) and infrastructures. A slightly different version, supported by the EU (territorial pacts for employment), also operates in Italy (as in other countries) and allows the field of action to include social and labour market issues. Area contracts are implemented in circumscribed areas undergoing industrial restructuring with a significant decline in employment. They promote investment using substantial public funding and through reaching local agreements on exceptional administrative measures.

Source: OECD (2001*b*) and Chapter 8 by A. Melo.

operate and, at a lower scale, district platforms. In a number of countries, municipalities group themselves and offer their own additional co-ordination level, such as the various types of French *communautés de communes*.

© OECD 2001

The size of municipalities also has implications for the scale of sub-regional levels. The first level of representative democracy in Italy is found at the level of communes, which can be very small, while in Ireland it is found at the level of counties, which is rather sub-regional, and large cities. In addition, the density of the population varies across urban and rural areas, casting a different light on geographical differentiation. Therefore, even when it is possible to differentiate local and regional partnerships, such distinction should be used with care.

Management frameworks

The overview of the various institutional contexts presented above confirms what the main tasks carried out by partnerships to address their local governance agenda (seen in Introduction) are: to stimulate co-operation among organisations responsible for policy development in relevant sectors; to encourage policy co-ordination, notably through strategic planning; and to help adapt measures to local conditions and respond to local needs as part of the implementation of the strategy adopted.

This agenda also includes a policy objective as, under the umbrella of partnership, partner organisations have been asked to pursue jointly an overall policy goal of common interest. This policy goal most frequently is: 1) fostering sustainable economic development; or 2) reducing unemployment; or 3) alleviating social exclusion and poverty. Such goal-setting is consistent with broader policy frameworks initiated by governments, in which partnerships are an implementation tool (for example, the Operational Programme for Local, Urban and Regional Development in Ireland, financed by the government and the EU, which has funded partnership activities in 1994-1999). Pursuing a policy goal is also a standard feature of the work of tripartite organisations, which usually promote the efficiency of the labour market.

A consequence of providing partnerships with a policy agenda has been to give them similar characteristics to government agencies. Governments have designed management frameworks to support partnerships in performing their functions. They have provided partnerships with an administrative structure, financial resources and evaluation mechanisms. This section reviews the management framework of partnerships.

Administrative structure

In a partnership, the list of partners can range from a small group composed of the most important organisations locally (such as local authorities, the main public services, social partners) to private companies, education institutions, health care providers and others. In Finland, the number of partner organisations supporting partnerships can reach 50. To suit the various degrees of support

© OECD 2001

across partnerships and extents of involvement among partners, several types of administrative structures have been experimented with, making the "geometry" of partnerships variable.

The board of directors is the main administrative element of partnerships. It groups together the most relevant organisations for a few meetings a year and makes the main decisions. A smaller management committee usually meets monthly or so, to supervise operations and provide guidance. A wider platform sometimes exists to group together the board members and the managers involved in projects linked with the partnership and other supporting organisations and individuals. Meetings of this platform, which may take place once a year, are aimed at a broader discussion on issues related to policies and projects.

The working groups are another important component of the administrative structure of partnerships. In countries where partnerships have been involved in several policy sectors, setting up working groups has ensured the accumulation of the expertise necessary locally to assess needs and to propose appropriate responses. In Ireland, partnerships promoting the social inclusion of disadvantaged groups have typically operated half a dozen working groups on specific themes (*e.g.*, education and training, services to the unemployed, childcare, community development, enterprise creation, environment and infrastructures).

The members

Organisations most relevant to the partnership's operation normally have a seat on the board of directors. They are referred to as partner organisations, or constituencies, although a larger number of bodies may support the partnership, as mentioned above.

Equity and inclusiveness are guiding principles in the composition of partnerships.

Inspired by tripartite boards on the labour market, which formally attribute an equal number of seats to the government, trade unions and employer organisations, partnerships have tried to equitably distribute roles in the decision-making process. Respecting this principle has been particularly important in promoting accountability and legitimacy in countries where funds have been directly allocated to the partnership for the implementation of specific programmes and activities. In Ireland, for example, particular attention has been devoted to this. Rules agreed at national level require a structure involving the following sectors: 1) government (public services and – since 1999 – local authorities; 2) social partners (trade unions and employer organisations); and 3) community-based organisations and the voluntary sector. Some flexibility is allowed to adapt the final composition to local circumstances, provided that no sector holds a majority of seats. Partners themselves decide what the final local composition should be.

© OECD 2001

The criteria of inclusiveness sometimes precede that of equity, particularly when a broad range of considerations must be taken into account in the local decision-making process. In the United States, boards responsible for implementing labour market policy (workforce investment boards) also manage policies in the areas of social assistance, education and vocational training. Providing that 51 per cent of the seats belong to the private sector, a range of areas can be represented, including government services, education, economic development, employees, the community, students, parents.

When partnerships address an issue of special interest to municipalities, such as economic development, the inclusion of representatives from all partner municipalities is often deemed appropriate, even when this comes at the expense of equity. In Flanders (district platforms) and Italy (territorial pacts), numerous municipalities have often outnumbered the other partners. An extreme case was found in an area of Finland (Keski-Uusimaa) where the board of directors was exclusively composed of representatives from the three partner municipalities.

In general, however, partner organisations benefiting from flexible requirements by funding sources for the composition of boards have tried to reconcile equity and inclusiveness. In Italy, some territorial pacts have given social partners a number of seats equal to the number of municipalities represented. In Finland, where a broad array of organisations from a range of sectors support the partnerships, a steering committee balancing the weight of the various groups is normally set up. Tripartite boards founded in a traditional way have been opened to representatives of local governments (Denmark, Flanders) and private training providers (Flanders).

The extent of each sector's actual representation depends not only on the share of the seats but also on other factors, such as the delegation mechanism used by each sector, the definition of delegates' mandates and the reporting methods used within each partner organisation. These are addressed throughout this study as they have a considerable impact on the effectiveness, accountability and legitimacy of partnerships. In this section, however, it may be noted that these factors vary widely across policy sectors, countries and areas. For example, representatives from social partners and government are often appointed by their organisations and given a mandate, the clarity and accuracy of which can vary depending on the interest of the organisation. Low participation and commitment have often accompanied weak representation mechanisms.

Concerns on the accountability of partnerships have often been stirred by *ad hoc* representation of the civil society and the uneven degree of transparency in

© OECD 2001

the representation mechanisms used. In Austria, where social partners have long been assumed to represent the entire civil society, non-elected NGOs have recently been invited to join some of the partnerships in order to take more views on board. This way of appointing NGOs is not consensual among the other partners to the extent that, although the selection is likely to reflect NGOs' particular involvement in the region, NGOs represent themselves and not the views of the people they serve. In Ireland, however, community-based organisations and voluntary groups elect their representatives, reflecting the wish to reconcile the strong involvement from that sector in the operation of the partnerships, and the need to bolster the legitimacy of the partnership structure as a whole.

Tripartite boards responsible for policy implementation have traditionally developed stronger representation mechanisms. In Denmark, regional delegates to the boards are often the top officials of their organisation, including mayors of regional and local governments, and chairmen of regional trade unions and employer organisations. In the United States, delegates are appointed by elected local officials and certified annually by the state governor. Education representatives must be elected or appointed board members of their own institution.

Representation of civil society in tripartite organisations has typically been made through trade unions and employer organisations exclusively, especially in Europe. However, measures have been taken to involve the population more widely in tripartite organisations recently. Cases from Belgium (working groups of NGOs in Flanders) and Denmark (local workshops to feed in the strategic planning exercises) are discussed in the next chapters.

R*esources*

Partnership organisations are small bodies. Duties associated with the management, co-ordination and secretariat of the board of directors have usually been carried out by a core staff of two to four people. Staff, office rent, materials and equipment represent the bulk of operation costs, which have often been financed by grants from central government (and the EU for member states) for fixed-term periods. The partners sometimes hire private consultants to carry out these tasks. In practice, the staff numbers working for partnerships have often been higher than that financed through the main funding sources. Partnership organisations have benefited from secondments from public organisations and, as a non-profit organisation, from job subsidies. Partnerships actively involved in programme implementation and service delivery in Ireland have had up to 30 staff working in total, including part-time workers (Clondalkin area, greater Dublin).

© OECD 2001

Staffing of tripartite organisations is usually higher due to their responsibility for implementation of active labour market policies and service delivery. In Denmark (region of Storstrøm) and Michigan (counties of Kalamazoo and St. Joseph), about 10 people work on servicing the regional board and on programming activities.[1] In Flanders, sub-regional employment committees, separate from the public employment service, have, on average, three people working on management and programming, similar to partnerships, to whom one or two officers are added in secondment from the PES.

Table 1 gives a sample of operation costs (excluding the salaries of staff seconded or a beneficiary of job subsidy). It can be seen that annual operating costs for partnerships are relatively low, from 86 800 Euro (Belgium) to 183 500 Euro

Table 1. **Operating costs for partnerships and tripartite organisations**

Organisation	Areas	Country	Population of the area	Operating costs[1]
Territorial employment pacts	Average (9 units)[2]	Austria	899 000	165 200 Euro (ATS 2.3 million)[3]
Sub-regional employment committees	Average (12 units)	Belgium (Flanders)	493 000	157 800 Euro (BEF 6.4 million)
District platforms	Partial average (14 units)[4]	Belgium (Flanders)	303 000	86 800 Euro (BEF 3.5 million)
Regional labour market council[5]	Storstrøm region	Denmark	259 000	479 000 Euro (DKK 3.6 million)[6]
"Official" Partnerships	Average (26 units)	Finland	73 000	101 000 Euro (FIM 600 000)[7]
Area-based partnerships	Average (38 units)	Ireland	50 000	183 500 Euro (IR£ 144 500)[7]
Territorial pacts funded by the Italian government	Estimate (7 units)	Italy (Sicily)	120 000	80 000-100 000 Euro (ITL 150-200 million)
Workforce investment board[5]	Counties of Kalamazoo and St. Joseph	United States (Michigan)	291 000	US$420 000 (497 500 Euro)

1. Estimation of the cost of management, co-ordination of activities, monitoring, evaluation, secretariat of the board of directors, public relations. Estimates are per unit and per year (2000 except where specified).
2. Two units were in the process of being set up in 2000.
3. Based on applications to central government for funding in 2000. Organisations receiving support from other sources may use that funding to finance other activities, such as feasibility studies for local projects.
4. Three of the 17 platforms had no operating costs in 2000.
5. Tripartite organisation responsible for the implementation of active labour market policy (directing the public employment service).
6. Operation costs of the regional labour market policy division, including the service of the labour market council and monitoring the regional labour market.
7. Average per annum over the period 1997-1999.

Source: National administrations.

© OECD 2001

(Ireland), with higher levels for tripartite organisations managing and programming employment services (as in Denmark and the United States). A quick look at the population indicates that these costs go from a small fraction of Euro per capita in some countries (*i.e.*, Austria and Belgium), to more than a Euro in others (for tripartite organisations directing the PES, and in Finland and Ireland, where partnerships often operate in predominantly rural areas).

In some partnerships, operating costs have been financed by the local partners, without any assistance from central government. In Italy, most partnerships fund their operation costs through partner organisations. Similar to the procedure used in co-operative organisations, municipalities have contributed to the "social capital" of the partnership, after having jointly identified the appropriate level themselves. Part of this social capital has been used to cover running expenses and as a collateral for eventual banking operations. Alternative methods experimented with in Italy (pioneered in the Sicilian area of Le Madonie) include the appropriation by the partnership of one per cent of the funds allocated to each activity and project carried out within the framework of the partnership. Seed capital was provided at the beginning by municipalities to start up the partnership.

In a number of countries (Belgium, Finland, United States), several partnerships have been able to function using local grants only, mostly from municipalities (especially when the focus is on economic development) and the regional office of the public employment service. For example, the partnership in the municipality of Sipoo (Finland), a local initiative, has drawn on a funding base made up of the regional Employment and Economic Development Centre[2] which provides the majority of resources, the municipality and the parish, as well as other sources.

With regard to projects and activities, most partnerships have been allocated a specific budget to implement the approved local strategy, on the basis of criteria stipulated in the central government's funding schemes (and the EU for member states). The European Structural Funds have favoured projects designed and agreed in partnerships in the allocation of funds for economic and employment development, providing a significant impulse to the creation of partnerships.

Funds are also levied from a wide variety of sources locally, either private or public. In Ireland, fund-raising activities have enabled some partnerships to double the funding available from the main sources. In addition, governments give special grants to carry out specific activities, as the Irish Department for Enterprise, Trade and Employment did from 1995 to 1999 in funding the implementation by partnerships of their local employment service network. Workforce

© OECD 2001

investment boards in the United States operate up to 26 different schemes, funded at either state or national level.

Co-ordination and evaluation

Co-ordination has long been identified as crucial to efficient development and management of activities by partnerships (OECD, 1996*a*). Most partnerships take part in a horizontal process of co-ordination. Central co-ordination and assistance units are located either in government administration (for example, in the national labour market agency for tripartite boards), in an association of municipalities (as in Finland), or in an autonomous organisation, such as Area Development Management Ltd (ADM) in Ireland and *Zentrum für Soziale Innovation* (Centre for Social Innovation) in Austria. These units also provide for vertical co-ordination, facilitating the exchange of information between the central government and partnerships, conveying reform proposals and making successful initiatives known. This role is central with regard to the governance objectives of the partnerships, as increasing the co-ordination between public services may require institutional and administrative adjustments based on lessons learned from partnership experience.

These co-ordination units have also been involved in the appraisal of local strategies, allocation of funds and monitoring of performance and expenditure. Performances are usually assessed in terms of reaching the targets fixed. The targets are quantitative policy results (*e.g.*, reduction in the number of unemployed, fall in the proportion of long-term unemployed, number of business start-ups), following the accountability guidelines provided by the funding sources. The functionning of performance management systems is often facilitated by the definition of broad objectives (*e.g.*, on employment, education, business development) common to all regions. Under each general objective, the specific amount of funds allocated varies across areas depending on the locally-defined priorities and, sometimes, on past performances.

Improvements in governance through partnerships have seldom been monitored. In a few cases, partnerships have undertaken to monitor their results in this field, in addition to those required by funding schemes. In Finland, for example, attempts have been made to measure and monitor improvements in co-operation and co-ordination between agencies and the involvement of the private sector (Iisalmi area). Finnish evaluations carried out nation-wide have also aimed to identify improvements in co-operation between sectors, greater participation by disadvantaged groups, and involvement of the civil society in decision-making processes.

© OECD 2001

In summary, partnerships contain the characteristics of dynamic and flexible organisations: streamlined, short-termed, fund-raising. These traits are also shared by some of the tripartite organisations studied, which have been re-invigorated by recent reforms.

As any organisation funded by the public, partnerships have pursued policy objectives and their performances in reaching the corresponding targets have been monitored. Partnerships have also been set up to overcome governance inefficiencies, and concerns with policy co-ordination and adaptation to local conditions have been at the core of their *raison d'être*, as the next chapter on fostering co-operation will show. Yet improvements in the field of governance have not been covered by the partnerships' performance-management systems.

The next three chapters examine the tasks carried out by partnerships. The first outlines how partnerships have improved the state of co-operation between organisations. The following chapter discusses the outcome from strategic planning exercises conducted in partnership. Chapter 4 looks at how partnership work has helped to adapt policies to local conditions and to respond to unmet needs through the implementation of the strategy designed.

Notes

1. The total staff involved in management duties and service provision, including in local offices, amounts to 127 and 135 officers respectively in Storstrøm and Kalamazoo/St. Joseph. The latter figure includes 31 volunteers.
2. The 15 Employment and Economic Development Centres gather under the same roof the regional administrative offices of the Ministry of Labour, the Ministry of Trade and Industry and the Ministry of Agriculture and Forestry.

© OECD 2001

Chapter 2

Fostering Co-operation

Governments have made it clear that the main part of partnerships' response to the issues addressed should take the form of a better co-ordination in the implementation of existing policies and a greater coherence in the actions carried out by the various actors. Accordingly, attempts to foster co-operation between the main organisations relevant to the policy goals assigned have been central to the work of partnerships.

To improve co-operation, the partnerships surveyed in this study have examined: 1) the problems faced in the area and their causes; and 2) the way partners' resources are allocated to related programmes and activities. Fostering co-operation has then required that partners pool information on the current situation and discuss the priority with which particular problems are addressed. It has also necessitated a sharing of information on programmes and activities, sometimes through mechanisms allowing regular exchanges in order to keep information updated.

Two types of practical outcome achieved by partnerships through their work to foster co-operation are identified and assessed in this chapter. First, partnerships have strengthened cohesion within partner sectors and, second, they have provided an interface that facilitates policy co-ordination. A frequent obstacle to good governance – unbalanced co-operation – and a tripartite model which avoids this difficulty are then examined. The chapter finally turns to some of the challenges of building broad partnerships and promoting an integrated approach to policy development.

Cohesion within sectors

Experience suggests that partnerships have strengthened cohesion between organisations. The most visible of these cohesive effects has been observed between organisations in the same sector and, in particular, among municipalities. In Austria, Finland and Italy, observers agree that partnerships have had a significant impact on the co-operation between local authorities within sub-regions. In Sicily, where municipalities are core partners in the territorial pacts, cohesion has

© OECD 2001

reached the point where municipalities are often unanimous on transforming the secretariat of the partnership into a genuine agency responsible for economic development in their territories of jurisdiction.

The trigger for establishing co-operative relationships among municipalities has often been the funding made available by the government (and the EU) for activities and projects programmed in partnership. Compared to the budget that municipalities devote to related activities, these resources offered within partnership frameworks have sometimes appeared significant. This has been the case in Italy, where the government stimulated co-operation between municipalities by involving them in the implementation of its entire economic development policy for the South within the framework of Planning in Partnership (see Chapter 1, Box 1).

Other factors (which will be detailed in Chapter 3) have also contributed to strengthen municipal cohesion in Italy: incentives for committing to mutual co-operation have been provided by the expectations of concrete results in a reasonable period of time (one or two years); by the visibility of the collective role of municipalities in investments made by the partnerships; and by some degree of flexibility in defining criteria for the allocation of funds to projects.

Co-operation between municipalities is often quite a new phenomenon in economic development areas. Neighbouring municipalities usually co-operate on the provision of services for which there are economies of scale. For example, public transportation and waste management may be carried out more efficiently and at lower costs by groups of municipalities than individually. However, it is rare for municipalities to jointly lead activities to stimulate economic and employment development. The low availability of resources for common activities and the often-fierce competition between them for business investments have provided few incentives to invest jointly in co-operative projects from which results would be all but certain.

The extent of municipalities' commitment to mutual co-operation in Italy is reflected by their own financial support to the partnership initiatives. For most partnerships (territorial pacts supported by the Italian government), 30 per cent of private funding must be levied for each project, and the organisation's operation costs must be financed by the partners. Municipalities have provided a significant share of the financial resources necessary in this regard, and notably covered the running costs.

A similarly cohesive effect, from partnerships on municipalities and from tripartite labour market organisations on social partners, has been identified. Tripartism suffered from setbacks in the 1990s in countries where unemployment rose to unusual levels and highlighted divergences of views on the most appropriate policy response. In Sweden, for example, employer organisations left the national

© OECD 2001

board. Yet at local and regional level, discussions are often focused on more practical issues leading to constructive agreements (OECD, 1996*b*). Also, significant autonomy on the use of considerable financial resources may play a decisive role in the social partner organisations' willingness to co-operate actively. This is the case in Denmark, where social partners are prominent in the management of labour market programmes at regional level. Employer organisations and trade unions have identified a clear interest in agreeing on the main issues, as their members are the first to benefit from an efficient management of the budgets allocated to active labour market policies.

However, greater cohesion within a sector does not necessarily lead to greater co-operation across sectors. In tripartism, agreements that meet the interests of social partners may leave little room for the concerns of other groups and lead to inconsistency between the allocation of resources and the local needs expressed from a wider perspective. Re-integration into the labour market of disadvantaged people is an example of local concern to which insufficient attention may be paid by labour market councils. In Northern European countries, there is often a clear separation between active labour market policies managed by the PES, accessible to members of the trade unions and workers registered to UI, and social assistance benefits, available to other groups of users, such as the young and the long-term unemployed. The latter services are often provided by local authorities granted fewer resources to cope with the task and which have no role to play in the co-ordination of active labour market policies. Employer organisations often support this separation of responsibilities as their needs are satisfied within a system that provides sufficiently trained and experienced human resources to fill vacancies.

Despite these problems, there is evidence to suggest that cohesion among one sector may represent a step towards effective co-ordination. In Denmark, local and regional officials became members of the board of tripartite organisations through the 1994 reform of the PES, giving some weight to local concerns, including those related to less work-experienced people, and setting the stage for further steps in balancing interests, as will be seen below. In Flanders, the tripartite labour market boards have been asked to also address the needs of disadvantaged groups, leading to positive developments regarding co-operation with community-based organisations and municipalities. In Sicily, municipalities have identified an opportunity for them to stimulate the regional government's responsiveness to issues of local concern. An integrated and long-term development plan for the region was designed by the regional government (for 2000-2006) drawing on extensive consultations with local actors, in which municipalities, through partnerships, provided inputs based on local concerns (in the areas of business development, infrastructures and training).

© OECD 2001

The dynamics of co-operation in partnerships, whereby cohesion is strengthened within a sector and then leads to better relations with actors from other sectors, are sometimes referred to as building social capital. Some partnerships explicitly refer to building social capital as one of their aims. However, social capital can be considered as both an outcome and a factor of partnership effectiveness. While partnerships attempt to foster trust among partners, a given context where trust prevails may be conducive to establishing effective functional relationships (see Box 2).

Box 2. Social capital

A recent study by the OECD (2001*c*) defines social capital in terms of "networks together with shared norms, values and understandings that facilitate co-operation within or among groups". Networks relate to the objective behaviours of actors who enter into associate activity. Norms, values and understandings refer to the subjective dispositions and attitudes of individuals and groups, as well as sanctions and rules governing behaviour. Shared norms and values enable people to communicate and make sense of common experience as well as divergences. Different systems of values and meanings can exist alongside shared ones without necessarily undermining co-operation, if a climate of tolerance prevails. Dialogue and mutual understanding founded on different cultures are an important dimension of social cohesion and help to underpin social capital.

Typically, the idea of social capital is associated with relations in civil society. Social capital is built in families, local communities, neighbourhoods, voluntary associations and firms. However, relationships of trust and networks also involve public organisations and institutions. Public governance based on commitment to public welfare, accountability and transparency provides a basis for trust and social inclusion, which in turn can strengthen social capital. The political, institutional and legal conditions prevailing in a country underpin networks and norms for social co-operation. Hence effective political institutions can complement networks based on the civil society.

Social capital is difficult to measure. The distinctions between sources, functions and outcomes are not clear. Much of what is relevant to social capital is tacit and relational. Although individual attitudes (*e.g.*, trust) or behaviour (*e.g.*, joining organisations and voting) may provide proxy measures of social capital, attempting to capture the main elements of how people interact and relate to each other are hampered by the lack of suitable data sources. The concept of social capital is relatively new, and further work is needed to develop appropriate measurement techniques.

Source: OECD (2001*c*).

© OECD 2001

Establishing strong links across sectors represents a difficult challenge for partnerships, as the Irish experience suggests. Ireland is another country where greater cohesion has been an important positive impact of partnerships, in this case within the weakly structured community-based and voluntary sector. Partnerships have harmonised the diverse views expressed in this sector and given them a platform, contributing to giving the community's arguments more weight in discussions with public service representatives on ways to improve the effectiveness of programmes delivered.

In Ireland, nevertheless, the quality of the co-operation between the community-based and voluntary sector and the public services has remained an issue of debate. Public services officers have often felt uncomfortable sharing information and conducting joint activities with community-based groups and NGOs, despite the openness to civil society involvement shown by the government. This raises the issue of how to provide an effective vehicle for co-operation between sectors with different working methods and accountability criteria.

An interface between institutions

As seen above, strengthening cohesion among a sector helps give structure to and clarify the interests of a group of partners, and this may be a step in the right direction to foster wider co-operation and partnership across sectors. However, establishing links between sectors remains a considerable challenge in itself. In some cases, tackling it may appear as the main priority to address the issues at stake effectively. There are many examples of partnerships that have dedicated themselves to providing an interface between a few main institutions with different perspectives.

The public employment service has been the focus of many of these initiatives. Ineffectiveness in policy co-ordination often refers to weak articulation on two axes: 1) between labour market and social policy, and 2) between labour market policy and economic development. Hence, improving policy coherence often amounts to improving co-operation between the PES and another important organisation responsible for either social affairs or economic development. In most countries, the PES is the most influential actor in the labour market in terms of resources and expertise, although the sector is increasingly open to private service providers. (In some, responsibility for labour market policies is not concentrated in a single organisation, as in the United States, where different services at both state and federal levels are in charge of various policies).

In the field of social policy, municipalities are often the main actors, which need a functional link with the PES. In several countries, they are responsible for providing social assistance services to those who are not eligible for unemployment insurance benefits or who have seen their entitlement period expire.

© OECD 2001

Although municipalities normally draw on transfers from either the national or regional government to cope with this task, the pressure exerted on municipal financial resources has often been strong in recent years, as a share of the long-term unemployed facing particular problems on the labour market fell off UI. Adding to this burden, reforms of the late-1990s reducing the generosity of unemployment insurance regimes and reinforcing the obligations to participate in active labour market programmes had the effect of moving many UI beneficiaries to social assistance.

Services provided to the social assistance recipients vary from region to region and, in some cases, from municipality to municipality. They include direct income support, assistance towards housing, food, transportation, health care and childcare. To re-integrate welfare recipients into the labour market, municipalities have developed a range of employment services, such as placement, counselling and training. These services have, to various extents, duplicated those provided by the PES. As municipalities have little expertise in and limited resources to devote to these activities, co-operation of the PES has often been sought.

Elected regional governments have also increasingly felt the need to co-operate with the PES in the past few years. Regional governments sometimes support the provision of costly social services by municipalities, and they are pressured by voters about the social impact of industrial re-structuring. But more importantly, regional governments are often responsible for designing the economic development strategy for their area. Increasingly, regional strategies aim to stimulate "endogenous" development, drawing on local competitive advantages and skills. They feature activities to foster entrepreneurship and self-employment, support business incubators and social enterprises and encourage the networking of firms. These activities can better be implemented in co-ordination with labour market programmes. The PES may provide technical and financial assistance, and facilitate the access of participants in regional initiatives to job subsidy schemes. In addition, training and placement activities of the PES and those of regional authorities to promote inward investment can reinforce each other and optimise their mutual impact.

It has proved difficult for the PES to contribute significantly to the re-employment of social assistance recipients or to participate actively in economic development initiatives. While some services provided by the PES, like placement, are available to all individuals, whether employed, unemployed or socially assisted, the access to others is restricted. Active labour market policies, which include job subsidies, training and assistance towards self-employment, are often funded through a specific budget allocated by the Ministry of Labour and destined for unemployed people registered to UI, while social measures for other categories of unemployed persons are provided under different jurisdictions. This separation of budgets also prevails in countries where active labour market policies are

© OECD 2001

funded by the unemployment insurance regime, itself financed through contributions levied on payroll and wages. Contributors (employers and employees) expect that this budget be used exclusively for UI recipients – in countries where tripartism plays a role in this sector, trade unions and employer organisations ensure that this is actually the case.

In addition to these limitations, PES resources have been strained by government measures aimed at reducing the cost of labour. Through exoneration on contributions, they have decreased the total funding available for active measures. Management methods linking the allocation of funds with expected results (estimated on the basis of past ones) have further contributed to ensure that policy implementation closely adheres to the mandates specified. The incentives to meet the objectives set have become increasingly important for public services officers in the current context where the PES is being put in competition with private service providers.

Despite the limited flexibility provided, the PES engages in some co-operative activities, recognising that it shares some of the objectives pursued by local and regional authorities. For example, some of the PES' target groups have re-integration problems similar to those of welfare recipients. This is especially the case in countries where the unemployment insurance regime provides for relatively long periods of entitlement, such as four years in Denmark and unlimited in Belgium (as long as some conditions are fulfilled).

In Austria, the PES is responsible for administering both unemployment insurance (*Arbeitslosengeld*) and unemployment assistance (*Notstandhilfe*) benefits, the latter of which can be collected indefinitely by people who remain unemployed having exhausted their entitlement to the former. A third regime, social assistance (*Sozialhilfe*), complements these two managed by the PES. It is financed by municipalities and regional governments and provides help to those unqualified for both assistance regimes, such as young people without work experience. Thus in Austria, carrying out special activities to help re-integrate disadvantaged groups into the labour market is a concern for all of the PES, local and regional governments.

Another incentive to co-operate comes from the mandates to implement government-funded job subsidies aimed at the non-profit and voluntary sector exclusively. The implementation of such schemes is facilitated through exchanges of information between the PES, on one side, and community-based organisations and local governments, on the other side, about the ongoing projects, local initiatives in preparation and target groups concerned, as shown by examples in Finland and Ireland (see Chapter 4).

As a result, informal co-operation links have sometimes been established between the PES and local and regional authorities. The links created have

© OECD 2001

helped the PES to meet some of its targets in terms of referrals to specific programmes. Local development projects have been supported jointly to give work experience to insured unemployed people with re-integration difficulties. Wider exchanges of information have facilitated the implementation of measures involving the community-based and voluntary sector. These activities have highlighted the potential benefits of more systematic co-operation between the PES and other organisations at local level.

A formalised arrangement between organisations is often felt necessary in order to maximise the full benefits of co-operation. In Austria, local PES officers have found that joint projects can be carried out more efficiently from an administrative point of view if formalised through some kind of arrangement. The partnership initiative proposed by the government provided the opportunity to formalise those co-operative links often established on a piecemeal basis between the regional government and the PES. Among the new administrative provisions established within the framework of the partnerships, a contract is signed between the government of the L*and* and the regional office of the PES. To secure the commitment of trade unions and employer organisations, which together manage the PES in each region, the social partners sign a "supportive agreement" with the partnership.

Similarly, in the United States, under the Workforce Investment Act of 1998, relationships between the local workforce investment boards and their partners are formalised through "memoranda of understanding". These formal agreements are sought to ensure efficient resource co-ordination in the area and to avoid service duplication. These provisions set the stage for a local one-stop delivery system (see Box 3).

N*ew challenges in the labour market*

Rapidly evolving conditions in the labour market have recently heightened the interest of the PES in co-operating more systematically with other local and regional partners. In most countries, falling unemployment in the past few years has been accompanied by skills and labour shortages. Localised shortages have been identified even in countries still experiencing relatively high unemployment (for example, in Belgium, skills shortages were identified in 1999 when unemployment was still at 8.8%). Labour mobility seems insufficient to absorb all excess demands.

Part of the response to the shortage problem is provided by attempts to increase the local labour supply and attract into the labour market people who have not sought jobs. This represents an opportunity to re-integrate welfare recipients and to motivate those who have lost contact with the labour market. This

© OECD 2001

Box 3. A partnership on both decision-making and delivery: the Workforce Investment Act in the United States

The Workforce Investment Act (WIA) of 1998 set up a legal framework for both the establishment of partnerships on workforce development and one-stop service delivery agencies. Under the WIA, state and local authorities encourage agencies responsible for administering labour market policy, education and social programmes to collaborate and create a seamless system of delivery (one-stop career centres). Agencies supply activities in each of three categories:

- Core services: determination of eligibility; job search and placement services; career counselling; labour market information; initial assessment of skills and needs; information on programmes, services, training providers, filing for UI and financial assistance.
- Intensive services: comprehensive assessment of skill level and service needs; development of an individual employment plan; job-search workshops; individual and group counselling; case management.
- Training services: skills training; on-the-job training; skills-upgrading and re-training; entrepreneurial training; job-readiness training.

Workforce investment boards are established at both local and state level to plan and oversee one-stop delivery systems. Local WIBs design local workforce development plans, designate one-stop operators, identify providers of training services, negotiate local performance measures with the state board and monitor system performance. Youth councils (including representatives of youth service agencies, housing authorities, parents and youth groups) are established as a sub-group to develop elements of the local plan relating to youth and co-ordinate local youth programmes.

Partners implementing programmes contribute to the operating costs of the one-stop delivery agency, serve on the local board and make the core services of their programmes available in the one-stop agency. A memorandum of understanding (MOU) is agreed between each partner and the WIB and specifies the following elements: services to be provided; funding of services and operating costs; methods for referring job-seekers and employers between the one-stop operators and partners; duration and procedures for amending the MOU; and other provisions agreed by the board members.

Source: Balducchi and Pasternak (2001).

task has highlighted for the PES the need to co-operate with local authorities, community-based organisations and NGOs, which often have more connections with disadvantaged groups and endeavour to identify and remove the obstacles to employment.

© OECD 2001

Another factor has also come into play. Paradoxically, while skills shortages have increased the demand by employers for training, falling unemployment has also had the effect of reducing the public funds available to finance these activities. This has called for a greater co-ordination of the various training services provided at local level, in order, first, to ensure the provision of badly needed services and, second, to eliminate duplication of activities in view of maximising efficiency in service delivery. Sharing local information enables skills needs to be better assessed, with funds allocated accordingly. Partnerships between the PES, private training service providers, trade unions (which provide training in many countries), and employer organisations have been developed to cope with this situation in a satisfactory way. The increased interest of the PES in partnerships in this field can be illustrated by an example from Belgium (Box 4).

Box 4. Increasing the efficiency of the labour market in Limburg (Belgium)

In Flanders, the public employment service (VDAB), along with the training service providers of the private and non-profit sector, have seen a reduction in funds available recently due to falling unemployment. However, the need for labour and specialised skills has been growing rapidly in some regions. In one of the main cities of the province of Limburg (Genk), where the labour demand in certain sectors is sharp while long-term unemployment remains high, VDAB's local office and the municipality have come together in a partnership agreement. The aim is to co-ordinate, together with willing independent training service providers, the training activities in the greater area of Genk.

Nearly all of the 23 providers in the area participate in this exercise. Although they face the risk of being merged or having their funding cut due to the eventual identification of duplicated services through the exercise, the providers value positively the net impact of being networked. As part of the partnership, they can better market their expertise. Community-based providers, working with disadvantaged groups (*e.g.*, immigrants, young people, and women) offer a competitive advantage in the current context where expansion of the labour force is encouraged, and the partnership enables this expertise to be made known to the PES and the local authorities. Private providers can also increase their visibility to the public and the business community through the organisation of training fairs. The partnership also organises workshops to improve the efficiency of the management methods used by the providers.

VDAB, which seconds two officers, and the municipality cover the operation costs of the partnership.

© OECD 2001

In the Limburg example, the partnership initiative helps each partner organisation to meet its objectives. The PES promotes labour market efficiency through matching better training services and the needs of the private sector. The municipality both retains investment in the area and helps alleviate social problems. Private service providers have the opportunity to develop further, and community-based providers draw more people out of welfare, providing initial training and guiding them through further training activities provided by the PES and specialised institutions.

Similar developments in all of Flanders' sub-regions are expected, as partnerships aimed at co-ordinating training and education services (EDUFORA) are planned, following guidelines issued by the Ministry of Labour. Links between VDAB and the municipalities are also expected to strengthen through one-stop agencies (*Werkwinkels*) where both partners must jointly design activities tailored to the needs of the unemployed.

Other examples of interface between the PES and the municipality reflect the identification by the PES of the need for service delivery to take account of the barriers to the re-integration of disadvantaged groups into the labour market, such as the cost and availability of childcare services and weaknesses in the provision of public transportation. Other types of barrier are the psychological and health problems associated with long periods of inactivity. The PES has, on many occasions, identified that these barriers were responsible for poor results of re-integration measures. In an area of Finland (Sipoo), the local PES office and the municipality have developed a case-by-case approach to improve the effectiveness of employment programmes. The partnership, supported by several local organisations, has set up an expert group composed of directors of the local PES office, mental health clinic, health centre and social centre of the municipality. With permission from the long-term unemployed individuals, their cases are assessed by this expert group.

Thus, partnerships are able to provide an interface for the main institutions operating on social, employment and economic development policies to co-operate more efficiently. Constrained by limited financial resources, the PES has identified an interest in working in partnership with local authorities, social partners and community-based organisations. Increasing the labour force, through the re-integration of disadvantaged groups and the assessment of structural obstacles, and enhancing the effectiveness of employment policies, notably through greater co-ordination and rationalisation of training activities, are the main tasks carried out in partnership by the PES.

Unbalanced co-operation

Partnerships acting as an interface between institutions have, by definition, been built around an axis traced between a few main partners with a view to

© OECD 2001

achieving a specific result. The ensuing relationship has not always been balanced and, in some cases, partnerships have been dominated by one single partner, often the municipality or a public agency. Although this may not harm the effectiveness of the actions taken, few improvements in governance can be expected from such initiatives.

Domination by the municipality

The social and economic problems of large cities are specific and complex, and municipalities have initiated partnerships to address them in a dedicated way. The quality of co-operation resulting from such partnership arrangements is uncertain. Some cases reflect wide-ranging agreements and others reveal great difficulties for some of the partners in agreeing with the mayoralty's priorities.

The city of Ghent (Flanders) has promoted a broad agenda encompassing its own interests and those of other institutions. It includes social, employment, economic, cultural and infrastructural aspects of the city's life. The city has built an inclusive partnership around it, and all groups and institutions may participate in the discussions. Interests have been consolidated around a single local plan and a number of objectives. The city provides most of the resources necessary to operate the partnerships, including the staff who work jointly for the city and the partnership.

With sharper objectives, however, it may be more difficult to attain a similar degree of interest convergence. In the United States, where competition for inward investment is often fierce between cities, elected officials are primarily concerned with promoting their own area, attracting investment and retaining firms. Differences of opinion sometimes emerge with partners from public services involved in labour market and social policies (see Chapter 3). In a number of large cities, such as Chicago and Cleveland, a split resulted, as the mayoralty created one partnership, while another one was set up under the leadership of public services, each co-ordinating different measures.

Domination by public service

As suggested earlier, the PES has a precise agenda to pursue which sometimes leaves little flexibility to take account of other concerns. Initiatives to create a partnership around the PES have not necessarily changed this situation and, as a result, the partnership created may pursue one of the PES' objective as its main policy goal. In a region of Austria (Vorarlberg), the main objective of a partnership in which the PES has occupied a central place has been to re-integrate the long-term unemployed, also an objective of the PES in this region.

Agenda dominated by a single partner may be carried out in an effective manner. In Vorarlberg, the target numbers of long-term unemployed to be re-integrated

© OECD 2001

into the labour market have been fully attained by the partnership, according to performance-monitoring methods similar to those used for the PES itself, in a relatively short period of time. The partnership has provided technical and management assistance to managers of various projects, helped them to access government programmes, and monitored the projects' results.

However, little impact has been noted in the governance context: apart from supporting certain activities (funds have been made available by the regional government), input from other partners has not been necessary, and the PES' interest in the partnership fell rapidly once the targets were reached. The activities carried out by the partnership could have been similarly executed under the direct auspices of the PES, through some informal co-operative arrangement.

It can be argued that, within the framework of a regional partnership involving the regional government, social partner organisations, the PES and NGOs, other features of the labour market – and of other fields, such as economic development – could have been among the core issues addressed. Some of those issues might have been in greater need of a co-operative, participatory and integrated approach than the one under study by the partnership. Among labour market issues properly, long-term unemployment may not have been the main problem faced in the region of Vorarlberg (see Chapter 10, by M. Campbell).

Therefore, there is a risk that giving prominence to a single partner, such as the city or a public agency, puts the emphasis on specific issues which do not portray representative priorities, as they would be expressed and addressed in a wider and more balanced partnership.

The next section looks at an alternative model of co-operative arrangement between organisations, which may achieve policy objectives in a way similar to partnerships providing an interface between institutions.

Informal co-operation

Concerns about inconsistency between labour market policies and those in other sectors, such as economic development and social services, have not always led to the creation of partnerships. In Denmark, the need for an interface between main institutions at regional level has not been felt as strongly as in other countries. This is partly due to a generally positive attitude towards cross-sector consultation and co-operation prevailing in this country and also to the important role played by the regional labour market council (RAR). The RAR attempts to integrate the different concerns both internally, through widened participation, and externally, through contributing to general policy coherence in the region (Box 5).

The bold role played by the Danish labour market councils in fostering co-operation and co-ordination at regional level does not mean that the Danish

© OECD 2001

Box 5. Informal co-operation: the Danish model

In Denmark, the PES delivers active labour market policies to the employed and unemployed members of trade unions. People without work experience, on illness benefits and unemployed people who have seen their rights to benefits expire receive assistance from municipalities. As a result of this distribution of powers, municipalities have elaborated active labour market programmes to help socially assisted people to re-integrate the labour market. Their expertise in this field is less developed than that of the PES, however, and municipalities do not have the critical mass to expand it significantly.

A shift of burden has occurred between the PES and the municipalities as the share of socially assisted people in total unemployment has increased since the mid-1990s. This is due to the fact that the number of welfare recipients has remained constant while the registered unemployment figure has decreased – by about half. The introduction of measures restricting the maximum entitlement period to one year for unemployed people who do not participate in employment programmes (activation measures) has also contributed to this shift.

Municipalities have voiced concerns about this situation, demanding closer co-operation with the PES, in order to benefit more from its expertise. Part of the answer provided has been to allow municipal preoccupations to be expressed within the regional labour market council. As part of the 1994 reform, the national labour market agency (AMS) offered a place in the RAR to the municipalities and the regional government (county council). Although this does not guarantee a change of direction and methods for the PES – as the few adjustments made so far in the regional strategy witness, as will be seen in the next chapter – this reform enhanced the role of the RAR, which now represents broader views and concerns at regional level.

It can be argued that the labour market council in Denmark is the most influential organisation at regional level. It shares its views with the other important regional institutions and participates in the work of their regional committees on a wide range of issues, such as education, health, environment, infrastructure and public transport. The RAR also participates actively in a committee set up by the county council to administer funds allocated by the EU for local development projects, a task that has led to the creation of partnerships in other countries.

With regard to the provision of employment and social services to disadvantaged groups, the RAR participates in local social co-ordination committees, aimed at finding the most appropriate solutions at local level, following an initiative by the Ministry of Social Affairs. In these committees, the RARs and other partners jointly evaluate how services to various groups of unemployed people can be improved. The committees also provide the PES with a vehicle to examine what it can gain from co-operation on service provision. In serving groups for whom psychological and health problems are not rare, municipalities have developed a significant expertise in this area, which can also be useful to the PES. Some long-term unemployed persons entitled to UI have similar problems, which the PES does not have the proper expertise to address.

© OECD 2001

Box 5. **Informal co-operation: the Danish model** (*cont.*)

The RARs' role in improving the regional coherence of policies is also felt in economic development areas. The RAR co-operates with business development boards, which aim to design strategic economic development plans at sub-regional level and to provide services to enterprises. As an example of co-operative exchange of services, the PES refers people who plan to start a business to the boards. The latter in turn refer to the PES companies that need training services and specialised skills and which are often unaware of the services provided.

system has provided the optimal response to the main problems encountered locally, in particular those of the long-term unemployed and the socially excluded. The outcome of discussions held in committees is sometimes uncertain as decisions may be left unbinding by the various participants, as happens in partnerships in other countries. Furthermore, the PES faces strong budget constraints and stringent performance-management systems, which limit its flexibility to broaden its activities.

The lessons provided by the Danish model are that similar degrees of co-operation and co-ordination can be achieved between the main institutions at local level, either through formalised partnership agreement or looser consultation mechanisms. Tripartism can be considered as an asset on which efforts to foster co-operation can be based. It may sometimes be more efficient to broaden the scope of discussions in existing frameworks than to set up new *fora* to which resistance can be mounted. Reinforcing tripartite organisations can be an incentive for their members to take a bolder role in policy co-ordination, to support an integrated approach to policy development and to take on more responsibilities in neighbouring policy areas. This actually represents an outcome that many partnerships have endeavoured to achieve: to change the culture of organisations.

The initiatives to foster co-operation between some of the main institutions, through setting up an interface or through developing informal co-operative relationships, have given coherence to policies and helped take account of different interests in designing and implementing policy. However, few of these arrangements have provided the public sector with a platform to exchange views with the civil society. Yet it is often argued that the involvement of NGOs, voluntary associations and community groups is a key to fostering innovation in policy and adaptation of programme implementation to local needs.

© OECD 2001

Towards an integrated approach

In the process of fostering co-operation, some sectors or groups may be left outside a partnership. Public services from policy fields not directly related to the core issues at stake in the partnership often find little reason to be represented. Frequently, employer organisations and trade unions do not participate actively due to lack of interest and, often, the general population is not invited, especially in partnerships aimed mainly at providing an interface between public institutions.

However, there exist many examples of partnerships that have promoted a more integrated approach to policy making. In those cases, a wide variety of actors have been invited to contribute in terms of support, expertise, views and proposals.

But what does "integrated approach" mean exactly? The integrated approach refers to the capacity to make proposals or decisions on a particular issue with the participation of the agencies and actors that can potentially impact on the relevance, appropriateness and effectiveness of the decisions made. Integration has two dimensions: 1) the cross-sector dimension, which refers to policy areas. This translates into the representation of public services involved in the policy areas relevant to the issue addressed; and 2) the inclusive dimension. This dimension refers to the capacity to take account of views expressed by institutions and population groups concerned with the issue, or who might have a relevant input to make into the decision-making process. As a combination of both dimensions, integration connects government, social partners, regional authorities, interest groups and other sectors of the civil society. This section looks at both dimensions in greater detail.

The cross-sector dimension

Several policy sectors from across government levels may be involved in the examination of a particular policy issue. For instance, it is argued that an effective policy response to the exclusion of the long-term unemployed can only be prepared through co-operation between the authorities responsible for labour market policy, economic development, education and training. Due to the structural barriers faced by the disadvantaged groups, the participation of social services (housing, health care, childcare), infrastructure and public transportation departments is also required. To study issues related to economic development, a suitably broad approach may involve some of the latter, plus the bodies involved in inward investment, policy on small and medium enterprises (SMEs), communication and technology.

Many examples exist of broad participation in partnerships from public services, and it does not appear particularly difficult to secure the participation of most relevant authorities in partnership meetings. Institutional commitment in partnerships is another matter, however. Wide cross-sector coverage does not

© OECD 2001

ensure an even degree of participation from the public services involved, which may remain limited to personal commitment. In Ireland, partnerships aimed at the social development of disadvantaged groups have succeeded in gathering representatives of most relevant agencies around local tables – only the Department of Education has largely stayed out of the process. The participating public services, which can decide for themselves the terms and conditions of their own involvement, have in general appointed officers without nonetheless defining a specific mandate for their representation work. As a result, the scope for policy coherence between agencies has depended on the personal capacity of representatives to convince their administration to take steps as agreed in and proposed by partnerships. This situation has contributed to a wide variation of performances across regions.

In Finland and Ireland, the strong personal commitment from civil servants in certain cases may have compensated to some extent for the weaknesses in institutional commitment. The knowledge of civil servants of the local situation and of the programmes available has been useful in initiating well-constructed projects in line with local needs, undertaken with the use of the various resources available. A capacity to undertake and execute effective projects at local level has been recognised by government, as will be seen in Chapter 4. The achievements of partnerships in terms of a greater cohesion within sectors have facilitated the strong personal commitment from many local officers. Stronger cohesion built by partnerships among the community-based and voluntary sectors has made their objectives for the area clearer and more focused. This has in turn helped local civil servants willing to enhance their involvement in local affairs to identify common interests.

Inclusiveness

Trade unions, employer organisations but also unaffiliated employers, NGOs, community groups and religious institutions have all been members of partnerships. They have shared their views on how to tackle the local challenges and provided support, information and assistance in their particular field of expertise.

Social partner organisations (trade unions and employer organisations) have been present in most partnerships across the OECD. Their main contribution to partnership work has been in terms of information and expertise. In partnerships working on employment-related issues, trade unions and employer organisations have provided essential information on the need and availability of skills and qualifications by sector. Trade unions in some countries have developed an expertise in service provision, on which partnerships have also drawn. In Ireland, trade unions helped set up local employment services (LES) managed by the area-based partnerships. The business community has often provided expertise in the project management field, holding seminars and giving specific assistance, as in Austria and Ireland.

© OECD 2001

In some cases, trade unions and employer organisations have taken their involvement further in partnerships. With assistance from the state, they have negotiated measures to promote economic development locally. In Italy, a type of partnership agreement, known as an area contract, has had as one of its main goals the implementation of exceptional measures aimed at improving the flexibility of the labour market, simplifying the administrative requirements around business investment and reinforcing security procedures which can impact on investment in depressed areas of the South. For the most common types of partnerships (territorial pacts, supported by the Italian government, and territorial pacts for employment, jointly supported with the EU), the procedures for the approval of investment projects have also been simplified, a process which involved a number of organisations and public services. Such measures have dramatically accelerated the process of starting up a firm, in some areas from two to three years to 60 days, and also provided one-stop agencies where all procedures can be executed.

In general, however, the involvement of social partner organisations has been rather low. As for public services, appointed delegates have largely served on a voluntary, personal basis. It is difficult to assess the extent to which delegates actually represent their organisations, as few mechanisms suggest an official participation from the organisations involved. For the most part, delegates have no clear mandates to refer to and they are not required to report back to their organisations on the discussions held in the partnership. Organisations have few expectations with respect to the performance of partnerships.

Few social partner organisations have a policy on matters managed by partnerships. For example, trade unions rarely have a policy on local development. It is not the case in all countries though. In Italy, the main trade unions promote a bottom-up approach to economic development, which gives trade union representatives a legitimacy to propose and undertake actions on behalf of their organisations. In addition, Italian trade unions promote employment overall, and not only for their members, which explains their willingness to discuss ways to achieve greater labour market flexibility in deprived areas. Similar policy stances have been taken in other countries, such as Spain and more particularly in Catalonia, where trade unions are actively participating in most partnerships devoted to economic and employment development. In Flanders, trade unions have recognised that more effort needed to be spent to economic development at sub-regional level. They agreed with employer organisations to promote the development of disadvantaged areas and on a new common role to re-integrate the long-term unemployed and socially excluded persons.

A clear policy by social partners on local development, or more precisely on the action that partnerships should lead, provides a significant role for their representatives, in a way similar to those involved in tripartite organisations managing labour market policy. The promotion of a policy strengthens the legitimacy of the

© OECD 2001

involvement of their representatives and, this way, enhances the accountability of the whole partnership. Promoting a policy calls for reporting on the activities conducted to assess whether the partnership is a satisfactory vehicle for it. In Denmark, trade union and business representatives have clear mandates and meet regularly at regional and national level, in their respective organisations, to discuss actions taken and results obtained by the PES. The interest in the performances achieved by the partnership is significant and leads to genuine institutional commitment seeking to optimising the results.

Representing the civil society

In many countries where they represent the majority of employers and employees, social partners have often been considered as representing the civil society as a whole. This view is challenged by community-based organisations, voluntary associations and NGOs, who group and represent people, such as the unemployed and minority groups, whose concerns are not directly addressed by trade unions and employer organisations. The civil society, as represented by these groups, has often played an important role in establishing partnerships.

There may to some extent be a trade-off between inclusiveness and institutional commitment. The active role taken by community-based organisations and voluntary associations in partnerships' activities is sometimes seen as an obstacle by social partners to strengthen their commitment to inclusive partnerships. Trade unions and employer organisations are organisations formally representing their members, and this degree of representation may not be matched by community representatives. It is often expected that this should be reflected in the decision-making process, in the form of prominence for social partners.

Yet the civil society often makes an important contribution to partnerships, especially those trying to respond to unsatisfied local needs in social areas. Part of the rationale for the participation of the wider civil society is that co-operation between the policy makers and the target groups for policies and programmes increases the quantity and quality of the information which can be used in making the measures more effective. In practice, however, representatives of the target groups (unemployed, young people, women and immigrants) have been invited on the board of directors in only a few countries (notably in Ireland and in some areas of Finland). More frequently, the civil society is represented by NGOs promoting the interests of, and providing services to, these groups.

NGOs are enthusiastic about partnerships, as the latter represent an instrument of participatory democracy that they can use to convey their views. Nevertheless, one of the major obstacles to their full participation is the weakness of their representation mechanisms. Participation has not been structured in all

© OECD 2001

countries and NGOs have sometimes been invited on boards without undergoing a selection or election process. While exchanging views with NGOs familiar with the needs of the local community has been helpful to policy-makers in several cases, weak representation may harm the legitimacy of their involvement. Moreover, a low degree of representation is often accompanied by the absence of reporting and consultation mechanisms, which undermines the accountability of the whole partnership process.

Representation procedures agreed by all partners stengthen and sustain the respective involvement of each partner, and are an essential part of a global effort to bolster legitimacy and partnership accountability. This issue has been addressed in Ireland, where all representatives from community-based groups and the voluntary sector are elected by their peers. As a result, in this country, the legitimacy of the civil society representation is generally not an issue at local level. Instead, the strong and experienced involvement of this sector is viewed as a valuable asset.

In summary, partnerships have successfully strengthened cohesion within sectors, and often provided a helpful interface between relevant institutions, although the latter case has sometimes proved deceptive in terms of governance improvements. While partnerships emphasising the role of one or two main organisations may be conducive to effective policy achievements, there is a risk that they overestimate the importance of particular issues which do not reflect representative priorities.

The establishment of informal co-operative relationships between organisations may be considered as a useful alternative, and tripartite organisations willing to play a bolder role locally may prove a helpful asset in fostering an integrated approach to policy. In any event, social partner organisations could make their participation in partnerships more effective by promoting a clear policy on the issues addressed locally. Civil society should develop representation mechanisms that meet other partners' concerns.

Greater co-operation and cohesion have helped organisations to make decisions using better information, and to be aware of the diverse concerns raised locally. Projects and activities that have met the interests of various agencies have been set up. In order to reap all the benefits from the co-operation established, partners have also agreed to pursue strategic objectives allowing series of actions to be jointly implemented. The next chapter examines how these programming exercises have been conducted.

© OECD 2001

Chapter 3

Designing a Strategy

Fostering co-operation represents a first step towards improving governance. Wider access to information and consideration of a broader range of factors in the conduct of policy help to eliminate the duplication of activities and inconsistency between measures.

Strategic planning is the second step forward. Programming in partnership enables new objectives to be outlined in addition to those pursued by each partner organisation, facilitating a closer focus on the issues at stake. Joint strategies pursued by all actors using their expertise and resources may incorporate longer-term priorities and assist the public service in the design of programmes and services consistent with local conditions; likewise they may guide the private sector in investment decisions conducive to sustainable development.

Similar to public agencies and NGOs, most partnerships design an action plan. This defines the goal of the organisation, or states its mission, and is detailed with a number of objectives to pursue and the main activities planned. Appraisal of an action plan is a prerequisite stipulated by most funding schemes, such as the European Structural Funds.

Conducting a strategic planning exercise is not an easy task for partnerships, as this chapter explains. A number of factors may undermine the success of the enterprise, such as the uneven degree of commitment and the weak representation of some partners, which negatively impact on the legitimacy of the decision-making process and the accountability of the whole structure. Consequently, not all action plans will incorporate long-term concerns, nor go beyond the respective interests of the main partner organisations. At the other end of the spectrum, ambitious strategic planning exercises will sometimes lead to few concrete results.

Partnerships have concentrated their efforts on specific fields of policy, consistent with their main goals: social development of disadvantaged groups, economic development of the area, labour market strategies. These areas are examined in turn in this chapter. The chapter identifies the principal outcomes of programming exercises: partnerships have filled policy gaps and sharpened policy objectives when they were weak, triggering the implementation of activities in the

© OECD 2001

policy areas concerned. Objectives that have been defined for combined policy sectors, such as labour market strategies and social development, have led to more integrated policy development.

Social development

Partnerships working in the area of social development have in common their target groups: the long-term unemployed, welfare recipients, young people without work experience, women and immigrants working in precarious conditions, disabled people, and individuals suffering from health problems.

For these groups, the problems faced in the labour market and in daily life are often closely linked. Social exclusion goes beyond the fact of not having a job. It encompasses difficulties associated with low income and a lack of adequate levels of social protection and services (*e.g.*, health, housing, education and legal services) (European Social Fund Programme Evaluation Unit, 1999). Consequently, the goal of partnership in this field is twofold: 1) to help the target group in the labour market, *i.e.*, to obtain a job and keep it, and 2) to improve living conditions. The assessment of the various policy measures which interact with these goals often revealed missing links and raised needs for a more comprehensive approach to address the issues at stake.

Partnerships in Finland and Ireland have taken this approach. To seek to achieve their goal, they have defined and pursued objectives on a broad range (see Box 6).

Activities carried out to meet these objectives are quite diverse, ranging from providing adequate labour market services and help in accessing loans to measures to fight alcoholism and drug abuse. Some of these activities have fallen within the range of existing public services, and some have not. For example, in Ireland, promoting enterprise creation falls within the remit of the Department of Enterprise, Trade and Employment, while no agency is in charge of community development.

Where other organisations are in charge, partnerships have often proposed to develop jointly specialised programmes and services to complement the existing ones, in order to achieve the partnership's targets. For example, in labour market policy, partnerships have proposed that special counselling services, providing for more time and multidisciplinary skills, be offered to the long-term unemployed by the PES, in co-operation with other partners.

Public services at local and regional level have had difficulty in developing activities on these terms, as the new services delivered would not fit entirely within the existing policy frameworks and divert resources dedicated to objectives set at national level. Many partnership objectives have then been pursued through separate initiatives. In Ireland, inspired by trade unions, partnerships set

© OECD 2001

Box 6. Strategies for social development in Ireland

A representative example of strategies pursued by partnerships aimed at the re-integration and the improvement of the quality of life of disadvantaged groups is outlined below. This strategy, articulated through seven broad objectives, has been formulated by a partnership operating in the counties of Offaly and Kildare:

- promote employment and enterprise creation;
- assist the unemployed to develop their potential and enhance their job-seeking skills;
- tackle the problems of early school-leaving;
- provide community development training and capacity building;
- support the development of target groups and promote networking;
- address the problems of transport, lack of information, poor infrastructure and lack of community facilities;
- help enhance the quality of life for all sectors of the community.

Source: OAK Partnership.

up their own network of local employment services (LES) in order to deliver services to the target groups. In Finland, where stringent management by results has made it difficult for the PES to adapt services in directions favoured by partnerships, various separate services have been developed with the help of NGOs.

Although co-operation has not been optimal, these activities have not been carried out in complete isolation from the public services. Often local public service offices have participated indirectly, providing expertise through their appointed representatives on the board of directors and in working groups. Sometimes they contributed financially to these initiatives, using budgetary allowances under local discretion. There are several examples of projects designed by partnerships in Ireland and Finland where the PES co-operated actively, such as job fairs. In Ireland, the PES has regularly seconded staff to the LES.

The difficulty of public bodies in altering policy management frameworks has provided a clear rationale for partnerships to be in charge of the delivery of a range of services to the population, making the agenda of partnerships a concrete reality in both policy and institutional terms. Recognising the usefulness of initiatives taken at local level, governments have provided funding to partnerships for the development of further activities, and even integrated some partnership initi-

© OECD 2001

atives into regular national policy frameworks. Examples include the LES in Ireland. In 1995, the government expanded the LES network, initially of 12 units, to all areas where partnerships were operating, providing the necessary funding (through the Department of Enterprise, Trade and Employment). A further step was taken in 1999 when the government gave the responsibility of managing the LES to the tripartite organisation in charge of implementing labour market policy (FÁS). Another example from Ireland is a programme to promote self-employment for welfare recipients (Back to Work Allowance), initiated by a local partnership but now offered in all areas.

Irish partnerships have carved out a whole policy area which public services were not prepared to develop and operate. In filling the gaps between existing policies, they have ensured that the social development of disadvantaged groups is a policy goal explicitly pursued in the country. Cohesion built up at local level between the various actors, including between community-based groups and civil servants (Chapter 2), has been an important factor in this development towards a more comprehensive approach to the problems faced by the disadvantaged groups.

Linking up with economic development?

Partnerships pursuing social development have sometimes sought more involvement in economic matters. This wish reflects the direct link between local economic development and social issues and, as in Ireland, may be encouraged by the weakness of area-based strategic planning for economic development, the high centralisation of public services and the weak powers of local governments, as seen in Chapter 1.

Assistance to business start-ups, development of infrastructures and public transportation issues may impact directly on the re-integration of long-term unemployed. Urban regeneration and the development of rural amenities, for example stimulating tourism activities, are themes that cannot be left aside in deprived areas. Interactions between fields explain why partnerships have tried to foster an integrated approach to the problems of the disadvantaged, involving all relevant agencies in the decision-making process, including those responsible for economic policies.

This involvement from partnerships has sometimes been carried out at the risk of creating confusion about their role and responsibilities. In Ireland, while their involvement in economic matters has been based on concerns associated with their target groups, partnerships have sometimes given the impression that they also claimed responsibility for economic development because of the number of their initiatives tied in with this field. Unclear distribution of responsibili-

© OECD 2001

ties may undermine the co-operation with actors involved in the economic fields concerned and lead to competition instead of greater co-ordination.

To avoid this situation, many partnerships have made clear the division of labour among economic and social fields. For example, in an area of eastern Finland (municipalities of Iisalmi, Sonkajärvi and Vieremä), the action plan promoting re-integration of the long-term unemployed, prepared by the partnership, has been explicitly derived from the regional development plan, designed by the association of municipalities. This has ensured consistency in the actions taken on both sides and highlighted their complementarity. In Flanders also, the employment goals pursued by a territorial pact as part of the EU initiative (in the sub-region of Halle-Vilvoorde) have been made consistent with the socio-economic development plan designed at provincial level by the economic development agency in co-operation with the provincial government of Vlaams Brabant (Flemish Brabant).

As the next section shows, although some issues are common to both economic and social sectors, programming a strategy for economic development faces its own specific challenges.

Economic development

Partnerships have been able to design a social development strategy for disadvantaged groups, filling gaps in the national policy framework. They have relied on the involvement of community-based organisations and fostered local cohesion, which has drawn civil servants in the process. Are similar mechanisms at work in programming for economic development?

Like social development, economic development involves numerous specific policy areas, including business development (inward and indigenous investment, SMEs), infrastructures, public transport and spatial planning. Those are under the responsibility of several organisations: public services, agencies and municipalities. Although one body – most often the regional government or county council – is often in charge of ensuring that the various actions are conducted in a coherent framework (not the case for social development), in practice, co-ordination of economic development actions has been difficult. The distribution of responsibility between the various bodies is not clear. Often employer organisations, local and regional governments carry out their own specific activities to promote inward investment. The co-ordinator acts as mediator, without precedence over the actions of the others. For example, in several countries, the regional level acts on an equal footing with municipalities, leading to a weak consistency of the actions implemented.

These concerns have joined those about the low effectiveness of top-down approaches to economic development, especially in under-developed areas, the

© OECD 2001

weak attention given to the priorities of the municipalities, and the absence of consultation with the population. A number of partnership initiatives have been launched to challenge such situations.

Two opposite approaches: Flanders and Sicily

The district platforms (*Streekplatformen*) created in Flanders in 1995 have been tasked with proposing an overall strategy for economic development (broadened to include social and employment issues) in their sub-regional area.

Platforms have been asked to group together, on a voluntary basis (as "living forces" of the area), representatives of municipalities, social partners, agencies and other interested groups to:

1. agree on the territory covered by the platform;
2. conceptualise a vision of the territory;
3. formulate objectives consistent with that long-term goal; and
4. propose projects that would allow these objectives to be met.

Area-based agreements are submitted to the Ministry of Economy, which then consults with every other ministry (*e.g.*, Education, Employment, Infrastructure) and state agency (*e.g.*, PES, provincial economic development agencies) on the policy relevance, budgetary implications and implementation mechanisms of the various projects proposed.

The approval process goes in three steps: first, proposals are adjusted through a dialogue between the central level and the platforms; secondly, a charter is prepared by the Ministry of Economy based on the results from discussion, followed by negotiations between ministers; finally, negotiations take place within the government, leading to the signature of the charter by all ministers. When the strategy is approved, public services and agencies implement the planned projects under central level supervision to avoid duplication and conflicting actions.

Only nine of the 17 district platforms have had their plans approved so far – most of them in 1999, after long consultation. Other plans are still undergoing preparation. The difficulty in proposing policy relevant and realistic projects has been due partly to low commitment by the partners themselves. An evaluation carried out in 1999 by the Flemish government indicated that 80 per cent of the time period between the creation of a *Streekplatform* and the signing of a charter has been spent on local, and not central, discussions. Partners have left platforms and some organisations have ceased to work at some point during the process (for example, in the Midden-Limburg area, five municipalities out of 16 withdrew in 2000).

© OECD 2001

As interviews revealed, behind the weak participation in the process lies the significant degree of abstraction of the exercise. While in Ireland, groups gathered around to tackle a particular issue of common concern (*e.g.*, how to re-integrate the socially excluded and improve their living conditions), in Flanders, partners have first had to decide what the issue was in their local area. The entire economic development field has been used as a stage for the preparation of strategies, an ambitious project for which state agencies are better prepared.

Other factors may have undermined the interest of the main partners. First, the heavy procedure poorly suits the short-term timeframe of municipalities. Second, the absence of a role in co-ordinating the implementation of the strategy (given to the central level) has provided no framework to showcase the investment of the partners at local level. This may have been a crucial factor for municipalities, which represent the backbone of the platforms and cover part of their operating costs. This may also have undermined the commitment of the public service officers delegated to the partnership, as more rewards may be expected from proposing new measures within their own administrative and accountability framework than within the partnership.

It is striking that in other circumstances, municipalities have been a formidable force in partnerships for economic development. In Sicily, which has suffered from under-development for decades, partnerships initiated by the government in 1995 have revealed a useful tool to strengthen cohesion among municipalities, as seen in Chapter 2, and to propose alternative economic development strategies. Partnerships cover large parts of Southern Italy and have led to the investment of significant amounts of funds, as it will be seen in the next chapter.

Territorial pacts in Southern Italy have had a clear issue to tackle: underinvestment. Except for EU-supported territorial pacts for employment, which can cover a broader range of activities (including training, environment and non-profit activities), the territorial pact initiative has been focused on business development and, to a lesser extent, infrastructures. Partnerships have been asked to select and promote the industrial sectors presenting local competitive advantages and to make proposals regarding infrastructures.

As in Flanders, partnerships have not been directly involved in implementing the strategy. Partnerships establish a series of criteria and launch a tendering procedure. On the basis of these criteria, an accredited financial institution appraises the proposals submitted and allocates the funds made available by the state (and the local partners) to implement the agreed strategy. The secretariat of the partnership provides assistance to individuals and entrepreneurs in the preparation of proposals.

However, transparency and visibility of investment by partners are ensured in Italy through the publicised tendering process and through the posting of informa-

© OECD 2001

tion on funding participation at the sites of physical infrastructure projects. With regard to timeframes, the current process (initially a lengthy procedure that foresaw the approval of each project by the Ministry of Treasury) ensures rapid investment upon approval of the plan.

As in Ireland, programming based on a limited number of clear issues has stimulated efficient decision-making and implementation. In both countries, a sector has taken a central role and contributed greater efforts to the process: community-based organisations in Ireland, municipalities in Italy. Strengthened cohesion within these sectors has helped clarify and structure objectives, which in turn has made it easier for other partners to identify common interests, as suggested earlier. Civil servants in Ireland have felt that they could enhance their local contribution through effective partnerships. They have joined the process, providing essential knowledge and skill resources in building and implementing a consistent strategy. Similarly, in Sicily, most of the social partners have joined the process. The regional government has also identified an interest in building on the skills developed at local level, designing its current integrated development strategy for the region in consultation with the municipalities and territorial pacts.

Comparison of two different approaches in bottom-up strategic programming for economic development suggests that strategies based on issues, consistent timeframes and transparency and visibility of investment are more likely to emerge as a relevant complement, and a useful challenge, to development policies designed by other bodies. The Italian experience also suggests that the strong involvement of municipalities is essential in formulating relevant and realistic economic development strategies. But is there not a risk that strategies led by municipalities focus overwhelmingly on business development?

Consistency of objectives with the municipal base

Economic development strategies have often been designed on the basis of municipal concerns within partnerships. Municipalities are well-acquainted with the local economic context and are sensitive to the preoccupations of the citizens they represent. Accordingly, their actions are granted a high degree of legitimacy. Other bodies, such as local employer organisations, often identify common interests and subscribe to the planning proposed by municipalities.

Municipalities are often chiefly interested in business and infrastructure development, as the experiences of many partnerships led by local governments show, as, for instance, in Southern Italy. In the United States, partnerships at city or county level similarly aim to promote their area, attract investment and retain firms in a competitive context. Yet other partners often wish that strategic planning would take account of a broader range of concerns.

© OECD 2001

Overall, nevertheless, partnership appears to be a useful tool to weigh interests at local or sub-regional level. It is often argued that *fora* at the level of groups of municipalities are the most appropriate for holding constructive discussions on economic development, as they often correspond to "functional" areas, where a significant number of policy areas, such as social services, transportation, housing, security, and environment are managed in practice. Moreover, groups of municipalities often correspond to geographical areas of economic homogeneity, which share similar market conditions in terms of labour and industrial structure. Social, labour market and economic interests are interconnected at these levels as, for instance, skilled labour is a condition for retaining firms in the area. For the officials in charge of the various services, both the factors and the impacts of a given problem can be identified relatively easily, thus facilitating pragmatic agreements on possible solutions.

Current trends in the design of economic development strategies support these developments. Area-based strategies pursued by partnerships and local governments are increasingly built around "endogenous" economic development, drawing on local competitive advantages, skills and knowledge, and not exlusively focused on attracting new investments. Initiatives to foster entrepreneurship, self-employment, social enterprises, business incubators and enterprise networks now flourish. These initiatives are compatible with a range of diversified objectives, which go beyond industrial and infrastructure development.

A number of examples can illustrate these developments. In Austria, strategic planning drawing on economic homogeneity and the advantages of functional areas has been pursued in an area of Tyrol (Tiroler Oberland und Außerfern) where a partnership has brought together three districts that share similar economic characteristics. Goals have been related to the main challenges faced by the area: the undermined supply chain and local retail trade, and the problems associated with the highly seasonal economy. Activities to fulfil objectives were set across a broad range, acknowledging that only a comprehensive strategy involving new economic activities and infrastructures, environment, human resources, social services and transportation would make the actions effective and the results sustainable.

In Denmark, sub-regional business development boards, composed of the municipalities and the main private companies, define comprehensive economic development plans to effectively impact on the business environment. In an area of the Storstrøm region (Østsjælland), the strategy includes promoting an enterprise culture, developing SMEs, enhancing human resources' skills and stimulating youth entrepreneurship. Projects range from providing services to existing enterprises to designing educational programmes delivered in schools. Mutually beneficial co-operative links have been established with the PES, as mentioned in Chapter 2. The board does not have the resources to deliver training services and,

© OECD 2001

accordingly, promotes the utilisation of vocational training services provided by the PES. In turn, it supplies assistance to unemployed people referred by the PES who are interested in starting up their own enterprise.

In Italy, many territorial pacts have put forward similar targets for approval, such as fostering the development of human resources. Nevertheless, the proposed projects have rarely been supported as these policy areas were not eligible as part of government policy on partnerships. After experimentation with another group of partnerships (territorial pacts for employment, jointly supported by the EU), from which the results are currently under study by the government, all partnerships may be invited to develop a broader range of activities in the future.

Strengthening municipal agreements

However comprehensive they may be, strategies pursued by partnerships based on the interest of a group of municipalities often face two obstacles: competition among municipalities and the lack of critical mass.

Municipalities that have been used to competing with each other for investment find it difficult to trust their neighbours on joint projects for economic development. A lesson learnt from the Italian experience is that both the selection of projects by an independent body and the provision of a high degree of flexibility in defining rules for funds allocation help to foster a co-operative climate. In Italy, the municipalities agree on a list of criteria for the selection of projects, but they are not involved in the selection itself. The latter is carried out by an accredited bank, thus eliminating an area of potential conflict. Moreover, this gives municipalities the opportunity to propose their own projects within the tendering procedure. Flexibility in the definition of rules for allocating funds can further limit self-interest in the negotiation over criteria: in an area of Sicily (Alto Belice Corleonese), minimum quotas for some categories of projects (*e.g.*, social development) have been fixed for the number of projects presented by municipalities that can be supported by the partnership (in proportion of the population, with a minimum of two projects).

Another obstacle is the low critical mass of some partnerships operating in small functional areas. In some areas, in Denmark notably, low critical mass has been identified as a factor of weakness in stimulating investment and levying funds. Poor results obtained in business development activities can undermine the commitment and support from the main partners. This may also have been a factor in the withdrawal of municipalities from the district platform in the Midden-Limburg area in Flanders.

Partnerships have, in some cases, been able to provide a useful response to this problem. They have linked similar organisations across local areas and consolidated their common goals, increasing leverage power and credibility. In the

© OECD 2001

Tyrol example given above, the partnership initiative has provided the opportunity to identify some common interests and needs in the three neighbouring districts (each of which has its own economic development office operating on behalf of the municipalities). Local assessment revealed that all three would gain from establishing a common strategy given their economic homogeneity and their low critical mass. The strategy established in partnership has included targets common to the three districts. Consistency with municipal preoccupations provided the strategy with significant legitimacy in the area.

The identification of common objectives at local level may provide solid background for bottom-up strategic development, as the next section shows.

Towards bottom-up policies

In the process of defining policies, regional governments have often referred to the strategies designed by partnerships which reflect objectives shared on a significant geographical scale.

Evidence from Italy has already been provided: the Sicilian regional government has identified, through its partnership experience, an important role for the nine provinces in conveying local objectives within regional planning. It invited partnerships to participate in provincial *fora* to feed into the design of a long-term integrated development strategy for the region. Further responsibility has been given to the provinces as part of this bottom-up process, as provincial governments are to be directly involved in implementing the regional integrated strategy. Half the funds involved will be allocated by the provinces in projects consistent with the planning agreed across the administrative levels[1] (see Chapter 8, by A. Melo).

In Michigan, the state agency responsible for economic and employment development (*Michigan Economic Development Corporation* – MEDC) has established a strategy which encompasses the ones elaborated in the main cities, including the largest, Detroit, as well as those of the partnerships set up to manage labour market policy (workforce investment boards). In Austria, the regional government of Tyrol has integrated in its regional development strategy the objectives formulated by the partnership bringing together three districts.

This configuration, whereby regional economic development policies are based on strategies established at lower levels, or in consultation with partnerships, has given coherence to objectives across government levels. The Austrian example can be used to illustrate such spatial consistency of objectives. In a given area, strengthening the local supply chain is an aim pursued in a coherent manner across four levels of governance (Box 7).

Spatial consistency of objectives has promoted a bottom-up approach in policy design, thus achieving one of the main goals of partnerships. It has also

© OECD 2001

Box 7. Spatial consistency of objectives: the Tyrol example

Spatial consistency of objectives can be illustrated by an example of objectives pursued across levels of organisation. Strengthening the local supply chain is referred to in the economic strategy of the *Land* of Tyrol, in that of a partnership (region of Tiroler Oberland und Außerfern) which covers a part of the *Land*, in that (although less explicitly) of a district (Imst) covered by that partnership, and in the strategy pursued by one of the municipalities located in that district, Tarrenz.

Excepts from the economic strategy of the government of Tyrol:

"Tyrol is interested in the elaboration of a highly decentralised supply structure for the population: The supply of goods and services to the population is an essential element of the quality of life. Corresponding to the population structure in Tyrol, the distribution of the locations for trade and other consumer-orientated services should be as decentralised as possible. Important factors include the combination of the quality of the supply, the possibility of reaching the locations, the diversity and the quality of the available products and the price level. Particularly for sections of the society without mobility but also in the interest of regional economic circles and for reasons of traffic policy, the securing of the local supply is an important aim of the economic policy in Tyrol. Nevertheless this shall not lead to a preservation of non-viable market structures." (Source: *Economic Strategy of Tyrol*, 1998, Item 4.4.2: Consumer-orientated services).

Excerpts from the economic strategy of the sub-region Tiroler Oberland und Außerfern (districts of Imst, Landeck and Reutte, covered by a territorial pact):

"Objective 2: revaluation of the area.

Measure 1: development of an infrastructure for the service sector and securing the supply chain (distribution) in the region corresponding to the economic needs. In particular: 1) marketing for small workshops; 2) local marketing projects; and 3) securing of the local supply through assistance and services to local companies.

Measure 3: support of SMEs through transfers of technology, innovation, co-operation and information and communication technology. Possible projects include: 1) consulting on regional innovation; 2) communication network supporting a media connection in the region; 3) setting up a database on market conditions; 4) marketing for small trade companies; and 5) marketing for cities and villages to support the local supply." (Source: *Economic Strategy for the Tiroler Oberland, Economic Strategy for the Außerfern*, 1995, Item: sub-programme EFRE, programme 3: SME/trade and industry, development of a balanced structure of trade and industry, on a strong basis of innovative and competitive companies).

Excerpts of the strategy of the district of Imst:

"The strategic aim is the achievement of a balanced economic structure with reduced seasonal extent of dependence (...). In order to stay competitive, the economy of the district must be strengthened, and new opportunities to generate economic activity and qualified jobs must be created. The following aims must be pursued: 1) publicity for the region in order to increase the image as an attractive location; 2) improvement of the know-how in the regional enterprises. Measures include promotion of the marketing of local business projects." (Source: *Economic Strategy for the District of Imst*, 1995, Item: regional economic structure).

© OECD 2001

Box 7. **Spatial consistency of objectives: the Tyrol example** (*cont.*)

Economic strategy of Tarrenz, a village in the district of Imst:

"*The main goal of the town of Tarrenz is to improve the quality of life in its area. Three objectives are pursued*: 1) *infrastructure development* (*in relation to drawbacks associated with the presence of a traffic-commuting axis*); 2) *strengthening the local supply chain* (*developing local production, retail trade*); *and* 3) *revitalising the surrounding country-side* (*renovating houses, revising spatial planning*)." (*Source*: local documentation).

eliminated the risk of inconsistency between economic development actions carried out across levels. As observed in Austria, spatial consistency of objectives also stimulates co-operation and commitment across administrative levels to the extent where activities executed at a given level help achieve goals at others.

From a geographical perspective, this may also increase horizontal co-operation, as other areas may become more aware of the objectives pursued by their neighbours, due to greater visibility, and identify them as relevant for their own area. Neighbouring areas may also assess whether the work of partnerships has had any impact on the design of government policies at higher administrative levels. In Tyrol, districts not covered by the partnership have asked to implement some of the projects carried out in Oberland und Außerfern.

Spatial consistency of objectives raises, however, some concerns about public accountability.

Spatial consistency and accountability

Spatial consistency of aims provides a framework conducive to the design and implementation of effective policies, through reinforcing coherence of actions and cohesion among partners across administrative levels. Nevertheless, it may weaken accountability. When the same goals are pursued at several levels, who is accountable for what? Blurred distribution of responsibility may be associated with double accounting for positive results or insufficient accounting for failures and targets not reached.

Double accounting occurs either vertically or horizontally. Vertical double accounting is observed when two different administrative levels, which both contribute directly or indirectly to the delivery of a service or the implementation of a measure, report positive results. In some areas of Flanders, because many bodies

© OECD 2001

at different layers (municipality, sub-regional employment committee, territorial employment pact, province) are involved in the same measures and share the same objectives, it is difficult to identify the actual degree of responsibility of each actor, in particular the partnership, for the results achieved (see Chapter 11, by S. Craig).

Horizontal double reporting occurs when results are reported by both the partnership and a partner in implementation. For example, the number of jobs created through a programme operated by the PES in conjunction with the partnership are often reported twice. Results may also be reported by partners involved in recruiting candidates for the measure, such as a NGO.

Due to their co-operative nature, which makes them significantly rely on other organisations for resources, most of the measures in which partnerships are involved are implemented jointly with other organisations. Since these organisations are required to report on the use of funds they allocate, only in rare occasions can partnerships be expected to be the only one to report on policy results. Partnerships may have more to lose with double accounting than their partners, as it both raises concerns about the management of partnerships and undermines the rationale for their very existence.

In cases where the role of partnership in service delivery is fully acknowledged, a distribution of responsibility at the different stages of policy implementation should be established with the partners to avoid horizontal double reporting. To avoid vertical blurring of responsibility, a division of labour across levels of administration (local, sub-regional and regional) for partners of the public sector should be agreed, and the performances on the corresponding functions monitored.

When the partnership's role in implementation and delivery is not that clear, partner organisations may find it more appropriate to assess the performances of the partnership in terms of what it contributes to the effectiveness and appropriateness of the measures they implement. This would be consistent with the partnership's main endeavours, help foster co-operation between partners and avoid any ambiguity in the role of the partnership.

As underpined in this section, improving local governance represents a significant part of the work of partnerships. Resources are invested and activities carried out to make co-operation work at lower levels of governments and across organisations, to integrate local concerns in the strategies elaborated at higher levels, and to ensure policy responsiveness with regard to the changing situation at local level. Accordingly, even when clear distribution of responsibility and division of labour ensure good accountability, partnerships exclusively reporting on policy results may strongly underestimate their performances.

© OECD 2001

Monitoring and evaluation in terms of improvements to governance may be an appropriate complement.

Labour market strategies

Labour market policy primarily aims to ensure an efficient functioning of the labour market. It comprises labour legislation, income support for workers who become unemployed, and "active" measures promoting a good match between labour supply and demand: mainly placement, counselling, training and job subsidies. Active labour market policies also include various other initiatives, such as assistance programmes for self-employment and business start-ups.

While labour legislation is under the direct responsibility of the Minister of Labour, and passive measures (unemployment insurance and, eventually, other assistance schemes) are often managed separately by other agencies, in most countries the public employment service is responsible for implementing active labour market policy. One can also note that some countries have undertaken to manage active and passive measures jointly, in order to improve the quality of the services to the users, as well as their follow-up. Thus in such cases, users can access services and receive assistance benefits in the same location.

Strategic planning exercises are normally conducted to give direction to the implementation of labour market policy. Through them, objectives, policy instruments and targets are defined, often on a yearly basis. In most countries, these exercises are led at both national and regional levels to take account of the labour market conditions specific to each region.

Tripartite boards are often closely involved with, and sometimes conduct, these exercises, allowing for some weighing of interest between workers, employers and government at regional level. In some countries, such as Austria, Belgium and Denmark, trade unions and employer organisations co-manage the PES or at least provide advice on its programmes and activities. In Italy, the social partners are associated with policy design at national level mainly and they supervise training activities, implemented at regional level. In the United States, the responsibility of predominantly employer-led partnerships for training has been enlarged recently to all labour market measures (under the Workforce Investment Act, see Chapter 2, Box 3).

While the involvement of social partners in strategic planning should help adapt policies to local conditions, concerns are often expressed about the capacity of tripartite organisations to shape labour market policy in a way that adequately reflects the needs felt on the ground. These are based on the following arguments:

– Social partners do not represent all employees and employers. There is a growing number of contracted-out employees, self-employed and micro-

© OECD 2001

entrepreneurs who are not members of any organisation. Neither do they represent the unemployed, in most countries, and the social assistance recipients.

– Participation by organisations on tripartite boards is often chiefly motivated by the mandate provided by their members to protect their interest. Few organisations have taken this opportunity of being involved in policy design processes to propose ways to improve the quality of the services delivered and to take a bolder role regionally in times of social and economic challenges.

– Governments have not always given tripartite organisations and regional PES offices sufficient leeway to significantly adapt policies to local conditions. It can be argued that stringent management-by-results frameworks and measures promoting activation of benefits have had a re-centralising effect on the management of labour market policies (see Chapter 12, by M. Keane and M. Corman).

The role of social partners in labour market policy is an industrial relations issue, which falls beyond the scope of this study, as do the general developments effecting the functions of the PES. More information on the changes occurring in the PES can be found in OECD (1999*a*, 2001*a*) and ILO (2001). Here it can be noted that the labour market sector has been increasingly opened to competition from the private sector in the past few years – a development which not only concerns service delivery but also the design of programmes and which has led to large reforms of privatisation in some countries (Australia, Netherlands). Another important issue is the wider use of new information technology, which changes the relationship between the PES and the user and contributes to some extent to a re-centralisation of services.

More directly linked to the core matter of this study is the trend according to which strategic planning exercises for labour market policy increasingly cover social and economic issues. In response to concerns expressed and changing conditions in the labour market, tripartite organisations have widened their area of responsibility, in terms of both policies and target groups.

Integrating social development

A criticism of labour market strategies designed by tripartite boards is that they have focused too narrowly on their target group – unemployed people entitled to UI, trade union members – neglecting the problems of the long-term unemployed and disadvantaged groups. This has been one of the main reasons for creating networks of partnerships promoting the social development of disadvantaged groups (Finland, Ireland). In some countries, however, the scope of labour market strategies has been widened to include certain of these aspects.

© OECD 2001

Changes have come about to this end recently in the United States, Denmark and Flanders.

In the United States, social concerns have integrated labour market strategies to the extent where workforce investment boards have become responsible under the WIA for programmes aimed at disadvantaged groups, such as welfare-to-work and school-to-work programmes. This reform has made the PES more conscious of the problems of access to the labour market for the target groups concerned. Within the welfare-to-work programme, funds for income support left unused due to labour market re-integration of recipients can be utilised by the PES for related initiatives, and this provision has enabled barriers to re-integration to be overcome. In Michigan (counties of Kalamazoo and St. Joseph), projects have been initiated to provide transport from home to work and childcare services for low-paid single parents.

In Denmark, the distribution of responsibility regarding human resource development has often been perceived as unfair by municipalities, which must design and operate active labour market measures to help social assistance recipients re-integrate into the labour market. While their expertise in this field is minor compared to that of the PES, and while the municipalities do not have the resources to expand it significantly, their relative burden increased in the last half of the 1990s. As seen in Chapter 2, municipalities saw the number of welfare-assisted people remain constant while the number of registered unemployed decreased by half.

The 1994 PES reform allowed local authorities to become members of the regional labour market council (RAR) and express their concerns within labour market policy-making frameworks. Flexibility has also been given to each region to modify the composition of the board in the most appropriate manner. In the Storstrøm region, it has been decided to add four seats, three for the municipalities and one for the regional government (county council).[2] A three-member bureau, in charge of day-to-day operations, also includes a representative from the local and regional authorities (the other members are from trade unions and employer organisations).

A direct effect of the presence of municipal representatives in the county council is observed in the programming exercise for 2000, as it requires the PES to provide a minimum percentage of its services to welfare-assisted people: *"the share of recipients of social welfare referred to jobs must be increased compared to last year"* [result requirement 1.3 (AF-Storstrøm, 2000; Chapter 12)]. The requirement is based on the estimated actual percentage of 1999, a figure which had never been calculated and for which further data work was required in the five local PES offices of the region. Updating the ratio, a task that should help make the work pri-

© OECD 2001

orities in the local offices responsive to local conditions thanks to better information, is now required annually.

However, the new requirement does not mean that welfare recipients now have access to the same services as the unemployed entitled to UI. Active labour market measures such as profiling services, job subsidies and vocational training run by the PES are still reserved for trade union members.

Involving the population

The participation of local and regional authorities is not the only way through which local concerns can be conveyed to regional labour market councils in Denmark. Public consultations are held at the initial stage of the annual strategic planning exercise for labour market policy. Preliminary goals are determined through seminars and workshops organised throughout the country and all groups and individuals are invited to participate. The regional PES office organises these meetings at local offices' level, as close as possible to the population, in order to promote participation and take account of further geographical diversity. On the basis of the provisional objectives outlined at this level, goals and targets are proposed for the region. These, and the corresponding budget involved, are then subject to negotiation between the regional office and the national headquarters.

The civil society not represented by social partner organisations can therefore provide inputs to the regional strategies. While the capacity for the regional PES to take account of all concerns expressed is limited by the budgetary and administrative requirements of the national policy framework and the trade-offs made at central level, the exercise is conducive to greater accountability of the RAR to the public. Through the consultations, the public becomes more aware of the PES' role in the region. Representatives from social partners to the regional labour market council may become more involved locally as they act as a conduit for the concerns expressed. In Denmark, this is further encouraged by the fact that trade union and business representatives are not only delegated by their respective organisations, but they also represent a specific geographical area as territorial subdivisions for social partner organisations are consistent with those of the PES. In the region of Storstrøm, for example, each delegate rotating on the council board represents one of the five local areas of the region.

Further steps may be needed in Denmark to fully integrate social concerns on the board of the labour market councils, as reflected by the creation of local social co-ordination committees aimed at improving the services to welfare and illness benefit recipients, as seen in Chapter 2. Nevertheless, the influential role of the RAR in the region, combined with a broader range of issues for discussion in the council and mechanisms for wider consultation are conducive to stronger integration of social issues.

© OECD 2001

Moving towards wider integration

The Flemish region of Belgium provides one of the more advanced models of integration of social and labour market issues within a unified policy framework. This model has emerged from a reform of the sub-regional employment committees (see Box 8).

The STCs are now well-placed to propose a co-ordinated response to two of the main challenges on the labour market today: barriers to re-integration and labour shortages. Good co-operation between the partnerships and public services promote effectiveness in addressing these issues. Following the reform and the other developments in Flanders mentioned in Box 8:

– There is a satisfactory degree of consistency across objectives pursued by partners at central level in relation to the goals pursued by the partnerships. Trade unions, employer organisations, government and public services, including VDAB, have agreed to tackle social inclusion, an objective assigned to the STCs.

– There is a clear distribution of responsibilities. Social partners have agreed that STCs are responsible for co-ordination, while VDAB is in charge of implementation of active labour market policies.

An additional support to effective co-ordination comes from the fact that decision-making in STCs on social inclusion issues can draw on the legitimacy associated with social partner organisations. This legitimacy often lacks in partnerships led mainly by community-based groups, as seen earlier.

In Flanders, social partners are particularly committed to the success of the mission of partnerships. The institutional commitment of trade unions and employers finds its origin in the policy framework they negotiated with the government at central level. Through enhancing their responsibility in employment and social matters, the agreement has reinforced the responsiveness of social partner organisations to the concerns of other partners on these issues, hence strengthening accountability between partners.

While this model has so far avoided various difficulties faced by partnerships (competition with public services, low legitimacy of decision-making, weak accountability on performances), some common obstacles remain. The discretion enjoyed by VDAB to significantly adapt policies to local conditions is, as for all PES, limited. STCs may eventually feel it necessary to develop complementary measures, which involve direct service delivery, and reporting on policy results. As for partnerships, this may lead to blurred responsibility and negatively impact on the effectiveness of co-operation with the public services.

© OECD 2001

Box 8. The reform of the STCs in Flanders

Traditionally, sub-regional employment committees (STCs) have been consultative bodies for the PES (VDAB). As in Denmark, the PES mainly serves people entitled to UI, leaving the municipalities to provide social assistance funded by the federal government.*

The reform of 1998 broadened the STCs' mandate. Strategies designed by STCs, which outline the PES' priorities at sub-regional level, now include social issues and address the labour market problems of all groups of people without work. The STC's new mission is three-fold:

1. to co-ordinate the regional labour market policy, including policies and services targeted at disadvantaged groups;
2. to contribute to a well-functioning labour market; and
3. to stimulate co-operation between employers, employees and other agencies involved in the local employment context.

To achieve this, the board of directors has been increased: in addition to trade union and business representatives, it now consists of representatives from local government, private training organisations, the PES, the Flemish Ministry of Employment and the staff. Further strengthening of these committees has also come from a re-scaling of their operations as the number of STC numbers has been reduced from 18 to 13. Mechanisms have been set up to reinforce monitoring and co-ordination – both vertically and horizontally. A steering group involving all committee chairpersons meets monthly to co-ordinate actions and exchange information at Flemish region level. Staff of the Ministry of Employment provides assistance to the sub-regional co-ordinators.

In keeping with their new mission, the STCs' range of responsibilities has also increased. As well as drawing up an annual policy plan, providing information on the labour market and advising the PES, STCs have now been operating in the social economy and initiating projects for disadvantaged groups. Following the approval of their strategic objectives, STCs can either recommend that the PES undertake an action directed at the disadvantaged groups, or initiate a separate project, for example by contracting out a particular service.

This enlargement for the STCs is consistent with the mission and the competencies of the VDAB. Focused on the provision of active labour market policies, VDAB's services exclude the diverse activities likely to be contracted out by the STC (for example, a project aimed at overcoming a barrier to re-integration to the labour market). VDAB's tasks for the disadvantaged groups have nonetheless been enhanced, in keeping with its field of expertise. In 1999, the government required it to deliver services to both the registered unemployed and disadvantaged groups. In the current context, for example, VDAB may be requested by an STC to provide training services for a specific category of unemployed people.

© OECD 2001

Box 8. **The reform of the STCs in Flanders** (*cont.*)

The management capacities of tripartite organisations have also been strengthened in order to carry out these new duties as well as to cope with the growing needs of companies. STCs have been given a larger budget, to which both the regional and provincial authorities contribute, and greater decision-making power. Part of the budget can be used to finance local activities, and some STCs manage funds provided by EU programmes to promote employment and social development.

The Ministry of Employment has given each STC a secretariat of three people on average, resembling that of partnerships in other countries, to which are added officers seconded from the PES, reflecting the common objectives pursued by both organisations.

Underlying the PES' support is the issue of skill shortages in some sectors, which makes it necessary to tackle effectively labour market re-integration problems as a means of increasing the labour force. The PES finds it useful to co-operate with other organisations that are better connected to disadvantaged groups. To examine re-integration barriers, each STC has formed a working group, which includes representatives from organisations working with disadvantaged groups, mainly NGOs. Public consultations are also held to this end.

* In principle, Belgium's unemployed people are entitled to UI benefits indefinitely, thus the scope for segmentation of users is reduced compared to other countries. In practice, however, UI benefits have ceased for many unemployed after measures requiring the recipients to participate in active labour market programmes have been applied. Moreover, many unemployed have never had a working experience, hence they have not become eligible for UI. A government initiative taken recently (2000) aims to deliver jointly in one-stop agencies (*Werkwinkels*) the services provided by the municipalities and those offered by the PES.

Integrating economic development

There have also been attempts to integrate economic development concerns into labour market strategies, but few results are promising.

In Italy, vocational training is operated by the trade unions, under the responsibility of regional governments. In order to better support business development initiatives at local level, partnerships in Sicily have proposed, with little success, that they participate in the co-ordination of the training services, which are said to

© OECD 2001

respond poorly to the changing conditions of the market. Within a different framework, territorial employment pacts supported by the EU have been able to finance their own alternative training activities without relying on the regionally managed training funds.

In certain cases, attempts to integrate economic development have had the effect of subordinating labour market policy to economic development priorities. In the United States, the focus on attracting investment and retaining firms in strategies designed by partnerships led by municipalities and employer organisations in Michigan (for example, in the city of Grand Rapids) has extended their scope to specialised training. These partnerships have then orchestrated the implementation of labour market programmes made available by the state and federal levels of government so as to adequately fuel local economic growth. In Michigan, vocational training promoted by the state government is also managed locally by private and non-profit organisations that ensure that the needs of the private sector are satisfied.

The relevance of letting labour market policy implementation be determined mainly by economic development priorities may be questionable from a wider policy perspective. It can be argued that economic development partnerships neglect the needs of the unemployed, and even more those of the social assistance recipients. For example, upgrading the skills of workers who just re-entered the labour market after a long period of inactivity is a concern increasingly felt by the public services. Providing a satisfactory response to the structural barriers faced by the long-term unemployed is another preoccupation. Differently-balanced concerns might thus lead to different allocations of resources. Diverging views on the appropriate use of labour market policy instruments has sometimes led to splits in partnerships. In large cities, such as Chicago and Cleveland, separate partnerships to manage employment policies and to foster economic development have been created, each involving different bodies and implementing different labour market programmes.

The need to co-ordinate economic and labour market policies in a balanced way has been an issue of increasing relevance across the OECD. Serious attempts to tackle it come currently from tripartite labour market councils. It is often argued that trade unions and employer organisations – together with other partners from the civil society and from local and regional governments – nurture a range of concerns sufficiently broad to steer economic and labour market initiatives in an effective and balanced manner. This view is held in the United States where workforce investment boards have been created to co-ordinate labour market policies with the involvement of actors from the public and private sectors and the civil society. Prominence given to the private sector on the board of directors ensures a close link with economic development priorities.

© OECD 2001

This view is perhaps even more strongly held in Denmark, where members of the tripartite labour market councils are particularly powerful at regional level, as it was seen before. Most connections between economic and labour market fields are made through external co-operative relations between the tripartite organisation and other bodies, such as the business development boards at sub-regional level and training institutions. There is also a lot of leeway for taking on board, internally, the concerns of the business sector, as partners include chairmen of employer organisations, regional government officers and mayors.

However, in Denmark, a lack of clarity on the regional labour market council's role in the co-ordination of public affairs has led to a situation whereby agreements made at the council are not necessarily binding for partner organisations, and more particularly the regional government (county council). Accountability between the partners has clearly to be strengthened to foster an effective integration of economic and labour market actions. Regional authorities lack consistency in their response to regional issues of debate and to the agreements reached in the tripartite council. A stance by the county council on the desired distribution of responsibility between the regional government and the tripartite board could help clarify roles and make co-ordination more effective. Enforced reporting methods internal to the regional government and the definition of a clearer mandate for its representatives would, by strengthening representatives' accountability, increase the legitimacy of their actions on the labour market council.

In Flanders also, where it poses a challenge due to the newness of the previous reform, the need to integrate social and employment development work with economic concerns has also been felt. Given the difficulty faced by district platforms in developing a policy-relevant sub-regional economic development strategy to which the most important actors commit, it may be difficult to see how organisations concerned chiefly with employment, and more recently with social issues, could do better in economic matters. Nevertheless, some arguments favour an even stronger role for the STCs since they are based on strong constituencies, which provide legitimacy to the decisions taken in common. The strategies they design could be made consistent with common aims identified by groups of municipalities at local level, tying in with the lessons drawn in the precedent section from strategic planning experience in economic development. District platforms focusing on areas of municipal interest could convey common objectives and feed in more integrated programming exercises conducted by STCs. Such mechanisms for greater co-ordination between, on one side, employment and social intervention, and, on the other side, economic development, could strengthen municipal commitment around clear local objectives, making them all the more relevant to the design of sub-regional strategies and regional policies.

© OECD 2001

In summary, partnerships' strategic planning exercises have filled policy gaps and strengthened weak policy goals, triggering the development of activities meeting local needs. Strategies defined on the basis of issues (*e.g.*, under-development, social exclusion) and drawing on strong cohesion built among actors within a sector (*e.g.*, community-based groups, municipalities) have often promoted clear objectives, which enabled other partners to identify common interests. Transparency and visibility of investments made by the partners and a consistent timeframe have secured institutional commitment.

Strategic frameworks that allowed partners to feed into the exercise and to pursue their own policy objectives through the partnership stimulated further the partners' participation. Strategies based on municipal concerns have been conducive to bottom-up policy development at higher administrative levels, promoting vertical co-operation. The potential for effective policy co-ordination has, however, been undermined by inconsistencies in the national policy framework, in the distribution of responsibilities at local and regional levels, and in the accountability frameworks.

Positive developments towards better integration of policy areas have mainly been driven by re-negotiated policy frameworks at central level, involving trade unions and employer organisations. Evidence shows that relatively comprehensive, integrated agenda in favour of economic development, employment and social cohesion can be promoted on the basis of tripartite structures, as an alternative to set up a new partnership network. Drawing on the legitimacy associated with the accountability frameworks of social partner organisations may foster good governance.

The next chapter examines how strategic planning exercises and the different degrees of policy co-ordination have translated in terms of activities and projects.

Notes

1. These measures have been taken within the broader planning framework of *programmazione negoziata* encouraged by the Italian government in the field of economic development.
2. The distribution of seats is equal between employer organisations, trade unions and government, with seven seats each.

© OECD 2001

Chapter 4

Implementing the Strategy

The previous chapter assessed the ways partnerships design area-based strategies to meet the policy goals assigned to them (*e.g.* economic development, social inclusion). Partnerships also play a central role in the implementation of these strategies. This study has identified five ways through which partnerships go about reaching their strategy objectives: 1) designing and running activities; 2) defining targets for government programmes; 3) delivering services to the population; 4) proposing policy reforms; and 5) promoting and assisting the use of government measures.

As this chapter will show, the choices partnerships make on how they implement local strategies have direct implications for the quality of governance.

Designing and running activities

The task carried out by partnerships that attracts the most attention is certainly that of designing and running programmes and activities. As it is associated with a direct allocation of funds by the government, this task often provides partnerships with significant visibility at local level.

Within the framework of policies managed by central government or the EU (Structural Funds), budget allocations have been made available to implement strategies designed by partnerships. Depending on countries and regions, and the type of arrangements agreed across levels of government, funds have been allocated either on a case-by-case basis, or through a global budget managed centrally or regionally. Partnerships have designed and implemented programmes and activities across a wide range of areas, from social development of disadvantaged groups to economic development.

Allocating the funds

What is the scale of funding involved in the operations led by partnerships? While it is relatively easy to obtain the amounts corresponding to measures implemented by tripartite organisations and the PES, it is more difficult to esti-

© OECD 2001

mate similar figures for partnerships. Most organisations have levied extra funds from various sources (*e.g.*, private companies, foundations, local public services, local government and associations) to carry out specific activities in addition to those funded by central government sources. In some areas in Ireland (for example, Clondalkin), partnerships have been able to double the amount allocated to implement their annual plan. The fact that strategies often cover a few years also makes estimations difficult. Calculating an average over a three-year plan inaccurately reflects normal operations since few expenses are incurred at the initial stage when plans are being prepared. Comparison between countries is also hazardous as policy goals and contexts differ. In spite of these limitations, compiling expenditure estimates can be helpful in visualising the scale of the operations undertaken.

In the area of social development, it has been possible to estimate expenditures on programmes and activities in two of the countries examined in this study. In Ireland (pop. 3.6 million), the total expenditure of partnerships aimed at social development on programmes and projects funded through various public and private sources (through fund-raising activities) in 1997 has been estimated at 28.8 million Euro (IR£ 22.7 million).[1] In Austria (pop. 8.1 million), where territorial employment pacts have designed activities mostly on social development projects but also on economic development, an estimate of total expenditure on programmes and projects in 2000 is 228 million Euro (ATS 3 136 million) in seven L*änder* (out of nine).

Although these amounts represent considerable allocations, they are relatively modest when compared to public expenditure in the related areas of labour market and social affairs. In both Austria and Ireland, the estimated expenditures of partnerships correspond to three per cent of active labour market programmes.[2] Active labour market programmes include vocational training activities, job subsidies and measures targeted at specific groups[3].

Reinforcing the idea of modest funds injection is the fact that this expenditure has been spread over a wide range of sectors, reflecting the diverse objectives pursued by partnerships. In Ireland, the 1997-1999 expenditure funded by government sources was distributed as follows: enterprise activities (23.9%), environment and infrastructures (18.4%), preventative education (18.3%), community development (16%), complementary education (12.6%), and services to the unemployed (10.8%) (based on data provided by Area Development Management Ltd).[4] The diversified range of activities performed by partnerships can be illustrated by an example from Finland (Box 9).

Given the small scale of the funds managed by partnerships involved in social development in Austria and Ireland compared to labour market policy, a comparison between partnership and tripartite organisations responsible for

© OECD 2001

Box 9. Implementing the local strategy in Finland

In the area of Keski-Uusimaa (cities of Järvenpää and Kerava and municipality of Tuusula), the partnership's strategy – social development of disadvantaged groups and re-integration of excluded people – has been outlined in four broad objectives: to strengthen communications, foster entrepreneurship, provide new opportunities for the local economy, and to reinforce individual resources and skills. These objectives were pursued in 1997-1999 through the following programmes and activities:

- *Strengthen communications, networking, and flow of information*: preparing articles on new employment opportunities; organising training seminars; preparation of brochures; managing IT and communication support for projects; organising job fairs involving the PES and local employers.
- *Foster entrepreneurship and lower the thresholds for enterprise creation*: training for self-employed; providing financial services for start-ups; preparing marketing-support packages for micro-businesses; providing assistance to community entrepreneurship and social enterprises.
- *Provide new opportunities for the local economy*: developing business-based employment initiatives; re-using a grain mill as a business centre providing business-incubator space, technical-support services and business-management training to local entrepreneurs, art school graduates, artists and artisans; training unemployed for jobs in the environmental field, through restorative works on old buildings and other environmental enhancement schemes; developing services in suburban areas.
- *Reinforce individual resources and skills*: providing training and support to people working with voluntary associations and non-profit companies; fostering co-operation in the provision of services for the long-term unemployed; developing social services as an alternative to unemployment.

Among other outcomes, these projects and initiatives have led to the creation of 20 enterprises and 300 jobs in 1997-1999.

Source: Keskisen Uudenmaan Kumppanuusprojekti.

implementing labour market policy would bring little to the study.[5] Yet it is worthwhile noting the funds at the disposal of the sub-regional employment committees in Flanders (pop. 5.9 million), which are closer to those of partnerships than to other tripartite organisations as they have no direct responsibility for managing active labour market policies. STCs provide funding only for activities – targeted at disadvantaged groups – which cannot be carried out by the PES (Chapter 3). Development of their agenda is still in progress and, in some areas (Limburg and

© OECD 2001

Turnhout), they have been allocated funds by the EU (Structural Funds). In these areas, the total budget available for programmes and activities amounts to a mere 150 000 Euro (BEF6 million) on average.

The budgetary context of partnerships primarily involved in economic development is different, as in Italy (pop. 57.2 million), where 61 territorial pacts are in operation and 32 were set up in 2000. Most of these partnerships (*i.e.*, territorial pacts financed by the Italian government) focus on business investment and infrastructures and a minority (10 EU-supported territorial pacts for employment) generate a wider range of activities. For the partnerships currently in operation, total investments coming from public and private sources have amounted to a significant 4 428 million Euro (ITL 8 573 billion)[6] since their inception at different times (the first ones date back to 1996). About half of these funds have come from local and private sources. In Sicily (pop. 5.1 million), where the territory is well covered by 10 territorial pacts (of both types), the total investment is estimated at 596 million Euro (ITL 1 155 billion).

In which sectors has this lever of economic development been used so far in Italy? The centrally funded budget for Italian territorial pacts has been allocated mostly to business investment projects leading to job creation and to infrastructure projects (the latter for a maximum locally of 30%). Business investment projects have been carried out mainly in manufacturing (59%), followed by tourism (17%), agriculture and food (14%), and services (9%). Over 89.7 per cent of the participating enterprises were SMEs (Ministry of Treasury, Budget and Economic Planning, 2000*a*; more details can be found in Chapter 8).

Distribution of responsibilities

To ensure efficient programme implementation, various models of distribution of responsibility have been experimented with. In most countries, boards of directors and working groups involved in defining the local strategy have also been tasked with project appraisal leading to funding decisions. In Belgium, Finland and Ireland, project proposals are made in working groups, emanating from the members themselves or by groups invited to propose new activities. In general, NGOs, community-based organisations and voluntary associations have made most proposals in partnerships focusing on issues related to disadvantaged groups, and the private sector has had a central role in partnerships dealing with economic development.

Some countries have separated the tasks of strategic planning and appraising projects. In Italy, neither the board of directors nor the working groups are involved in the approval of projects and the allocation of funds. The board agrees on a number of strategic objectives and on a series of consistent criteria for the selection of projects to support. Through a tendering procedure, an accredited

© OECD 2001

bank receives the proposals, ranks the different projects following the criteria and selects a number of projects depending on the funds available.

This separation of responsibilities is conducive to good governance in three main ways:

1. public accountability is increased as the beneficiaries of the projects selected are not involved in the approval of projects, limiting the scope for conflicts of interests;

2. cohesion among partners improves, because the board is not responsible for finding agreement on competing proposals; moreover, they are allowed to propose projects themselves, sustaining their commitment;

3. greater division of labour promotes greater efficiency in management. It can be argued that, with business projects analysed by financial institutions, the right skills are used for the right tasks. Moreover, this alleviates the administrative burden of the partnership secretariat staff, which can then concentrate their activities on assisting applicants in the preparation of project proposals, completing the division of labour.

A similar approach has been taken in Austria (L*and* of Kärnten, or Carinthia). Conscious of the fact that accountability of decisions may be more diffuse in partnerships than in public agencies due to the diversity of partners and representation mechanisms, the board of directors has decided to concentrate on programming activities rather than on funds allocation. Proposals for the support of activities agreed by the board of directors are submitted for decision to the main partner organisations (*e.g.*, PES, regional government)[7]. In addition to improving accountability and commitment of the main partners, this model has enabled the partnerships' main supporters to systematically address, for each project proposed, the question of who is the most competent partner to implement it. This avoids both a duplication of services and a multiplication of providers, thus promoting effective co-ordination.

That question – W*ho should implement partnership programmes and activities*? – has also been raised in other countries. Often, projects are directly implemented by the partnership, *i.e.*, by its staff, under the co-ordination of a working group. In Ireland, most of the projects have been implemented by the partnerships and their main constituency, the community-based and voluntary organisations. It has been argued that this may conflict with one of the main goals of partnerships, which is to improve the effectiveness and appropriateness of programmes and services delivered by governments. Implementing projects separately from government structures may reduce the scope for change in the working methods of public services and in the quality of the services offered. Further, programmes delivered to marginalised groups by partnerships may reinforce their marginalisa-

© OECD 2001

tion when services are kept separate (European Social Fund Programme Evaluation Unit, 1999).

Monitoring and evaluation

The funding schemes implemented by partnerships and tripartite organisations have precise objectives in terms of economic, employment and social development. Public accountability requires that the public-funded actions undertaken to pursue these objectives be monitored and evaluated. For example, in the labour market policy area, strict performance-management frameworks have been built to monitor the effectiveness of programmes. Tripartite organisations responsible for implementing active labour market policy report, sometimes on a quarterly basis, results that show the progress made with regard to the stated goals.

Similar techniques have been used for partnerships. Where partnerships directly implement government programmes providing funds for specific activities, such as placing long-term unemployed people in jobs or promoting business investment, the partnerships' performances must be assessed in a way to justify that activities funded fulfil the funding sources' objectives. Partnerships have duly reported numbers of jobs and enterprises created to illustrate their performances[8].

However similar their activities may sometimes appear, comparing results between partnerships and public agencies may not always be appropriate. The performances of partnerships in attaining policy results are more vulnerable to factors of variation across areas, such as the degree of cohesion between sectors, the involvement of civil servants – often on a personal basis, see Chapter 3 – as well as the level of skills available in the local area, as the partnership secretariat staff often benefit from less training and technical support than public service officers. Diverging goals pursued by partner organisations and weak accountability relationships also undermine performance compared to public agencies.

Not all partnerships are affected by such inconsistencies to the same degree, as some partnerships share more characteristics with public agencies than others. In Italy, for example, the clear separation between strategic planning and project appraisal reduces the dependency of partnerships on their constituencies' commitment to achieve satisfactory results. Banks play a key role in the local plan's implementation and the division of labour that prevails maximises efficiency in the use of the skills available at local level, as seen above. Hence, in this case, partnerships are more autonomous from their constituencies. However, in most countries, inputs from public services have been crucial to the preparation, appraisal and conduct of efficient projects. Effective co-operation and institutional commitment have been instrumental in producing satisfactory performances in terms of policy results, which could be compared with those of public services.

© OECD 2001

Greater geographical disparities in effectiveness for partnerships than for public services explain why significant efforts have been devoted to horizontal and vertical co-ordination. In Ireland, a central and autonomous agency (Area Development Management Ltd. – ADM) has established a framework to make all aims pursued by partnerships consistent across the country and coherent with the services provided by the different government departments. It assists the partnerships in the implementation of activities and projects and stimulates the exchange of information and expertise between them. ADM is responsible for appraising local strategies, monitoring performances and delivering financial resources. The co-ordination of services provided is completed by an independent network set up by the partnerships themselves (PLANET).

Assessing policy performances and comparing them with public services face another difficulty: evaluation methods hardly track and capture all the effects from a high concentration of efforts, focused on a precise problem and making use of all flexibility possible with different instruments, all of which are important characteristics of the work of partnerships. Anecdotal evidence in Ireland suggests that effective solutions to a wide range of localised problems, such as early school-leaving, rural poverty, specialised skills shortages, or a deprived neighbourhood, have been implemented through combinations of focused efforts (see Chapter 6, by I. Turok).

In focusing on a specific issue, partnerships have identified areas of synergy between policies and programmes that can maximise the use and the results of the funds available to them. Allocations for projects and job subsidies have often been combined to increase their impacts. For example, in a rural area of Ireland (county of Kildare), a project to create tourist activity through the regeneration of existing structures (canal, barge and hotel with historical value) has been used for training purposes by the national training agency – a combination planned within the local strategy. Other instruments for partnerships (for example, involvement in defining targets of national programmes, as will be seen below) have increased further the degree of concentration of local efforts. While each of the corresponding policy results achieved locally may not account for a high share of the total across the country, each action may have had a greater impact due to the synergies created with other initiatives and policy instruments. The recorded effects of policies may understate the actual sum of local impacts.

Other concerns have been expressed around the monitoring of partnerships' policy results. Chapter 3 mentions instances of double accounting, raised concerns about blurred responsibility and suggested adjustments and alternatives. Evaluations exclusively bearing on policy performance do not reflect entirely the work of partnerships, which often focus on improving local governance, fostering co-operation and ensuring that the strategy agreed is being implemented, as reflected by the example above. And, as the rest of this chapter explains, imple-

© OECD 2001

menting the local strategy takes several other forms besides spending funds on specific programmes.

Defining the targets

Partnerships have been involved at different stages of government policy implementation. One is to participate in the definition of targets and conditions for the implementation of government programmes, a task particularly well-suited to the strategic nature of partnerships. This is also one of the main tasks of tripartite organisations.

One of the reasons for the existence of tripartite organisations at regional level is the need to take account of the differentiation of labour market and economic conditions when implementing labour market policy. Through negotiations between the central and regional levels, tripartite organisations and the PES fix the regional targets and adjust the terms and conditions of the different national policies.

Social partner members of the tripartite boards at regional level have rarely made full use of the flexibility granted to tackle regional disparities, as the need to protect their members' interests often predominated (Chapter 3). This partly explains why governments, in agreement with national social partners, have decided to reinforce these tripartite boards and to strengthen their capacity to address local issues in a decentralised framework. The reform strengthening the sub-regional employment committees in the Flemish region of Belgium, the inclusion of local and regional authorities in the regional labour market councils in Denmark, and the Workforce Investment Act in the United States are examples in point.

Reinforcing the tripartite boards may not be a sufficient condition, however. Adapting national policies to local conditions remains a challenging task when the degree of flexibility in management is limited by multiple funding sources, as the case of the United States illustrates.

The challenges facing the WIBs

In 1998, the Workforce Investment Act in the United States facilitated the co-ordination of employment development measures through partnerships and the delivery of all services at one point (see Chapter 2). A number of significant opportunities have been seized thanks to the Act: users have made better-informed choices and information exchange between partners has increased. Despite this, it has remained a challenge to effectively adapt policies to local conditions, as the WIA did not restructure the funding streams.

Each of the policies and programmes co-ordinated by WIBs and delivered in "one-stop career centers" has its own funding, coming from either the state or the

© OECD 2001

federal government, and its own accountability streams linking it to its source. For policies funded by the federal government, local targets are fixed through negotiations held between the state and federal levels, in principle on the basis of the local plans designed by the WIBs.

At local level, the existence of separate funding channels with separate reporting requirements has led to the development of complex administrative mechanisms, and some partitions in service delivery have been retained (OECD, 1999*e*). This context has translated into a degree of rigidity in the management of existing measures, as targets more or less consistent with the local situation must be reached for each of the several programmes implemented.

As a result from this lack of flexibility, in areas of Illinois, Michigan and Ohio, public service officers find it difficult to respond to changing situations in the labour market and to adjust measures to new priorities. For example, upgrading the skills of employees is currently one of the main policy areas to which more resources should be devoted, according to local PES offices. Participation in training activities by disadvantaged people who have just re-entered the labour market would help them to stay in it in the event of an economic downturn.

Setting up new frameworks for the involvement of partnerships

Partnerships have also been involved in adapting government programmes to local conditions. They have been invited to co-operate with public services, and to fix targets and define conditions at local level for the implementation of programmes. Such an arrangement has been formalised in national policy frameworks in some countries, such as Ireland (see Box 10).

The indirect involvement of partnerships in the implementation of government policy in Ireland is significant. Defining the targets for the CE and JI schemes is an important instrument for the partnerships in addressing their own local agenda. This is especially striking when the amounts involved (IR£ 317.4 million) are compared with the funds available for partnerships to design and implement their own activities (as approximated by the 1997 estimated expenditure on programmes and projects funded through various public and private sources provided above – IR£ 22.7 million).

This arrangement fosters effective co-operation between partners. The partnership seizes the opportunity to provide further support to other initiatives conducted in line with the local priorities, while the PES obtains useful information that aids effective implementation of the programme and helps achieve the objectives set by the national office. As the PES remains responsible for implementing the programme, the partnership's involvement does not appear as a threat to its area of responsibility. The administrative burden remains with the public service.

© OECD 2001

Box 10. The Community Employment/Job Initiative Framework Agreement in Ireland

In Ireland, the conditions for the local implementation by the PES (FÁS) of two schemes promoting re-insertion into the labour market through jobs subsidies in the non-profit sector (Community Employment, CE, and Job Initiative, JI) are defined by partnerships, and more precisely by their working group on employment. The involvement of partnerships is embedded in a national policy framework, the CE/JI Framework Agreement. The principle aim of the agreement is to ensure that the CE and JI programmes meet the needs of disadvantaged areas, in terms of the type and the range of projects supported and the mix of participants involved.

The framework agreement gives the working groups, comprising FÁS and the other partners concerned, responsibility for setting detailed objectives, monitoring performances, and exchanging information with regard to the schemes' operations. The working groups also develop their own plan in relation to the implementation of the framework agreement. Additional flexibility under the framework agreement is provided by a share of 10 per cent of the budget available to projects and participants who may not meet the eligibility criteria of the schemes. The partnerships have no responsibility for the appraisal of projects, nor for the delivery of the measure, which remain the responsibility of FÁS.

The direct costs of the implementation of CE and JI in Ireland in 2000 were IR£ 317.4 million* (403.0 million Euro) – IR£ 289.5 million for CE and IR£ 27.9 million for JI. Given that the partnerships concerned by the framework agreement cover areas roughly representing half the population of the country, at least half these amounts have been spent with the involvement of partnerships. (According to FÁS officers, this ratio would be nearer 70 per cent since partnerships operate in areas designated as disadvantaged, where implementation of the measures is relatively intense.)

This model is being extended to the whole country. A share of the CE budget is redistributed to the new Social Economy (SE) Programme, which is available in all areas. Under the Social Economy Framework Agreement, the local implementation conditions of the SE scheme are defined either by the working groups under the responsibility of the partnerships or, in areas where there is no partnership, by dedicated working groups involving FÁS, community groups and the other partners concerned. The working groups are in charge of the approval of projects in this case, contrary to CE/JI framework.

* Direct costs cover wages to participants and supervisors, materials and overheads for projects and training costs for participants and supervisors (data provided by FÁS).

Source: ADM, FÁS.

© OECD 2001

Reflecting the effectiveness of this type of co-operation mechanism, similar developments have occurred in some areas of Finland, although no national framework has made them systematic. To better target the implementation of a job subsidy (similar to Ireland), local PES offices (Ministry of Labour) seek the involvement of partnerships. Applications to the PES for the subsidy are discussed in working groups, which attempt to adapt the selection to local priorities. Representatives of the economic development agency provide advice aimed at ensuring consistency with the regional development plan. Municipal social services and NGOs contribute to this process using their knowledge of local needs and disadvantaged groups. In interviews, local PES officers (municipality of Iisalmi) explained that the complementing skills and expertise of other actors have been instrumental to the effective implementation of this programme.

Other developments have demonstrated the interest of local public service officers in partnerships. In Ireland, the possibility of allocating funds with some degree of discretionary power has led to further co-operative actions in some regions, as local PES managers have used this opportunity to fund activities outlined in partnership (for example, in the counties of Offaly and Kildare). Such a voluntary framework, which reflects the commitment of public officers to the partnership, involves risk-taking to some extent as the funds available could alternatively be allocated to activities which can help reach the targets set to the local PES office by the central level more directly. Often focusing on placement and referrals to active labour market policies, PES objectives are often narrower than those of partnerships. In Finland, the need to combine the expertise of the PES with others to provide an effective response to the problems of the long-term unemployed has contributed to the local PES office's decision to support a partnership (see the example of Sipoo in Chapter 2).

Delivering services

The previous two sections describe the role of partnerships at two different stages of policy implementation: the first where partnerships design their own programmes using government funding, and the second where they are indirectly involved, as they define the targets, terms and conditions for the implementation of government policy. To implement their strategy, partnerships have also delivered their own services to the population in their area of expertise.

The bulk of the services provided by partnerships have been employment services specialised for disadvantaged groups, including counselling, training and placement. Partnerships have often been encouraged in this area by an array of partners: the government itself, the private sector, trade unions, local authorities and community-based groups. The aim of this involvement, which is to provide services complementary to those supplied by the PES, is motivated by various

© OECD 2001

factors: the strict mandate which prevents the PES from providing full services to welfare recipients, the low resources of municipalities to provide such services, a weak responsiveness of public services to local needs. However, the new services offered may often be seen as an alternative to public services, rather than as a complement.

Partnership or separated structures?

In the United States, the employer organisations, in particular local chambers of commerce, have often encouraged non-government and community-based organisations to deliver employment and training services to unemployed people and disadvantaged groups. In Cleveland, the partnership for economic development led by an organisation of employers (Cleveland Growth Association) supports the Center for Employment Training, which provides a wide range of services to disadvantaged groups. Under the direct advice of the Growth Association, training is specialised and designed to meet the needs of enterprises in the area.

In Chicago, a group of business companies (Chicagoland Business Partners) has supported the provision of employment and training services by DePaul University, which is linked to a number of community-based organisations in connection with disadvantaged groups.

In both cities, the services delivered by these private/non-profit partnerships are supplied through a structure separate from public services. Two (or more) service structures are thus in operation in these areas despite the efforts deployed to gather all services supplied in one single location through a one-stop system, supervised by one single partnership (the WIB).

Inspired by trade unions' initiatives and by the result of their own local experimentation in the Northside area of greater Dublin, Irish partnerships, led by community-based organisations, delivered their own employment services in the first half of the 1990s in order to complement those provided by the PES (FÁS). In a 1995 government decision, the LES network was extended to cover 25 areas. These offices aim to provide services tailored to the needs of the long-term unemployed and disadvantaged groups. The LES have been prepared to allocate more time to counselling activities than FÁS could. They have also complemented the national placement service by concentrating on individual local areas, where the staff could visit local employers to promote local matching and identify opportunities for training the low-skilled unemployed on the job.

In Ireland, two networks have then co-existed for years, reflecting the satisfaction with the results achieved by the LES. The extent of co-operation between the PES and the LES has varied across regions. Many local PES offices have found it in their interest to co-operate actively, and have seconded staff to help with disad-

© OECD 2001

vantaged groups. At national level, agreements to share databases have been concluded.

However, in Ireland as in the United States, the existence of two separate networks has limited the scope for greater direct involvement of public services in matters related to disadvantaged groups to the extent that other partners have developed a specialisation in these areas. This may have prevented the PES from improving its methods and skills in this field.

In the United States, these initiatives have contributed to the relative isolation of the public services, weakening their capacity to integrate policies and services in view of developing a more effective and comprehensive strategy. Even in their main field of expertise, public services have not been the only actors involved, as the same objectives as those they seek to achieve have been pursued independently by the private and the non-profit sectors in separate networks. In Cleveland, one of the main aims of the Growth Association is to enhance the efficiency of the labour market, typically the main goal of the PES. As part of its mission, the partnership has helped local firms to find workers and promoted the upgrading of workers' skills, with little involvement of the various public services.

A degree of duplication in activities has also been identified in Ireland, as the focus of the LES network's activities has become more diffuse over time. In 1999, only half of the users of the LES were long-term unemployed and coming from disadvantaged groups (National Economic and Social Forum, 2000).

Similar concerns about separate networks are raised in Southern Italy, where the PES has learnt few lessons from the partnership experience. Employment services as a whole (different entities are responsible for the various measures, such as placement, training, unemployment insurance) have had little involvement in partnerships. In Sicily, the regional employment office, which benefits from some autonomy from the central level as the region has a special status, has not played any significant role in the definition and implementation of local strategies. Most partnerships have voiced needs, especially in the training area, and included objectives related to the labour market in their strategies: to upgrade the skills of low-skilled workers, improve job matching and stimulate self-employment.[9]

A failed cross-fertilisation between public services and other constituencies through partnerships may make the effectiveness of the overall services delivered to the population increasingly dependent on the involvement of the private and voluntary sectors. The extent of involvement of the private sector and non-profit organisations varies significantly across regions. In areas where the business community is not involved in local human resource development, as often happens in deprived urban areas where the business community is relatively absent (as in the southern districts of Chicago), voluntary associations have been left without significant support or direction. With no relevant experience in such conditions,

© OECD 2001

the public service is often weakly equipped to help, and an uneven quality of employment services may result.

Overall effectiveness may also become increasingly dependent on economic cycles, since part of the private involvement is associated with the need to fuel local economic growth. When the current tight labour market eases in the United States, it is unclear whether the business community will maintain its level of involvement (see Chapter 9, by R. Eberts and G. Erickcek).

Diversification leading to proliferation

Other services, which have been delivered by partnerships, include assistance programmes to business development. In Ireland, the government has encouraged this development by asking partnerships to participate in the implementation of the Back to Work Allowance, a programme which aims to assist welfare recipients to start an enterprise. The programme involves assistance and follow-up of participants for a number of years. Partnership are responsible for the first year of implementation for each participant, after which they hand the participant's file to the Department of Social, Community and Family Affairs, which is in charge of the remaining years.

Partnerships have usually regarded positively the opportunity to deliver services themselves, as it increases the partnership's visibility locally. They have often used the economies of scale associated with service provision, and their own fund-raising capacity, to expand the number of services delivered. In some cases, non-provision by the public service may have helped to justify the development of further expertise, making diversification of services an aim in itself.

A number of negative impacts have been associated with a process-driven development of services by partnerships (ESFPAU, 1999): 1) it broadens the focus of the partnerships' work, diverting them from their main goals and skills; 2) it diffuses accountability, as the fact that funds can be levied is sometimes used to show the relevance of a service; and 3) it threatens co-operation with public agencies losing ground in relative terms, and which may see the partnership as a competitor.

It is worth noting that these negative impacts have been avoided in some countries where the provision of complementary services has been developed as part of an existing policy framework negotiated among the main actors in the area concerned. In Flanders, following the reform of STCs (Chapter 3), the tripartite organisations have complemented the activities of the local PES office which they advise, consistent with the distribution of responsibility agreed in a common framework by the government and the social partners. For example, the STCs visit local employers to promote candidates from disadvantaged groups; and they encourage those employers to inform VDAB of any vacancy. They contract out to NGOs specific activities for which VDAB does not have the appropriate resources.

© OECD 2001

A *mixed result for governance*

The net impact from partnerships delivering services on governance is uncertain. As this section has shown, separate networks, weak cross-fertilising, proliferation and duplication of services may have reduced the scope for change in the working methods of public services and in the quality of services offered. On the other hand, competition helps to prevent stagnation in service provision (OECD, 1999*c*). This effect would be consistent with the active participation by local civil servants, which is often observed in partnership activities, as seen in Chapter 2. Public services also frequently second staff to partnerships.

Some services developed by partnerships have been provided in a common location, and others have been provided by the public services while drawing on partnership advice. Comparison of methods, in a co-operative manner but also, perhaps, through competition, may lead to better responsiveness. A comparative study (EFILWC, 1998) shows that efficient partnerships have led to an improved quality of services provided in partnership.

Another way to increase the quality of public services is through policy reforms, an area in which partnerships have often been very active.

Reforming policy

Experiments by partnerships have sometimes been adopted by governments, placed in a policy framework and extended to the whole country. Reflecting such developments, governments have asked partnerships to try out different methods of operation in policy implementation.

The experiences of partnerships have had a particular visibility at political level in Ireland, since reporting to government, through ADM, is mandatory. Reports to national authorities on specific measures or on ways to surmount barriers to the re-integration of long-term unemployed into the labour market have often inspired changes in government policy (OECD, 1996*a*). This process has accelerated in recent years, as suggested by the number of initiatives that have been given a regular status in the national policy framework. Examples of mainstreaming include the programme to assist business start-ups by welfare recipients (Back to Work Allowance, previously Area Allowance), which was initiated by partnerships and which is now implemented by the Department of Social, Community and Family Affairs in all areas of the country, with assistance from partnerships.

Another example is the local employment service (LES) initiative discussed above, which has undergone two successive steps of mainstreaming into the national framework. First extended by the government in 1995 to several areas in recognition of its policy relevance, the network was integrated to the public employment service in 2000. Transfer of the corresponding budgetary allocations

© OECD 2001

has guaranteed their continuation. Although merging a partnership-type organisation (a working group of the partnership used to manage the LES in each area) with a tripartite organisation may represent a challenge, the partnership aspect of the body is preserved as the local working group is maintained within the new structure. The integrated approach taken by working groups is generally acknowledged as the essential feature that has allowed the LES to tackle labour market problems of disadvantaged groups with some degree of effectiveness.

While it is too early to assess how the integrated approach has been reconciled with the management imperatives of FÁS, this arrangement appears to answer some of the concerns expressed above regarding the existence of two separate networks: FÁS, a public service, is now involved directly in the work of partnerships. Stronger involvement in working groups should promote cross-fertilisation and exchanges on working methods. However, adjustments to the national policy framework may be required to ensure that the objectives pursued by the renewed national employment service reflect its broader role, particularly with regard to the target groups. This should ensure coherence within a unified framework between strategic planning made by local working groups and tripartite boards at national and regional (county) level, and facilitate resource allocation that can meet local needs effectively.

In Italy, the government has asked the partnerships to propose ways to make the economic environment more conducive to business investment. Local arrangements reached through territorial pacts have provided Sicily, and other regions, with a simpler and more efficient framework for the appraisal of investment projects. The protocol agreements, signed by all agencies involved across levels of government, harmonise the procedures and timeframes needed by the different steps, *e.g.*, examining requests, issuing permits and giving accreditation. An officer from one of the partners (often the municipality) is appointed to ensure that the authorised delay is respected. Authority is given for him to authorise the projects if all the steps have not been completed within the timeframe agreed. To complete these arrangements with a consistent delivery instrument, municipalities have often set up a one-stop agency. In one area (Caltanissetta), delays have been streamlined from two or three years to 60 days. Area contracts (partnerships implemented in circumscribed areas undergoing industrial restructuring with a significant decline in employment) have been allowed to design exceptional measures in a wider set of policy areas. The latter include security, where measures have been taken in co-operation with the police and judiciary services to secure the business environment from the influence of organised crime; and the labour market, to increase the flexibility of working conditions.

Although such measures have not yet been extended to the whole country, the concrete benefits obtained from simpler procedures for approval of business investment projects have become well known and may encourage their imple-

© OECD 2001

mentation nation-wide. In that, it would follow the early partnership experience of Ireland where changes in administration and legislation were based on local experiences. An example of this is provided by the county of Limerick, where partners have identified the main factors causing prejudice against re-integrating single women into the workforce. These have since then been corrected through corresponding changes in administrative rules (OECD, 1996*a*).

Promoting and assisting the use of measures

The above evidence shows the extent of partnerships' involvement in proposing, designing and implementing policies. A significant, and sometimes primary, part of their work has also been devoted to promoting the utilisation of programmes among individuals and groups of population. To do this, partnerships have seized the opportunity provided by their situation as intermediary between the provider and the recipients of public services, and also by the emergence of non-profit activities.

The challenging development of the non-profit sector

A whole range of non-profit activities has emerged in recent years. Some of these are associated with the withdrawal of the state in social policy areas, and are sometimes delivered also by the private sector although at prohibitive costs for low-income households, *i.e.*, home-help services for the elderly. Others are provided as a response to obstacles to the re-integration of the long-term unemployed and disadvantaged groups, for example childcare services and public transportation in rural areas. In addition, efforts are being made to provide labour-intensive services, such as environmental and cultural services, which have been identified as a way of giving work experience to the long-term unemployed while they meet collective needs. National measures activating unemployment and welfare benefits have often emphasised these opportunities (OECD, 1999*c*).

The bulk of these services and activities have been supplied by community-based organisations and voluntary associations, social enterprises and other non-profit organisations, self-employed individuals and micro-entrepreneurs. The multiplication of the organisations involved, delivering diverse and sometimes duplicate services, has challenged policy implementation mechanisms, as many among these bodies are supported by governments across levels through financial and technical assistance (OECD, 1999*d*). The provision of assistance has proved time-consuming for public agencies, granted limited resources to perform these tasks. Familiar with local organisations, partnerships have often been asked to assume these responsibilities.

Co-ordinating projects

Significant efforts have often been devoted to co-ordinating and developing local projects (local employment initiatives, social enterprises, non-profit service

© OECD 2001

providers) through assessments of local needs and a better use of government assistance programmes.

Partnerships have surveyed and assessed unsatisfied local needs and identified areas for further work activities. As the expected low return on the investment for the corresponding activities would often not match the initial risk taken, such surveys have rarely been carried out by the private sector. Assuming the risk factor, partnerships have identified potential niches for the non-profit sector, and performed needs analysis. In Austria (in Tiroler Oberland und Außerfern), the partnership has conducted surveys on household services, enquiring about the prices which households would be prepared to pay for various services. This survey has given birth to self-sufficient non-profit work activities.

Partnerships have also gathered and updated information on the various assistance programmes available for which local projects may be eligible, and disseminated it. They have helped with project development; evaluated the results of projects and shared them; and organised seminars and training sessions to improve management. These tasks are at the core of the work of partnerships surveyed in Austria, Belgium, Finland and Ireland. In Italy, the clear separation made between programming (the board of directors), project appraisal (the bank) and providing assistance (the secretariat) has led partnership secretariats to devote most of their resources to this function. In specialising in these services, providing business information, advice and assistance in the preparation of proposals, they contributed to the good quality of the projects implemented.

Partnerships have also organised activities to disseminate information to individuals directly. Popular annual labour market fairs in the Keski-Uusimaa area (Finland), organised by the partnership with the local PES office, training institutes, municipalities and employers reinforced the placement capacity of the local PES offices and promoted training as an alternative to job seekers. Such initiatives have attracted unemployed people with a weak connection to the labour market – this has increasingly been one of the priorities for the PES, as seen in Chapter 2 – and helped the local PES office to reach its targets in terms of referrals to traineeships and work experiences.

The role of partnerships in networking local projects and providing information has been helpful for the public agencies involved in funding programmes and projects. Three channels may be identified:

– by addressing information requests and providing assistance to grant applicants, partnerships have freed up resources of the public agencies involved with local projects (*e.g.*, local governments, PES);

– through their awareness of local needs and their specialising in assistance provision, partnerships have stimulated the development of projects, help-

© OECD 2001

ing public agencies to reach targets (for example, in terms of subsidies allocated) and promoting project sustainability;

– local networks co-ordinated by partnerships have provided opportunities to address the issue of the multiplication of service-providing organisations, and to rationalise some sectors such as vocational training (see the example of Limburg in Chapter 2).

Within renewed policy frameworks, tripartite organisations have also attempted to respond to local needs, particularly barriers to labour market reintegration. Projects have been co-ordinated by sub-regional employment committees in Flanders (Chapter 3). In the counties of Kalamazoo and St. Joseph (Michigan), unused allocations from the welfare-to-work programme have been spent on services provided by community-based organisations, such as transport to work and childcare.

© OECD 2001

In summary, partnerships have sought to optimise the use of the resources available and to allocate them in initiatives targeted at local priorities: underdevelopment, long-term unemployment, deprived areas, poverty.

Partnerships are likely to have had much more impact through their indirect role in both the implementation and utilisation of government programmes than through designing their own measures. While the funds at their disposal have been of a relatively small scale, partnerships have participated in the targeting of generous government programmes and assisted individuals and organisations in better using the range of measures available. Partnerships have also supplied activities complementing government programmes, some of them becoming an integral part of government policy.

The combined effect of these efforts has made a mark in many areas. This is reflected by the numerous examples where partner organisations from various sectors, particularly the public service, have joined the process adding their own resources. Partnership is an instrument that public agencies have used to implement programmes and services more effectively, drawing on the expertise available locally and on synergies resulting from the combination of programmes and services.

However, the scope for successful policy co-ordination has often remained localised, targeted at specific issues. Despite the creation of a partnership, or as a consequence to it, separate policy frameworks and service structures have coexisted. This has put limitations on the potential for cross-fertilisation and improvements in the quality of public services, and sometimes led to duplication and competition.

More integration in programme design and implementation is needed to improve the effectiveness of policies, as confirmed by government initiatives to merge policy frameworks (Ireland) and broaden the scope of activities of tripartite organisations (Belgium, United States). These initiatives also suggest that crucial factors of partnership effectiveness are to be found in the national policy framework. There is a role for government to play in improving governance through partnerships, as the next chapter proposes.

© OECD 2001

Notes

1. This estimate was calculated on the basis of the expenditure reported by partnerships to the European Social Fund Programme Evaluation Unit (ESFPEU, 1999), a data source which takes account of the multiple sources of funding. The figure was obtained by adding together estimates of expenditure funded through public funds and private sources. The former was calculated through subtracting from the reported expenditure funded through national/European funding programmes an amount corresponding to the estimated administration costs, calculated on the basis of the 1997-1999 average ratio (26.33%), provided by Area Development Management Ltd. (ADM), the agency in charge of funding the partnerships. An extrapolation was made to 38 partnerships from the ESFPEU basis of 34 units.

   The resulting figure appears consistent with the data provided by ADM on the 1997-1999 period, on expenditures exclusively funded through public sources. The average annual expenditures funded by the government and the EU, calculated over the period 1997-1999, is IR£ 15.4 million. The significant fund-raising capacity of the Irish partnerships as well as the implementation of specific programmes not funded through ADM would explain the difference between the two figures (IR£ 7.3 million).

2. Data for 1996 has been used for Ireland, as the most recent available (OECD, 2000*a*), giving a rate of 3.25%.

3. Administration of the PES is excluded, as well as placement activities to better reflect the programme effort. It can be noted that the estimates of partnership expenditures in both countries correspond to measures not covering the entire national territory. However, the regions where partnerships have been set up may be the ones where the utilisation of labour market and social programmes is also relatively concentrated, at least in Ireland (in Austria, partnerships were being created in the remaining *Länder* in 2000). The partnership areas have been designated as disadvantaged by the Irish government.

4. It has been assumed that support costs, included in expenditure on programmes and activities, as distinct from administration costs are distributed across activities following the distribution of specific actions.

5. In most countries, active labour market policy represents a significant amount of public expenditure. For example, Denmark (pop. 5.2 million) devoted 1 600 million Euro (DKK12 000 million) to labour market programmes (including all vocational training activities but excluding the costs of running the PES and placement services) in 1999. In the region of Storstrøm (pop. 259 000), the total expenditures on programmes were 100.3 million Euro (DKK748 million). The 25 WIBs covering the state of Michigan (pop. 9.8 million) spent in 1999 a budget of US$210 million, mainly on activities of work preparation training, counselling and placement. In the counties of Kalamazoo and St. Joseph (pop. 291 000), the WIB spent US$3.8 million in 1999.

© OECD 2001

6. Although the amount represents a global investment over a few years and relates to economic development, an idea of its scale can also be given by looking at the 1999 budget for active labour market policies, which was of ITL 22 238 billion. The global amount invested through partnerships also corresponds to 4/10 of a percentage point of annual GDP (1999).
7. In a slightly different way, Flemish S*treekplatformen* also ask partner organisations to approve projects. Approval procedures of each sub-regional plan, which foresees a series of projects, involves the administration at central (Flemish) level (Chapter 3).
8. Chapters 6-12 can be consulted for an overview of the performances reached by a sample of partnerships in their respective fields. However, it is beyond the scope of this study to assess the effectiveness of the programmes implemented by partnerships. Specific methodologies have been developed to carry out evaluations of policy results.
9. Human resource development measures have been financed by public funds only for EU-supported territorial pacts for employment. For the vast majority of partnerships, *i.e.*, the territorial pacts funded nationally, such measures are not normally financed as part of the local plan. Many proposed employment measures anyway, and some have financed them through other means.

© OECD 2001

Chapter 5

Improving the Effectiveness of Partnerships: Recommendations

The previous chapters confirm that governments have given partnerships and other types of co-operative arrangements a wide and complex agenda in recent years, which goes beyond tackling problems of unemployment. Networks of partnerships have been asked to pursue an array of policy goals: in some countries, they have been tasked with stimulating economic development, while in others, the focus has been on promoting social cohesion and improving the quality of life.

This broad field of action suggests a heightened interest in partnerships in these times of lasting economic growth and – up to very recently – falling unemployment in many countries. This can be explained by the fact that, whereas economic downturns tend to reduce relative attention to disadvantaged groups and areas, more room for manoeuvre may be used in prosperous times to cope with the geographical differentiation in market conditions and degrees of economic and social development. The benefits from growth are not distributed evenly at local level and among groups of people. Social problems associated with low-paid work, long-term unemployment and poverty in deprived areas remain. Partnerships appear for many actors as a governance tool that, by improving the ways society collectively solves its problems and meet its needs, can help complement market outcomes and the redistribution function of the state.

Increasingly, partnerships are set up to address new policy challenges, which call for a greater efficiency in resource allocation and better co-ordination of actions. For example, the recent economic trends have raised practical challenges for both the public services and the private sector, such as the local shortages of labour and skills. To tackle this, suit business needs locally and fuel economic growth, both public services and the private sector have seen an interest in co-operating with other actors (municipalities, community-based groups, private and non-profit training service providers). Local co-ordination has allowed to allocate resources more efficiently and rationalise programme structures, while taking into account local needs.

© OECD 2001

Through their experience in partnership of the past few years, local actors have also realised that partnership can lead to the identification of synergies between public and private actions in economic, employment, social, cultural or environmental fields. These synergies have been conducive to more effective policies and programmes and to more comprehensive strategies drawing on local competitive advantages.

Examples of such driving forces for partnerships abound in the countries examined in this study. Nowhere is the new context for partnerships better illustrated than in Austria where, despite the unemployment rate of only four per cent, partnerships were supported by the federal government in 1999 (through the National Action Plan for Employment) and re-deployed to cover all regions of the country. In 2000, while unemployment reached 3.7 per cent, the Austrian government secured partnerships' funding for the six years ahead.

The contribution of partnerships

Against that background, concrete results have been obtained by partnerships. Economic development has been stimulated in under-developed areas where other policies had poor results; localised barriers to the re-integration of disadvantaged groups have been overcome; appropriate training has been provided, helping local communities to break the vicious circle of dependence and poverty and to reap the benefits from growth; localised business development has been nurtured through adequate labour market co-ordination. (To complete the evidence outlined in Part I, the reader is invited to consult Part II, which comprises chapters prepared for each of the countries surveyed in this study.)

To achieve their results, partnerships have successfully combined and targeted the efforts deployed locally by various partners. Measures have been used jointly to remove barriers, drawing on synergies; expertise and knowledge have been combined to make resource allocation more efficient; multi-disciplinary methods have been designed to improve the results of programme and service delivery; administrative procedures have been simplified locally; skills of long-term unemployed have been upgraded to meet specific local business needs.

These characteristics highlight partnerships' contribution to local governance. Partnerships have fostered local co-operation between actors and conducted strategic planning exercises based on the local situation and its priorities. Greater cohesion among a sector or a group, such as the community-based organisations or the municipalities, has made the objectives pursued by these actors clearer, and helped actors in other sectors to identify common interests. Partnerships have played a role of interface, which facilitated the development of activities that meet the interests of various institutions. Under certain conditions, local programming exercises have been translated into bottom-up policies. The involvement of

© OECD 2001

community-based organisations has been channelled under appropriate formats to feed into policy implementation processes with maximum impact. Tripartite organisations have widened their scope of policy concerns and linked up with other agencies to improve local co-ordination. They have also developed mechanisms to consult the civil society systematically.

The contribution of partnerships also sheds light on the different instruments they use to better target and use government programmes. Partnerships have defined the terms and conditions for the local implementation of various government policies. They have provided assistance to local projects, helping them to develop further. They have increased the utilisation of government measures in line with identified local priorities and strategies.

Partnerships have been more influential through the various roles which they have played in the implementation of government programmes than through the funds they have directly allocated and the programmes they have designed on their own. While partnerships have granted funds to successful projects and activities, these funds have often been of a minor scale compared to those allocated by public agencies to related matters, such as labour market policies and social affairs, which they often helped to target. Except in Italy, where significant funds have been injected to stimulate economic development, the main impact of these funds appears to have been to encourage the process of combining the efforts deployed by the various partners involved and giving selected projects some financial backing.

And yet, even in Italy, the cohesion and co-operation effect of partnerships seems to have played a major role in the overall impact achieved by partnerships. Municipalities have combined their economic development efforts within a coherent framework aimed at better orienting public investments. They have invested their own financial resources and convinced the private sector and social partners to join them in this co-operative process. While many observers of the economic development of Southern Italy agree that the impact of partnerships on governance has been determinant, however, little work has been done to assess this effect. As in other countries, evaluations of partnerships have put emphasis on policy results.

An accountability failure

The principle of accountability requires that the performances of an agent be monitored and evaluated in light of agreed expectations. Accordingly, public services, mandated by the government to implement its policies, take responsibility and are accountable for performances in terms of policy results. Public services report to the government, which is in turn accountable to the population for the outcome of its policy.

© OECD 2001

As it was seen throughout this study, many partnerships have also been tasked to deliver services to the public, and to design and implement programmes to complement those offered by public services. Consistently, the evaluation of their work has followed the line of those applied to public service providers. Partnerships have, for example, reported numbers of jobs created for long-term unemployed, and of firms started up. However, designing and implementing programmes often represents a minor outcome of partnership work.

Improving governance represents the main contribution from partnerships, but this has not been evaluated. Work carried out to help better tune local intervention by public services, to increase the use, accuracy and effectiveness of government programmes, to co-ordinate and rationalise non-profit activities, to increase people's satisfaction with government policy is left unmonitored.

The inconsistency between the actual contribution of partnerships and their evaluation raises a number of important issues. First, leaving a major strand of partnership work unevaluated makes improving the quality of the work of partnerships a difficult task. Making relevant recommendations on work to improve governance is challenging if most of the data has a bearing on policy results. Second, the mismatch nurtures the belief among the partners and the public that, to acquire credibility and legitimacy, a partnership must develop its own programmes and deliver its own services, similarly to public agencies.

This accountability failure raises a more fundamental issue: as a co-operative network of organisations, many of which are accountable in terms of policy results themselves (*e.g.*, public services), why should partnerships be evaluated in terms of policy results at all? It can be argued that the partners should be the only ones to be so evaluated. Public services have a mandate to provide services and implement policies, for which they take responsibility, and are provided with the necessary resources to cope with this task efficiently. Duplicating the accountability in terms of policy results inevitably creates the possibility of double reporting and blurring the lines of responsibility, a phenomenon observed in partnerships and described in Chapter 3.

In keeping with their co-operative nature, partnerships could be exclusively assessed in terms of governance improvements or, in other words, in terms of what their constituencies – partners from the public services, local authorities, trade unions, employer organisations and wider civil society – gain from working in partnership. As a principle, partnerships should be primarily accountable to their partners, and therefore carry out actions and provide services at their joint request. Consequently, benchmarks for evaluation should be established by partner organisations themselves, on the basis of their expectations with regard to their mutual co-operation and networking with other parties (see Chapter 7, by M. Ó Cinnéide).

© OECD 2001

As each partner seeks to identify how a partnership with other organisations can benefit them, such process also becomes a learning exercise.

Inconsistencies in the national policy framework

There are a number of reasons why such a development in the accountability framework of partnerships has rarely been seen.

First, the policy goals assigned to partnerships are not necessarily shared by their constituencies. An example in point is provided by the case of partnerships promoting social inclusion for disadvantaged groups. Re-integrating welfare recipients into the labour market – a standard policy goal assigned to partnerships in this case – sometimes does not appear in the mission statement of the public services from which co-operation is to be sought. On the labour market side, the mandate of the public service competent (the PES) often concerns unemployed people entitled to UI only, while, on the social side, public services (say, the Ministry of Social Affairs) do not clearly pursue aims related to the labour market (for example, amalgamating long-term unemployed and people on illness benefits).

Another example is given by labour market authorities (the PES or the Ministry of Labour) member of partnerships promoting regional economic development. Since their mission is to ensure an efficient functioning of the labour market, it is often difficult for these authorities to co-operate effectively with other partners on regional development issues. As part of its mandate, the PES encourages geographical mobility to tackle regional disparities of unemployment, an option which may conflict with regional development strategies pursued by other actors (regional government, social partners, development agency).

Secondly, and partly as a result of the above, partnerships have developed and enhanced a role in programme implementation and service delivery. Since partnerships have been assigned policy goals, which are often weakly compatible with those of their constituencies, they have been intent on developing their own services and programmes in order to fulfil their targets. Considerable profile has been given to these tasks, even though the funds involved have not been significant. As a result, many partnerships have come to be considered as public agencies, further encouraging evaluation in terms of policy results.[1]

An unreleased capacity to improve governance

The weak co-ordination of objectives between partners at national level, or the fact that partnerships' goals are weakly reflected in the mission of government departments, has done little to convince local and regional units of the different public services concerned of the necessity to invest in partnerships, sharing information, developing joint projects, and pursuing common objectives. Partners are

© OECD 2001

faced with few incentives to make partnerships more effective and responsive to their needs.

As a result, few attempts have been made by the partnerships' constituencies to make partnerships accountable to them collectively. As seen above, seeking to identify what each partner can get from the partnership can be a learning exercise that strengthens the accountability framework of partnerships and tackle the accountability failure. Instead, partnerships have remained largely accountable to a government department or an autonomous agency at national level responsible for appraising plans, setting targets and allocating funds.

The weak participation of the public sector has not undermined the relevance of partnerships' local governance agenda. Seeking to improve policy co-ordination and promote adaptation of government programmes to local conditions have remained crucial tasks. Because partnerships have been granted relatively low funds, in order to have any significant impact locally it has been necessary for them to identify synergies, to connect local initiatives with the implementation of government programmes and to identify efficient ways to pool resources to simultaneously fulfil various objectives.

Nevertheless, weak co-ordination of national policy objectives and the resulting inconsistency between partnerships' accountability framework and their contribution have undermined the capacity of partnerships to significantly improve governance and effectively pursue the goals assigned. Constituent partners have uneven degrees of interest, representation, participation, commitment and legitimacy. Partnerships have been in a weak position to propose relevant changes in the implementation of policies by public services, and they have instead concentrated on achieving their own policy targets. This has had a number of negative consequences for governance, identified earlier, including:

- the need to report policy results has led to a diversification of the services delivered, broadening the focus of the initial tasks, increasing geographical differentiation of results, diluting accountability and making it necessary to increase the resources devoted to horizontal co-ordination of partnerships;
- blurred lines of responsibility have encouraged double reporting between partner and partnerships, a situation whereby both the partner organisation administering a programme and the partnership involved in its implementation report the same positive results (and ignore negative ones);
- separate policy frameworks have reduced the potential for learning across sectors and organisations, undermining the capacity to improve the quality and the responsiveness of public services; ground lost in relative terms by public services (when partnerships enlarge theirs) have undermined the scope for co-operation;

© OECD 2001

– differentiation in commitment from constituencies may lead to biased priorities, contributing to inefficient allocations of resources.

There is a greater potential for co-ordination of policies, integration of policy fields, and adaptation to local conditions and priorities. Measures can be taken to fulfil this potential of partnerships in improving governance.

Recommendations: a strategy to improve governance through partnerships

Benefits from taking a cross-sector and integrated approach drawing on resources and skills across levels have been identified by public service officers as well as representatives from local government, social partner organisations and the wider civil society. For instance, partnerships are instrumental to public services in improving the effectiveness and appropriateness of the programmes they implement and the services they deliver. Yet partnerships are not always used this way by their constituencies. Opportunities to improve governance are missed due to inconsistencies in the national policy framework and failures in accountability.

A strategy can be implemented to maximise the impact of partnerships on governance. Adopting this strategy has implications not only for partnerships, but also for their constituencies: the government, and its relevant public services; local and regional governments; trade unions and employer organisations; NGOs and community-based organisations. Improving governance through partnerships requires adjustments to the strategic and accountability frameworks of partnerships and to the policy and management frameworks of the partnerships' constituencies[2].

Make policy goals consistent at central level

The partnership experience shows that the potential to co-ordinate policies at local level is limited by the degree of consistency across the policy objectives pursued by the various government departments at national level. In order to make partnership relevant and effective, the partners must aim at common or compatible objectives at national level, which can be pursued more concretely and attained more efficiently in partnership at local or regional level. Thus, local co-ordination work carried out by partnerships should be complemented by a similar process at central level. The creation of a network of partnerships should be accompanied by a mechanism through which local and regional experience is fed back to the top to highlight deficiencies in the national policy framework. A mechanism should also exist to facilitate the necessary trade-offs between government departments (and social partners) in view of achieving full consistency among the national policy objectives related to the goals assigned to partnerships. As a result, all the partners whose participation is needed should be accountable for the outcome achieved by partnerships.

© OECD 2001

Once consistency is achieved, the partners should carry out an exercise aimed at distributing responsibilities between partners and partnerships. It has to be decided who is responsible for what in policy areas co-ordinated in partnership. In programmes implemented by a public-service partner, it has to be determined what should be the degree of involvement from the partnerships (*e.g.*, revising targets, identifying users). The exercise should also be an opportunity for the partners to identify and agree on guidelines for evaluation. Should partnerships be evaluated in terms of policy results or governance outcomes? What is their expected degree of direct responsibility for programme implementation and service delivery, for which evaluation in terms of policy results is required (*e.g.*, numbers of jobs, enterprises created)? What are the partners' expectations with regard to partnerships' contributions to good governance (*e.g.*, facilitating the public-private exchange of information, involving NGOs and civil society groups in local planning, identifying areas of cross-sector synergies, increasing the utilisation of government measures, co-ordinating non-profit activities, increasing the population's satisfaction with public services)?

- *Make the partnership accountable to its constituencies.* Partnerships should not be accountable to one single government department or agency, responsible for appraising projects, targetting actions and allocating funds. All the partners needed for partnerships to fulfil their mission should take responsibility for the activities undertaken in partnership, as a necessary condition for institutional commitment and full accountability. With regard to public services more particularly, they should revise their mission statement and broaden it where necessary to make it compatible with the goals assigned to partnerships. Policy goals pursued by partnerships should consequently be reflected by the objectives of the different partner organisations.
- *Distribute the responsibilities.* Partners should determine the general role of partnerships in the implementation of policies and in tasks aimed at improving governance. In particular, public services at national level should establish the distribution of their own responsibilities in the areas related to the partnership's work. Partners should then agree on the corresponding guidelines for monitoring and evaluation, to be elaborated further by the decentralised offices directly involved.
- *Provide an opportunity for a re-definition of the role of social partners.* The exercise aimed at making the national policy framework more consistent with the policy goals assigned to partnerships should involve trade unions and employer organisations. Social partner organisations should identify their role with regard to the objectives pursued. Re-negotiation of the policy framework with the government may be appropriate when social partners are responsible for a policy sector related to the issue addressed in partnership (for example, labour market policy). Through negotiations over the

© OECD 2001

policy framework, social partners may be called to broaden the activities of bipartite or tripartite organisations to include the new policy goals to be pursued in partnership, instead of setting up an additional network of local organisations. While based on a more traditional concept of social partnership, this alternative approach may offer a similar degree of inclusiveness to that of partnerships with the civil society, provided that the social partners invite representatives from other population groups, such as community-based organisations and NGOs to join the process. By drawing on the accountability frameworks already existing in tripartite organisations, this option avoids the lengthy process of building new ones.

– *Sustain co-ordination*. A co-ordination mechanism should be established at national level to sustain the consistency and compatibility of objectives pursued by public services (and other constituencies), and to propose solutions in possible areas of conflict. In addition to national public services, social partner organisations, associations of municipalities and other relevant networks (such as community-based organisations and interest groups at national level) should participate in this work.

Adapt the strategic framework for partnerships to the needs of the partners

While public services have identified an interest in working in partnership, an uneven degree of ambition among the other constituent partners sometimes undermines their incentive to actively participate in the partnership process. Strong involvement by community-based organisations and NGOs may discourage public service officers from sharing information and from engaging in open discussion on how to surmount obstacles to cross-sector decision-making. Nevertheless, experience shows that various types of partner organisations are prepared to invest in a partnership when it can help them achieve their goals. This is reflected by examples of partnerships in which the operating costs have been entirely financed by the local partners (*e.g.*, municipalities and public service offices).

The strategic framework for partnerships should enable public service officers and local officials to achieve their own policy objectives through participation in defining and implementing the partnership strategy. This will encourage them to use the partnership as a tool to improve the quality of their own actions locally. In turn, it will help stimulate wider participation and mobilisation. The involvement of public services and local authorities is often seen as a trigger for the involvement of other actors as it provides legitimacy to the process. To generate commitment from local actors and their governing bodies, it is necessary to promote a climate of trust, positive to co-operation. A number of mechanisms can be implemented to do so, both in designing the strategy and implementing it.

© OECD 2001

In programming exercises:

– E*nsure spatial consistency of objectives*. Partnerships should promote a spatial consistency of objectives in the programming exercises performed at different levels of government and partnership. A balance between consultation with lower levels (*e.g.*, municipalities) and derivation of objectives from strategies at higher levels (*e.g.*, regional government) should contribute to stimulate horizontal and vertical co-ordination. Synergies can better be identified and co-operative relationships established when policy objectives and targets are shared across levels of governance.

– I*dentify common municipal objectives*. In the spirit of spatial consistency, strategic planning on issues related to economic development should be based on, and consolidate, objectives pursued by municipalities. Municipalities, which normally share with higher levels of government responsibility for economic development, including business development, infrastructure and spatial planning, often do not have the critical mass to fulfil their targets alone. Partnerships provide the opportunity to "federate" the compatible objectives at local level, based on the characteristics of economically homogenous areas, and to give them more weight in policy planning exercises conducted at higher (*e.g.*, regional) level. Consolidated local objectives thus promote a bottom-up formulation of regional development policies, as shown in Austria (Chapter 3). Drawing on common municipal objectives also strengthens the commitment of municipalities to partnerships and provides further legitimacy to the strategies agreed.

– D*efine goals on the basis of issues*. The goals to be pursued in partnership should avoid being centred on general policy areas (*e.g.*, labour market policy and economic development) unless partnerships are responsible for implementing government policy in these fields. Often public agencies, or regional governments, are in charge of co-ordinating actions in those areas, and uncooperative relationships between them and the partnership may result from an unclear distribution of responsibilities. On the contrary, objectives defined on the basis of issues (*e.g.*, to improve the quality of life of disadvantaged groups, to stimulate business investment in sectors of local competitive advantage) facilitate the identification of common interests among partners, including local public services. Instead of being concentrated in one single area, these objectives will rather be transversal to diverse policy fields.

In strategy implementation:

– M*inimise service structure development*. The exercise conducted at national level aiming at distributing responsibilities between partner and partnership in policy implementation and governance should be carried on at local level

© OECD 2001

for each new project. Partnerships should aim to identify, for each new programme and service agreed in partnership, which constituent partner is most appropriate for implementation and delivery, and identify what the responsibility for the partnership is. The scope for involvement of the partnership in setting up implementation and service structures for which public services are better qualified should be limited.

– *Give visibility to partner investment.* Implementation of the joint strategy should be transparent in terms of the contribution of each partner. Partnerships should provide partner organisations with the visibility that corresponds to their respective investment in the projects carried out. In public relations, as in Southern Italy, partnerships should make clear that projects are set up on the partners' behalf.

Strengthen the accountability framework for partnerships

Joint co-operative actions may be accompanied by a blurred distribution of responsibility, providing partners with incentives to claim responsibility for positive results while ignoring failures. Various other ways to undermine the accountability of partnerships have also been identified in this study: an uneven degree of participation by partner organisations, *ad hoc* representation of their delegates, absence of mandates guiding delegates' action, and weak reporting mechanisms. Weaknesses in the accountability framework harm commitment from those institutions most responsible, such as the public services ultimately accountable to parliament, and elected municipal officials. Strong accountability is a prerequisite for effectiveness in policy co-ordination and legitimacy of resource allocation decisions.

Similar to partnerships across levels of government (OECD, 1999*f*), three relationships of accountability may be strengthened in partnerships that involve the public and private sectors with the civil society: 1) the accountability of each constituent partner to its governing body, or from each representative to her/his organisation, to reinforce institutional commitment and provide a greater consistency in the actions taken by each partner; 2) the accountability among constituent partners, clarifying the distribution of responsibility and increasing the degree of responsiveness among partners; and 3) the accountability of the partnership to the public, to increase the commitment of constituencies to the effectiveness and the legitimacy of the partnership's work.

Accountability of each partner to its governing body:

– *Validate benchmarks and performance targets.* To foster institutional commitment, the benchmarks used for evaluation and the performance targets pursued by partnerships should be reviewed and validated by the constituent partners across administrative levels. Benchmarks should reflect the distribution of responsibilities established at national level between partnerships

© OECD 2001

and constituencies. Defined at the beginning of partnership activity, they should aim at a comprehensive assessment of the benefits from co-operation.

– *Define mandates and reporting mechanisms.* Constituent partners should design mandates guiding the action of their representatives on the partnership's management board. They should establish internal reporting methods to monitor the action of their representatives and stimulate their participation and commitment to the partnership process. Reports should aim to inform the partner organisation across administrative levels of the progress made by the partnership with respect to the targets set. Feedback information should reach central networks in order to ensure efficient national co-ordination.

– *Social partners: define a policy.* When social partner organisations are represented in a partnership, they should define and promote a policy on the issues addressed (*e.g.*, local development, social exclusion). Only when trade unions and employer organisations promote a policy relevant to the goal assigned to partnership can their representatives contribute to the elaboration of solutions with a significant degree of effectiveness. Promoting a policy usually implies feedback and reporting mechanisms. Examples from Belgium (Flanders) and Italy have shown that trade unions can play a crucial role in defining and implementing joint strategies to fight social exclusion and promote the development of their areas.

Accountability among partners:

– *Distribute policy management responsibilities between partners and partnerships and across levels of government.* The guidelines provided at central level on the partnership's main role in policy implementation and governance should be detailed further at local level. A clear distribution of responsibility should be established between partnerships and constituencies at operational levels in order to avoid blurring the lines of responsibility. The public-sector partners should agree with other constituencies on the terms of their expectations regarding the partnership's contribution in the implementation of the programmes for which they are responsible (*e.g.*, promoting their utilisation by the public, preparing proposals of new programmes and joint projects, improving cross-sector co-operation). Those agreements should be validated across administrative levels by partner organisations when more than one level is involved in the partnership, and be completed by a clear division of labour across levels regarding the duties linked to the partnership to stimulate partners' administrative efficiency.

The same conditions should apply to tripartite organisations which extend their scope of activities to other fields, such as that of social inclusion and

© OECD 2001

economic development, in order to ensure complementarity with the actions carried out by other actors already involved in these fields, such as public services and regional governments. Effective synergy between the co-ordination duty of the tripartite organisation and the operational tasks of the delivering agency (*e.g.*, the PES) should occur if the latter defines, as a partner and in co-operation with the other partners, a clear mandate for the tripartite organisation.

– E*mploy transparent representation mechanisms*. Representatives from the civil society and the business community not represented by social partner organisations should be selected through transparent mechanisms agreed by all constituencies. A*d hoc* representation mechanisms for some of the partners may undermine the commitment of public service officers and elected local officials. Although spontaneous and voluntary participation by local actors may be conducive to constructive innovation in project proposals, weaknesses in representation and commitment from public services and local authorities that may result risk not giving those projects the attention deserved. Representation mechanisms appropriate to each sector should be designed.

Accountability to the public:

– S*eparate the partnership responsibilities*. Within their administrative structure, partnerships should seek to separate the tasks of strategic planning (defining the local strategy), appraising projects involving the allocation of funds, and providing technical assistance. Separating the tasks of strategic planning and project appraisal will avoid conflicts of interest whereby service providers, NGOs and municipalities are involved in funding decisions on measures from which they benefit directly. Clear separation thus enables potential beneficiaries to fully participate in the definition of strategy. In Italy, projects are appraised and selected by independent financial institutions on the basis of the local strategy defined and adopted by the partners. A more global division of labour assigning the partnership's secretariat the duty to provide technical assistance helps clarify the distribution of responsibilities. By specialising in providing assistance to users in the preparation of proposals, projects and initiatives, Italian partnerships' secretariats ensure the relevance and good quality of activities proposed and thus contribute to achieving the partnerships' objectives.

– T*ripartite organisations: consult civil society*. In order to foster responsiveness to local conditions, tripartite organisations should consult civil society not represented by social partner organisations and involve it in strategic planning exercises. The use of communication instruments to consult the civil society may increase awareness by the board of tripartite organisations of the soci-

© OECD 2001

ety's wider concerns, influence decision-making and lead to a greater and more responsive adaptation of policies to local conditions. Working groups involving NGOs and community-based organisations (Belgium) and workshops conducted in local areas aimed at feeding into the annual regional and national programming exercises (Denmark) are promising tools.

Provide flexibility in the management of public programmes

In light of the partnerships' strengthened accountability framework, the degree of flexibility provided in the management of policies related to the goals assigned to partnerships may be revised to meet the growing needs of local public service offices. Insufficient flexibility provided in public management may limit the scope of the benefits that local officers can reap from working in partnership, preventing them from translating their participation in the definition of a local joint strategy into concrete involvement in its implementation. Further, a weak capacity to respond to local priorities by public services, social partners and local governments undermines the scope for fully co-operative relationships within partnerships to the extent that it may convey incentives to partnerships to develop their own measures involving service delivery.

The extent to which public resources can be allocated according to local priorities defined in partnership can be increased through adjusting the management framework of public programmes. While the degree of administrative decentralisation in public services can enhance the flexibility provided in public management, decentralisation may not be the key determinant, nor a necessary condition (OECD, 1998*a*). Decentralised public services are sometimes accompanied by stringent performance-management systems aimed at maximising efficiency, which may limit the scope for taking a cross-sector approach in implementing policy. Besides, experience shows that significant involvement of partnerships in the local implementation of public programmes may also occur in relatively centralised administrations (*e.g.*, the role of Irish partnerships in targeting the local implementation of the Community Employment and Job Initiative schemes).

– *Address the needs of local public service offices*. The needs of local public service units for more flexibility in the management of programmes should be addressed in a way to ensure that their participation in the definition of a local strategy can be followed by a corresponding involvement in its implementation. Similarly, flexibility in the management of public services co-ordinated by tripartite organisations broadening their field of action should be revised to enable a greater responsiveness to the concerns expressed by the new partners involved.

– *Revise in partnership the targets of government programmes*. The public service should consult its partners in the definition of targets for the programmes

© OECD 2001

that it implements and that are related to the goals assigned to partnerships. This could be done across the board by adding a step to the negotiation process which often takes place annually between the central and the local (or regional) administrative layers of public services, where partners would be invited to suggest amendments to the performance targets proposed, in order to better reflect local priorities and respond to unmet needs. Public workshops can also be organised to feed into the process of negotiating objectives and targets, as experienced by some tripartite organisations, for instance in Denmark. In a more specific approach, such an exercise could be performed for the programmes explicitly related to the issues addressed by the partnership. The Irish – within a formal framework – and Finnish experiences are examples where partnerships have been involved in targeting and fine-tuning the local implementation of programmes specifically related to the partnership goals.

– P*rovide tools to vary commitment*. In addition to the flexibility provided in management schemes to match the interest of public service offices in being more responsive to local concerns, other instruments can be used by local partners to adjust their involvement in strategic planning exercises and in the implementation of concrete actions. Public services may be granted some flexibility over a part of their resources to invest in partnership activities in function of their needs. Such scope for varying the degree of financial commitment depending on local priorities may be conducive to fostering the responsiveness of public service officers to issues raised by partnerships. Flexibility in seconding personnel and providing expertise in the implementation of strategies and projects designed in partnership are other tools through which public services and other partners may play a more important role in partnerships.

– M*inimise the administrative burden*. The distribution of administrative tasks should be consistent with the division of labour and the distribution of responsibilities agreed by the partners, and the resulting role of the partnerships. In line with a limited scope for partnerships' involvement in direct programme implementation and service delivery, administrative responsibilities associated with programmes and services defined in partnership should be minimised for partnerships. They should remain as much as possible with public services, which are usually provided with appropriate resources to efficiently cope with these duties.

© OECD 2001

Notes

1. Agency behaviour may not be inconsistent with all partnership models (Chapter 4). In Italy, steps have been taken locally to transform partnership secretariats into economic development agencies, in agreement with partner organisations. The clear separation prevailing between strategic planning and project appraisal reduces the dependency of partnerships on their constituencies' commitment to reach satisfactory results, thus making them more autonomous.
2. This strategy has been adopted by the Directing Committee of the LEED Programme of the OECD at its 37th session, on 16-17 November 2000, in Paris.

© OECD 2001

Summary and Conclusion

Partnerships and governance

Improving governance has been the main contribution of partnerships established to stimulate economic development, strengthen social cohesion and enhance people's quality of life. Partnerships have improved the ways society collectively solves its problems and meets its needs. This has been done mainly through stimulating the use of government measures, better targeting them, and combining the effects of various programmes and local initiatives.

Stimulating the use of measures. Provided with modest funds to create and deliver programmes and services, partnerships have promoted the use of public programmes that could help to meet the goals assigned to them (*e.g.*, social inclusion, economic development, etc.). Devoting efforts to the latter stages of the policy implementation process, partnerships work with the potential users of public programmes: they help individuals to apply for schemes and subsidies; they assist associations and community-based groups in applying for grants; they provide advice on the preparation of business proposals; they inform target groups about the relevant public programmes available and disseminate information on best practices.

Targeting measures. Partnerships have drawn public programmes closer to locally identified priorities. Opportunities for civil society and other partners to influence the implementation of policies have been provided through either informal co-operative arrangements or more official framework agreements proposed by the government, which have fully utilised the consultative capacity of partnerships. In this way, partnerships have advised public services on the targets, terms and conditions to be applied to the local implementation of certain programmes in order that these better meet local needs.

Combining measures. Partnerships have identified and seized opportunities to combine and enhance the effect of public programmes and local initiatives. The limited resources granted have encouraged partnerships to seek synergies that could maximise the local impact of the various activities carried out in line with local priorities. Partnerships have convinced local actors from the private, public

© OECD 2001

and non-profit sectors to pool their resources in joint projects. Some degree of improved co-ordination across policy sectors – labour market, education, social affairs, economic development and environment – has resulted from such initiatives of *civic entrepreneurship*.

New challenges, new potential

Benefits from working in partnership have been spread among the diverse partners:

- The population has benefited from improvements in governance. Groups from civil society have been given the opportunity to express their needs and concerns, thereby increasing awareness and understanding among decision-makers of the problems and situations harming collective well-being.
- Public services are among the main beneficiaries of partnerships. They have seen their programmes better used and targeted, contributing to a higher degree of satisfaction among the population.
- Local authorities, employer organisations and trade unions, all of which are increasingly involved in area-based co-operative initiatives, have built on partnerships to more effectively pursue various goals based on their mandates and fields of responsibility.

As more actors have identified benefits from co-operation in local interventions, the potential for improving governance through partnerships has grown. While a few years ago, the civil society, as represented by its community-based groups and NGOs, was alone in proposing the idea, today the partnership concept is approached and positively considered by a wide range of actors. The business community feels it important to participate in the steering of public programmes locally in order to address their own concerns about fuelling economic growth. Public services welcome this opportunity for making public intervention more effective. Both the private and public sectors rely increasingly on NGOs and community-based groups to help meet current challenges, particularly labour and skills shortages. Conversely, their partners from the civil society seize this opportunity to move forward their agenda on re-integration for the disadvantaged and skills-upgrading for the low-paid. Trade unions take a more active part in the definition of local strategies, further defining and developing a new role in promoting improvements in living conditions.

This growing interest is further nurtured by global economic integration, which highlights the potential for greater networking and identifying synergies based on proximity as well as drawing on local competitive advantages, knowledge and skills. Interest in partnerships is also spurred by a wider sharing of concerns for the environment and sustainable development, which raises the need for greater co-ordination among local actors. Interest has also been stimulated by

© OECD 2001

recent economic growth, which has provided more room for manoeuvre in tackling geographical disparities, poverty and social exclusion.

Thus, it is no surprise that the popularity of partnerships has increased as unemployment has fallen in the OECD. The growing interest in better governance also explains why the range of issues currently addressed by partnerships is so wide, and why tripartite organisations, which gather together both trade unions and employer organisations, nowadays broaden the scope of their actions.

A potential yet to be fulfilled

Despite this growing interest, the potential for improving governance through partnerships has not been fulfilled. The experiences surveyed show that the benefits from partnership have often remained geographically limited and focused on specific issues. Partner organisations have participated in the joint development of projects that could meet their direct needs, but interest in pursuing co-operation – and in broadening this to other activities – has often decreased once objectives were being met.

Faced with a limited degree of involvement from some important partners, notably the public services, partnerships led by the civil society and social partners have raised funds and delivered their own services. Separate service structures have then co-existed, reducing information exchange and opportunities for learning across organisations. Public services have learnt few helpful lessons from such partnership experience to help improve their methods of working with disadvantaged people and areas.

The experience of partnerships in the seven OECD countries examined reveals deficiencies in the governance framework, which explain partnerships' difficulty in achieving better co-ordination and a more integrated approach to policy development.

Failures and obstacles

The main obstacle to partnership effectiveness is the inconsistency of national policy frameworks with regard to the local objectives pursued. Governments have created networks of partnerships and given them goals to achieve, but without ensuring that the prospective partners could take an active and consistent part in the activities to reach these goals. Public services have rarely been required to integrate in their mission the policy objectives assigned to the partnerships in which they were expected to participate.

A concrete example is labour market authorities, which often pay relatively little attention to regional development concerns despite the fact that they almost systematically co-steer area-based partnerships. In keeping with its mission to

© OECD 2001

ensure an efficient functioning of the labour market, the public employment service promotes geographical mobility to eliminate unemployment disparities, sometimes to the dismay of local and regional governments in depressed areas that strive to revitalise their localities and retain their younger population groups. Reducing unemployment need not be the main priority from a regional development perspective. A comprehensive strategy based on local competitive advantages, with implications for the implementation of labour market policy, may be designed to achieve multiple objectives of sustainable development, improved quality of life and low unemployment.

The effect of inconsistencies in national policy frameworks is reinforced by the adoption by public services of performance management methods aimed at ensuring high levels of efficiency in reaching targets. Methods of management by objectives and results may encourage public services to take a narrow approach to implementation, even in decentralised frameworks, as they provide incentives to concentrate on the units of service output which are measured and reported. Maximising efficiency in public services sometimes generates screening effects, whereby less costly cases are served first, and can reinforce compartmentalisation in delivery.

Another major obstacle to the effectiveness of partnerships is found in the issue of accountability. Partnerships have failed to have their work monitored and evaluated properly. The accountability framework of partnerships has emphasised achievements in terms of policy results (*e.g.*, jobs created, unemployed placed into jobs, business start-ups, etc.). However, most partnerships have been allocated few resources to achieve significant results on these criteria. To tackle this challenge, partnerships have raised funds, diversified services and multiplied projects, thus sowing the seeds of competition with partners from the public service evaluated on similar criteria.

Rarely have partnerships been evaluated by their constituencies in terms of how the latter actually benefit from working in partnership, for example by: increased use and better targeting of measures; greater responsiveness to local conditions; identification of opportunities for broader impact through joint activities; and a higher degree of satisfaction among the population. By neglecting to monitor and evaluate the performance of partnerships in improving governance, the prevailing accountability frameworks have failed to improve the working methods of either the partnerships or their constituent partners.

Making partnerships more effective

Evidently, it is not because a network of partnerships is established that policy co-ordination automatically improves. Adjustments must be made to maximise the effect of partnerships on governance.

© OECD 2001

This study proposes a strategy to improve governance through partnerships (see Box 11). This strategy is based on the experience of partnerships evolving across a wide institutional spectrum and in a broad range of policy areas. These experiences represent society's attempts to achieve goals locally drawing on resources and skills from public, private and civil-society sectors. Hence, this

Box 11. **A partnership strategy to improve governance**
(See detailed recommendations in Chapter 5)

1. *Make policy goals consistent at central level.* The creation of a network of partnerships should be accompanied by an exercise at central level to facilitate the necessary trade-offs between government departments (and social partners) in order to achieve full consistency among national policy objectives related to the goals assigned to partnerships. Partnerships should not be accountable to one single central agency, but rather to all the partners needed to fulfil their mission. The partners should agree on the role to be given to partnerships in policy implementation and improving governance.
2. *Adapt the strategic framework for the partnership to the needs of the partners.* Programming exercises should enable public service officers and local officials to achieve their own policy objectives through participation in the partnership strategy. This will encourage them to use the partnership as a tool to improve the quality of their own action locally. To foster a co-operative climate, the terms of the contribution of each partner to the implementation of the common strategy should be explicit and transparent. Services should normally be delivered by individual partners rather than by the partnership itself.
3. *Strengthen the accountability of partnerships.* Partners from all sectors (public services, social partners, voluntary sector) should have a clear policy on the issues addressed by the partnerships. They should, accordingly, define mandates and reporting mechanisms for their delegates. Partners should agree on appropriate representation mechanisms for each sector, and on a clear distribution of responsibility when public programmes are implemented with the partnership's involvement. They should seek to separate the functions of strategic planning, project appraisal involving public funds, and technical assistance. These measures will ensure efficient co-ordination and secure partners' commitment.
4. *Provide flexibility in the management of public programmes.* The needs of local public service offices for more flexibility in the management of programmes should be addressed in a way to ensure that their participation in the definition of a local joint strategy can be followed by involvement in its implementation. Partnerships should be involved in the targeting of public programmes related to common goals, while the responsibility for implementation should remain with public services.

© OECD 2001

strategy's four axes, which complement and strengthen each other, can be applied to, or inspire improvements in, a range of governance instruments, such as tripartism, decentralisation, national-regional contractualisation, and co-operative agreements among public services, all of which promote better collective actions and solutions.

The implementation of this strategy should improve policy co-ordination and adaptation to local conditions, lead to better utilisation and targeting of programmes, integrate civil society's concerns into strategic planning exercises through more widespread participatory democracy, stimulate corporate involvement in local projects and promote greater satisfaction with public policy. These improvements in governance are therefore among the main outcomes against which the performance of partnerships should be monitored and evaluated.

Cutting across this strategy is the idea that the partners themselves are best placed to identify what they should do in partnership to improve the effectiveness of their own actions. To make the exercise successful and sustainable, the partners should identify the benefits they expect from mutual co-operation, and what they must in turn contribute to the partnership to make it work effectively. Evaluation criteria should be established on this basis by the partners themselves. Accountability exercises should also be about learning.

Implementing these recommendations will make more effective the ways society collectively solves its problems and meets its needs. This strategy should be a part of government initiatives to promote sustainable development and to better respond to the new concerns of the population.

© OECD 2001

P*art* II

COUNTRY CASE STUDIES

Introductory Note

To design the strategy to improve governance through partnerships, presented in Chapter 5, the experience in seven countries of the OECD has been studied. For each country, a team of experts led by the OECD Secretariat examined the strategies pursued, the activities carried out and the working methods used by partnerships and their constituencies, following a methodology approved by the LEED Committee of the OECD (OECD, 1999*g*). A multi-disciplinary panel of independent experts in the fields of economics, geography, law and sociology, experienced in education, labour market, regional development and social policy issues has been formed for the purpose of this exercise.

Experts have prepared reports for each of the countries surveyed, examining partnerships' achievements, strengths and weaknesses, drawing on previous research together with interviews, discussions and evidence assembled during the study visits. The revision process included peer reviews and seminars where findings were presented to government officers and partnership members in the countries surveyed.

The outcome of this exercise, presented in the seven chapters that follow, provides a helpful complement to "Lessons from the Partnership Experience" (Part I of this publication). In addition to underpinning the lessons learned by the OECD, these chapters constitute a unique set of research articles, making a full use of the authors' expertise, as well as the exchange of views that took place throughout the study exercise.

Study missions were led from April 1999 to May 2000 in Austria, Belgium (Flanders), Denmark (Stortsrøm), Finland, Ireland, Italy (Sicily) and the United States (Illinois, Michigan, Ohio). The visits were organised and supported by the government departments and agencies responsible in each country, in co-operation with the OECD. Study teams usually comprised one member of the OECD Secretariat and two independent experts (study details and biographical notes are provided in Annex).

The survey of the United States results from co-operation between the W. E. Institute for Employment Research and the LEED Programme of the OECD. An OECD delegation from 11 countries and the European Commission partici-

© OECD 2001

pated in the study mission, sponsored by the Institute, to 20 organisations involved in employment and economic development in the Midwest.

Part II starts by re-visiting the Irish partnership model, which enjoys a reputation for innovation in local governance and energetic action on unemployment and poverty that is unmatched in Europe. The OECD study of 1996 of Irish partnerships (OECD, 1996*a*) identified the potential of partnerships in giving voice to disadvantaged groups and building community structures and development capacity. Chapter 6, prepared by Ivan Turok (University of Glasgow) draws useful lessons from their experience of the past few years in the current context of reform of local institutions and improved economic circumstances following a period of sustained national growth.

This chapter is followed by a survey of Finnish partnerships, which were inspired by Ireland's early experience. The Chapter 7, written by Micheál Ó Cinnéide (National University of Ireland), assesses the strengths and weaknesses of a sample of partnerships aiming to re-integrate long-term unemployed into the labour market in a context of decentralised public services and strong local authorities. It also illustrates the capacity for partnerships to draw lessons from other countries' experience.

The experience of Italy in strengthening economic development through partnerships within a wider participatory framework (P*rogrammazione negoziata*) is assessed in Chapter 8. Drawing on the achievements and failures of partnerships in Sicily, the chapter, written by Alberto Melo (University of Algarve, Portugal), identifies important issues to be taken into account to improve the current methods used within the national partnership framework.

The evolution of intergovernmental relations and current policy changes in the United States makes this country an instructive example of the formation and evolution of partnerships in providing employment and economic development activities. Chapter 9, prepared by Randall W. Eberts and George A. Erickcek, of the W.E. Upjohn Institute for Employment Research, assesses how employment and economic development issues have been addressed by partnerships and tripartite organisations in the Midwest. It identifies the obstacles to addressing both economic and labour market issues within a common framework and proposes ways to overcome them.

Austria is a country where partnerships have precisely been established to bridge labour market policy and economic development and provide an operational link between regional governments and tripartite organisations. Chapter 10, written by Mike Campbell (Leeds Metropolitan University), assesses the results obtained through the development of partnerships created in this perspective. The chapter provides partnerships with helpful guidance on the ways to widen and deepen their approach to local development.

© OECD 2001

The innovative experimentation in governance in the Flemish Region of Belgium is surveyed in Chapter 11. In Flanders, various local partnership initiatives have been conducted to deal with a broad range of issues, from the decline of the mining industry to skills shortages. More recently, the tripartite labour market councils, in existence for decades, have been reinforced to also address the issues of labour market re-integration of the socially excluded and barriers to employment faced by disadvantaged groups, a task carried out by local partnerships in other countries. The chapter proposes a number of issues to consider in future developments of this governance approach.

Chapter 12 further explores the contribution of tripartite organisations in co-ordinating policies across economic development, labour market and social areas, and in adapting programme implementation to local conditions. Written by Michael J. Keane (National University of Ireland) and Marie Corman (FOREM, Belgium), the chapter on the Danish experience draws crucial lessons for governments and social partners undertaking to better integrate policy development using existing structures and networks.

The OECD Secretariat joins the authors of these chapters in gratefully acknowledging the contribution made by national and local organisations to the study exercise. They are indebted to the many individuals who made the study missions possible, participated in the seminars held and provided constructive comments on draft versions of these chapters.

The views contained in Part II are the sole responsibility of the authors and do not necessarily reflect those of the OECD or its Member countries.

© OECD 2001

Chapter 6

Innovation in Local Governance: the Irish Partnership Model

by **Ivan Turok,**
D*epartment of* U*rban* S*tudies*, U*niversity of* G*lasgow*, U*nited* K*ingdom*

The development of local partnerships

Ireland's local partnerships emerged in distinctive economic, social and institutional conditions. The performance of the national economy during the 1980s was lack-lustre, unemployment rose to almost 20 per cent and emigration caused a steady loss of skilled labour. Frustration with conventional macroeconomic management led to the creation of a national forum for employers and trade unions to articulate and negotiate their interests. High unemployment and poverty within particular localities, coupled with the historic weakness of local government, created pressures for a similar approach at the local level. The availability of European funds, encouragement from the community/voluntary sector and trade unions, and support within central government helped to lubricate the process of creating local partnerships.

The national economy and its institutions

Ireland's economy has had a roller-coaster experience during the post-war period. Periods of growth and overheating have been followed by deep recession and large budget deficits. At the end of the 1980s, widespread disenchantment with the approach to national economic policy, based on adjusting tax, interest rates and public spending, led to a new "social partnership" model. This broadened influence over the levers of economic power by involving unions, business and farmers in decisions. An explicit problem-solving approach contributed to a shared understanding and brought practical considerations to the forefront, pushing fundamental values and grand visions into the background. The sense of common purpose among these disparate interests increased and a framework for serious bargaining between them was provided. The national social partnership

© OECD 2001

was extended to include the community and voluntary sectors in 1996, thereby creating the "four pillars" of partnership that exist today.

The first three-year agreement – the Programme for National Recovery (1987-90) – required the unions to centralise wage-bargaining and contain wage demands below inflation. In return, the government agreed to protect welfare spending from cutbacks and to reduce the tax burden on ordinary workers. This agreement coincided with a favourable economic environment to bring about a speedy reduction in inflation and public debt. It also coincided with a recovery in employment and living standards. Thus, it was perceived to be a success and has been followed by four successive national agreements, which have covered a wide range of issues including wages and priorities for economic and social policy. They have also included consistent support for local partnerships to tackle long-term unemployment and social exclusion.

The national agreements are widely believed to have contributed to Ireland's strong economic growth and stability, by raising its cost competitiveness, productivity and business investment.[1] GNP growth has averaged 7.5 per cent per year since 1993, much the fastest in Europe (Government of Ireland, 1999*a*). Employment has expanded at over five per cent per year since 1994, compared with 0.5 per cent in the EU as a whole. By 1999, there were 370 000 more people in work than in 1994, a rise of 30 per cent (NESF, 2000). This brought about a big increase in the rate of economic participation (from 53% to 58%) and the employment rate (from 45% to 55%).

The unemployment rate (according to its ILO definition) has fallen from 15 per cent to 6 per cent over the same period and the long-term unemployment rate from nine per cent to 2.5 per cent. Living standards have risen as a result of higher jobs and incomes. Lower interest rates have supported fixed investment growth of 17 per cent per year. Manufacturing has been the fastest-growing sector of the economy, with employment increasing by over 27 per cent between 1994 and 1998, compared with an earlier decline of 17 per cent between 1976 and 1994. Foreign direct investment has been consistently high and total exports have grown at 16 per cent per year (Government of Ireland, 1999*a*).

The initial success of the national social partnership was one of the reasons for its extension to the local level. Another was the difficult labour market situation a decade ago, when unemployment was 16.3 per cent, one of the highest rates in the EU. Long-term unemployment, low educational attainment and out-migration were very serious in some urban and rural areas. Their exceptional difficulties could not wait for national growth to filter through. The unions were strong advocates of local measures to combat unemployment by harnessing the resources of different actors. The expanding community and voluntary sectors had also been pressing for a participatory approach to local development, along with devolved

© OECD 2001

government and community involvement. As a result, the second national agreement introduced initiatives in 12 pilot areas.

According to one of the prime movers, the current General Secretary in the Department of the Taoiseach (Prime Minister), the basic objective was "*to apply in the labour market context, at local level, the approach that was applied at national level, namely to have a problem-solving approach, to mobilise the resources of those who had a potential contribution to make and to be flexible in devising remedies, including a willingness to experiment*" (McCarthy, 1998).

An earlier initiative of the Department of Agriculture, called the Pilot Area Programme for Integrated Rural Development (1988-90), also played a role, having promoted local forums to co-ordinate the efforts of the community, public and private sectors to raise income levels in rural areas (OECD, 1996*a*). It was followed by an influential EU-wide LEADER Programme which funded "local development companies" with similar objectives across 16 rural areas of Ireland between 1991-94. This coincided with an EU Poverty 3 Programme with a strong bottom-up orientation. The EU (and its Structural Funds) was important in encouraging the Irish Government to include local partnerships in the 1994-99 National Development Plan. The weakness of local government also meant that the partnerships were given relatively autonomous status. The country's political system has traditionally been centralised (in Dublin) and local authorities have had limited statutory powers or tax-raising abilities to address poverty and unemployment. Local partnerships were founded on the principles of consultation, participation and inclusion, and were seen by some as a way of renewing the culture of governance by making public organisations more dynamic and responsive to the needs of civil society: "*We had a rigid system that was highly centralised*" (McCarthy, 1998).

The creation of local partnerships

The result was a loosely defined experiment in area-based initiatives, with a prime concern for unemployment set in the broader context of promoting economic and social development. The second national agreement, the National Programme for Economic and Social Progress (PESP) (1990-93), included a section called "area-based response to long-term unemployment". It suggested various ways of getting the long-term unemployed into jobs, including education, training, work experience, job counselling, placement in mainstream employment and self-employment/business creation. "*The proposed strategy will be area-based, will have local communities as the primary movers, will integrate the various existing initiatives, will involve progression, in particular to ensuring second-chance education leading to qualifications and therefore, with a greater real possibility of a job*" (Government of Ireland, 1990).

Non-profit local companies limited by guarantee were formed in 12 areas. Their task was to co-ordinate state agencies and focus on meeting the needs of

© OECD 2001

disadvantaged groups. The directors included representatives of community interests (including voluntary organisations), public agencies and social partners. The initiative was supported by a small sum of European funding – a Global Grant for Local Development. A national organisation called Area Development Management Ltd (ADM) was also created to help set up and co-ordinate the local partnership companies and to allocate and monitor their funding.

The third national agreement, the Programme for Competitiveness and Work (1994-96), reinforced support for local measures to combat unemployment. It endorsed the above-mentioned measures and suggested extending their range to include actions to expand local job opportunities and community employment schemes. The National Development Plan for 1994-99 that followed was crucial in formalising government commitment to local development. The 12 PESP pilot initiatives were given a new lease of life and the area-based partnership model was extended to other areas: "*Already these area-based approaches have yielded significant results in terms of enterprise and employment, community development and improved services for the long-term unemployed*" (Government of Ireland, 1993).

The basic objective was to extend, enhance and integrate employment-related services for the long-term unemployed. Other aims were to target young people at risk of early school-leaving and under-achievement, to build organisational capacity in disadvantaged communities, and to improve the physical environment of such areas. Interestingly, the Plan recognised that effective local development might require more than local action and bottom-up initiative. An inter-departmental policy group of senior civil servants would be established at national level to consider whether changes were also required in central government policy.

The National Plan was the basis on which the EU-funded Community Support Framework 1994-99 was negotiated. One of the CSF's nine Operational Programmes was Local Urban and Rural Development (OPLURD). Its principal objective was: "*To counter disadvantage through support for communities which make a collective effort to maximise the development potential of their areas*" (Government of Ireland, 1995). OPLURD led to the creation of 38 local partnership companies (20 in urban areas and 18 rural), plus 33 community groups in non-priority areas, with about a fifth of the funding level. The 38 partnerships cover roughly half of the territory of Ireland, including deprived areas within Dublin, smaller towns and their hinterlands, and rural counties. OPLURD also led to the creation of 35 county/city enterprise boards to support small and micro-businesses and a Programme for Urban and Village Renewal to revitalise towns and villages. The 38 local partnerships are by far the largest and most significant of these measures, so they are the focus of attention in this study.

© OECD 2001

OPLURD allocated IR£ 80 million[2] to the 38 partnerships over the period 1994-99. Each received a budget for the whole period of IR£ 1 million-IR£ 4 million (IR£ 600 000 per year on average) to cover core staff, administration (such as office premises and other running costs), and the revenue costs of selected projects and services to be provided directly. Their budget was approved on the basis of a strategic plan they had to submit to ADM within a year or two of their establishment. This described the shared vision of the partnership and how it planned to meet the needs of disadvantaged groups in the local community. Plan preparation required consultation among local residents and groups concerned with the needs of the poor and unemployed, with the emphasis on finding new and more effective ways of tackling problems. The plans also had to consider how the existing physical and institutional resources in each area could be used to best effect. The partnership funds were deliberately flexible in order to allow experimentation and to lever in additional resources. The time taken to consult and prepare plans and projects meant that, until about 1997, the original 12 PESP partnerships were responsible for almost all of the practical activity of the 38 partnerships.

The boards of the partnership companies were formed by consultation. They have a tripartite structure involving the social partners, public sector and community/voluntary sector. Each is expected to make a unique contribution and to gain something in return. None can hold a majority, so particular interests cannot dominate and decisions are made by consensus. Independence also gives the partnership flexibility and creates space for new thinking. There is extensive dialogue and interaction among the partners and a shared understanding of problems develops. A growing awareness of the interdependence between different organisations can help to co-ordinate resources more effectively, something historically missing at the local level in Ireland. A focus on practical problem-solving reduces ideological differences between sectional interests and fosters trust. A sense of collective responsibility and ownership can emerge which strengthens commitment to constructive action.

Yet, partnership work has proved time-consuming and demanding in other respects because it requires patient consultation, discussion and capacity building for some of those involved. Effective collaboration means listening, persuading and often altering established ways of doing things. Voluntary agreement and shared commitment are fundamental to the partnership ethos, but agencies cannot be compelled to do anything they do not want to do since the partnerships lack formal authority. Also, some important statutory authorities have little discretion to change their local practices because they operate according to national rules.

The relationship with central government

The links with government are particularly important because of the substantial powers that reside at national level. Policies that in many countries are deter-

© OECD 2001

mined locally or regionally but are shaped centrally in Ireland include social services, education, vocational training, inward investment and tourism. This is in addition to the common functions of national governments, such as unemployment benefits, social security, health, agriculture, trade and industry. The vital role of central government was apparent in the wording of the 1994-99 OPLURD, which stated that the goal of the local partnerships was to "*improve co-ordination and evaluation at local level of mainstream programmes and policies to ensure their effective delivery to the long-term unemployed and the socially-excluded and from this experience to contribute to the national policy making process*" (Government of Ireland, 1999*b*).

This has been more challenging than envisaged. One of the main ways the partnerships relate to government departments is through official representatives on their boards. The officials' role was assumed to be to transmit requirements for changes in departmental policy and procedure from the partnerships to national decision-makers, who would respond constructively to the improved knowledge and practical advice emerging from the local level. This has proved far from straightforward in practice. There has also been some ambiguity about the position of official representatives, which is discussed later in this section.

Several departments are involved in the local partnerships, usually through their regional offices: *i*) the Department of Enterprise, Trade and Employment, through its agency, FÁS (the national training and employment authority); *ii*) the Department of Social, Community and Family Affairs (responsible for social welfare, community development initiatives and self-employment); *iii*) the Department of Education and Science (through its vocational education committees and regional technology colleges), and *iv*) the health authorities (particularly their community care programmes).

ADM has an important mediating role between the local partnerships and government. Ireland is unusual among countries with local partnerships in having an intermediary organisation such as ADM. It facilitates dialogue and negotiation on policy and procedural matters, and can protect the partnerships from *ad hoc* and unhelpful intrusion. For example, the government and ministers have, by and large, allowed ADM to determine financial allocations to the partnerships without interference. ADM works within government policy but is a private company and independent of government. It seeks to extend and enhance local experience with technical support, to identify and promote good practice, and to inform national policy development (ADM, 1997). The partnerships also created a smaller organisation called PLANET to help co-ordinate their work and to develop a common voice on relevant issues. It was established informally as early as 1991 by the original 12 partnerships, but did not employ its first staff member until 1998.

The partnerships also interact with a range of other organisations and establishments, such as the local branches of national associations dealing with specific

© OECD 2001

disadvantaged groups (such as Travellers[3] and the disabled), local chambers of commerce and other business associations, centres for the unemployed, training institutes and many local voluntary bodies.

The relationship with local government

The relationship with local authorities is also important but is currently in a state of flux because of local government reform and the completion of the 1994-99 OPLURD. The partnerships were set up partly to supplement local authorities because of their narrow range of functions, inward-looking culture and bureaucratic style of operation (Walsh, 1998). The partnerships are more inclusive in their constitution, spatially targeted, problem-oriented and bottom-up in approach. Their participatory style contrasts with the representative approach to democracy and hierarchical administration of local government. Until 1999, local authorities could only be represented on the partnership boards through officials rather than elected politicians, which caused friction and resentment in some areas. Following a review of the issue, the boards are now required to include local councillors. This appears to have improved relationships and introduced a new dynamic to some partnerships, contrary to some concerns about the process becoming too politicised.

The limited financial base and restricted statutory functions of local authorities means they tend to focus on infrastructure and the regulation of development, without a broader interest in local social and economic conditions. They also tend to adopt a reactive stance in relation to economic development rather than a more pro-active approach. Being large organisations with routinised internal procedures, they are not generally considered very responsive to changing circumstances. A recent government task force on the future of local government stated bluntly that: "*The ability of local authorities to respond flexibly to emerging problems is not well developed. At elected and official levels, changes in organisational culture will need to be promoted to accommodate new roles for local authorities*" (Government of Ireland, 1998). Nevertheless, it applauded their standards of financial and political accountability and their democratic mandate.

The same task force stressed the need for closer co-ordination between local government, local partnerships and state agencies. Their effectiveness was said to be reduced by operating independently and without a strategic vision for their areas. "County strategy groups" had been created in the mid-1990s to try and link local authorities more closely to the local partnerships, enterprise boards and other development groups, but they lacked authority and proved ineffective. Instead, the task force proposed the creation of broader county/city development boards (CDBs). This idea proved very influential and the CDBs were established in the first few months of 2000. Their primary functions are to draw up a compre-

© OECD 2001

hensive strategy for local economic, social and cultural development and to oversee its implementation. The strategy is to be completed by January 2002 and is intended to serve as a template guiding all public services and local development activities.

The CDBs have a partnership structure with members drawn from four sectors: local government, local development (including the local partnerships, LEADER groups and enterprise boards), state agencies and the social partners operating locally. The public organisations are expected to co-ordinate their activities at local level, especially around social exclusion/inclusion. The CDBs are attached to 34 County/City local authorities. They have employed Directors of Community and Enterprise with some administrative and technical support to drive the CDBs. This represents a major institutional change with important implications for the local partnerships. They could perhaps become the co-ordinators of activity at the smaller scale of localities or neighbourhoods, or more focused deliverers of a narrower range of services. This situation is considered further in the final section.

The role and functions of local partnerships

The current partnership activities are quite wide-ranging between areas, albeit with a common emphasis on reducing unemployment and exclusion. This reflects their diverse circumstances and local orientation, where there was something of a policy vacuum before. The obstacles to labour market re-integration facing the unemployed are also varied. At the risk of understating the variety and failing to capture the richness of their initiatives, partnership activities can be categorised under seven broad headings (see below).

Some fill gaps in the existing network of service provision, expand their scale or widen access. Others provide services that are tailored more closely to the needs of individuals. Some involve the transfer of knowledge, skills and information between organisations. Some partnerships are inclined to do things themselves while others seek to encourage other bodies to provide the services in order to avoid the administrative burden and financial cost. In rural areas, there may be more emphasis on direct service delivery because of the lack of other providers, while in urban areas, facilitation and co-ordination of existing organisations may be more common. Some areas of work are effectively prescribed by central government, such as a programme of childcare support. The partnerships have generally developed at a different rate and in different ways, depending on pre-existing conditions, such as whether "natural" communities could be identified (*i.e.*, based on shared problems, territories or histories) and the extent to which an infrastructure of community organisations already existed.

© OECD 2001

Enterprise creation and development

This covers the provision of advice and assistance to people starting their own businesses, including small loans and grants, help with book-keeping and marketing, and training in business skills, particularly for the long-term unemployed.[4] The rationale is that self-employment is a viable option for unemployed people with skills in the building trades, crafts and many other fields, especially in an expanding economy when people in work have higher disposable incomes and are increasingly buying in services such as painting, decorating, car maintenance and gardening, and less inclined to perform these functions themselves. Hence the market opportunities to generate an income are increasing for people who might otherwise find it difficult to secure conventional employment or who prefer to work for themselves. Another important objective is to formalise activities that were previously informal and unregulated. By going through a proper business support programme, it is hoped to strengthen marginal enterprises and improve people's incomes.

Most partnerships work closely with the regional offices of the Department of Social, Community and Family Affairs, which administer the Back to Work Allowance. This is a substantial subsidy to people who have been unemployed for a year or more who become self-employed or start their own business. It provides continuing entitlement to welfare benefits, tapering off from 100 per cent in the first year to zero over a four-year period, along with retention of secondary benefits for housing rents and medical expenses.

The Allowance is also important because it was pioneered by the original 12 local partnerships as the Area Allowance scheme in 1992. Following their efforts, it was extended nationally in 1998. Some of the local partnerships provide business advice to people on the Allowance to improve their prospects of success. Take-up may be higher than otherwise, because the partnerships are independent of the social security system and can afford to provide better quality support. The Finglas/Cabra partnership in Dublin has been particularly active in supporting business start-ups, as shown in the next section. People from all backgrounds have been helped to do so, including those with literacy and numeracy difficulties. The services it provides include practical training in business skills, mentoring from people who have been in business before, specialist advice on financial management, marketing, legal matters and other essential issues, guarantees for bank loans and enterprise education in local schools.

In areas with a weaker economic base, there has been more emphasis on employment creation through supporting the growth of existing enterprises and attracting inward investment. For example, the OAK partnership in the counties of Kildare and Offaly responded to the closure of a major employer (an old peat-fired power station) in the rural village of Allenwood by helping to establish a size-

© OECD 2001

able business park on the same site. This offers subsidised industrial and office premises in various sizes to encourage more firms to move into the area and to support existing businesses seeking to expand. The partnership is also seeking to persuade the two local authorities covering its area to upgrade strategic roads and public transport infrastructure in the district in order to address the poor quality of internal communications and external accessibility for firms in the area and people commuting elsewhere to work.

Services for the unemployed

This includes employment advice, counselling, work experience, training courses and job placement services to enable the long-term unemployed to compete more effectively in the labour market. The rationale is that people who have been out of work for some time or who have never worked face barriers to employment such as lack of information on suitable vacancies, demotivation, low confidence, poor core skills, inexperience and restricted horizons. International experience has shown that active labour market measures of this kind can be cost-effective at getting people into jobs (OECD, 1998*c*). An example of a community employment scheme providing support services for unemployed musicians in Galway is provided in the next section.

Many local partnerships also operate local employment services (LES) in their areas. These offer intensive personal guidance, counselling and employer-liaison services in a non-threatening environment and an accessible location. The partnerships perform an important function in managing the LES activities, although they are funded by, and ultimately accountable to, the Department of Enterprise, Trade and Employment, through FÁS. Local management is considered important to ensure a user-friendly, person-centred approach with good local-referral systems to the training and other specialised services offered by other agencies. The partnerships can also provide credibility with the community and links with local employers. Local management of the LES in the Finglas/Cabra partnership area has given it scope to develop a range of complementary services, such as customised training courses for lone parents and ex-offenders. It has also promoted active outreach services aimed at increasing the commitment of employers and engaging unemployed or inactive people who have lost touch with the labour market. The origins and current position of the LES are discussed in the next section, since this is an example of local innovation and subsequent mainstreaming.

Community development

This encompasses actions to enhance the skills and organisational capacity of local communities and sectional interest groups to promote and participate in ini-

© OECD 2001

tiatives to address social exclusion and encourage economic development. It may involve financial and technical help with setting up organisational structures, such as registered companies or trusts, or training people to provide facilities which generate an income or offer supportive community services. They might include general purpose community centres or community owned enterprises engaged in landscaping or painting and decorating. The rationale is that deprived communities are often disempowered by poverty and selective out-migration. Capacity building is important to enable them to participate in decision-making and to support self-reliance in all kinds of economic and social activities. Although decentralisation of resources and decision-making by the partnerships to local groups may make co-ordination more difficult, there are believed to be compensating benefits in the stronger sense of local ownership, higher levels of personal commitment and greater release of local energy and talent. The Clondalkin partnership in the greater Dublin area has been particularly active at encouraging community groups to get involved in running projects and delivering services. A competitive tendering process is believed to have raised the quality of such schemes.

Complementary education and training

These measures support adults with few qualifications and skills to participate in education, including improved literacy and numeracy, secretarial and computing courses, community development and childcare. The rationale is that a sizeable minority of the adult population left school with poor core skills and subsequently received little vocational training. Manual skills are insufficient for many of the jobs becoming available in services and advanced manufacturing. Many of the local partnerships have provided special training courses or worked with the schools and colleges in their areas to improve provision.

Preventive education

This covers initiatives to discourage early school-leaving and to improve participation and achievement by young people from poorer backgrounds. The justification is that Ireland has experienced low educational attainment among a minority of the population for many years. Many of the partnerships have been working with local schools on projects to reduce the drop-out rate and to improve attainment by disadvantaged pupils. These schemes are often based in the community and use informal and experimental approaches. An example from Clondalkin is described in the next section. In areas such as Galway, the vocational education committee was already doing this, so the partnership focused its efforts elsewhere, including adult education. The Department of Education has until recently concentrated more on in-school projects. Under the National Develop-

© OECD 2001

ment Plan 2000-2006, a wider range of measures is proposed, which draws upon the partnership experience and will be funded centrally.

Infrastructure and environmental actions

These include projects to improve local amenities (such as neighbourhood centres, shops and childcare services) and enhance the quality of the environment and tourism facilities. The rationale is that poor neighbourhoods typically have inferior amenities because of the lower disposable incomes of local residents. Yet, they have a greater need for these kinds of facilities. Many partnerships have extended their activities over time from employment-related services to a wider range of initiatives, such as childcare and environmental improvement.

Clondalkin, for example, supports a community childcare centre in Ronanstown, funded under the EU's NOW Programme. This assists mothers who are undertaking further education or entering employment. The partnership is currently co-operating with key public agencies to develop a new neighbourhood centre at Bawnogue, including facilities for small enterprises, childcare, office space and a community centre, because of the lack of existing infrastructure. In addition, a local community business has been set up to acquire, develop and manage property on behalf of the local community.

Promoting institutional and policy change

The partnerships are ultimately concerned with informing, influencing and reforming established government departments and agencies. They want them to be more responsive to local needs and better co-ordinated to provide enhanced services and facilities. They bring authorities into closer contact with the community, thereby promoting a culture of dialogue, transparency and active support. They do so through the partnership board, working groups, community meetings and other consultative events. Simply having the official representatives together in the same forum can make a difference, especially when exposed to the directness of community members. Having some flexible funding available can also stimulate new initiatives. At the outset, the partnerships were not seen as permanent fixtures by the government, although their duration and succession arrangements were not spelt out given their experimental status. Many believe that there is still some way to go to bring about a more responsive and dynamic public sector. Consultative forums that are more or less permanent may be needed to maintain the impetus for organisational development.

Organisational structures

The partnership boards typically have between 20-25 members. The largest representation is often from the community/voluntary sector, followed by the public

© OECD 2001

sector (government agencies, training colleges, health authorities, local authority officials and politicians) and the other social partners (employers, trade unions and farmers in rural areas). The partnerships typically operate through about five or six working groups or sub-committees covering themes such as enterprise development, services for the unemployed, community development, education and training, environment and infrastructure, childcare and young people. They involve a wide range of people in developing practical strategies and actions. They include several board members and often a larger number of other individuals drawn from external organisations with a particular expertise in the field concerned. These working groups appear to be the "engine-rooms" of many partnerships, providing the dynamism, developing the project ideas and creating the links into wider networks that help to make things happen. The partnership board provides the broad direction and performs a formal function in deciding which project proposals are supported financially. The pace and direction in which the partnerships develop varies, depending on the capacities and aspirations of the partners and community organisations.

The 38 partnership companies employ about 700 people altogether. Each one typically employs between five and ten core staff (a manager, administrators and several functional specialists) and usually more than this number of project staffs and secondees engaged on specific activities. Much of their activity is based on EU funding. Each of the partnerships had an assured budget from ADM of between IR£ 500 000-IR£ 1 million per annum between 1995 and 1999 to cover core costs. This was also used to lever in additional activity through mainstream government programmes and funding from other public and private sources. Funding for most capital projects, such as community centres and business premises, has had to be raised separately. Comprehensive details of the level of extra funding levered in by each partnership is unavailable. This may not be comparable between areas anyway, because of the difficulty of defining the concept of additional funding, *i.e.*, that which would not otherwise have been invested in the area.

Accountability is a complex matter for the partnerships. They are effectively accountable to different interests and in different ways: to their funders through their detailed monitoring and financial reporting procedures (*e.g.*, quarterly throughput and financial reports to ADM); to local residents and social groups through community representatives on the board and community forums; to other social partners and state agencies through their board representatives; and to many other individuals and organisations actively involved in particular projects through their working groups and sub-committees.

In theory, there should be strong two-way relationships with the individual partner organisations, mediated through empowered representatives. There should be detailed feedback and interaction in both directions to ensure effective communication and influence. However, these linkages are complex and contain ambiguities, particularly for the public sector representatives. The nominated offi-

© OECD 2001

cials cannot be mere delegates of their organisations, mandated to pursue particular policies or to implement national decisions. They need discretion and some autonomy to participate meaningfully and promptly in partnership forums, given the dialogue and negotiation involved.

However, it is also difficult for partnership decisions to be binding on the partners, since there are many other factors determining their policies, particularly for national agencies removed from specific local situations. If these bodies leave their representatives to their own devices without active support or guidance about the extent of their involvement, and if the officials concerned lack authority to take decisions and make changes "back home" without approval from above, the impression is easily given to the other partners that they are "free agents" serving in a voluntary capacity, rather than proper representatives with formal responsibilities. This is widely seen to weaken the connection with their nominating organisation and to limit their ability to influence mainstream policies and procedures. In the absence of strong organisational backing, much depends on the personal commitment, capabilities and seniority of the individuals concerned, so experience is very uneven (ADM, 1998*a*). Some people engage actively in the partnership and devote considerable energy to securing departmental support, while others are more passive and non-committal.

Similar points about individual commitment and organisational support apply to the other main partners as well. Both attributes appear to be necessary for effective partnership relationships. Many of the community representatives are elected, which tends to strengthen their authority to make decisions in the partnerships. Their procedures for reporting back to their communities are more variable, however. Local councillors joined the boards of many partnerships during 1999, which removed an anomaly and generally improved relationships with local authorities. It is difficult to compare the effectiveness of the complex partnership system of accountability with the formal electoral accountability and financial reporting procedures of government because of the big differences involved. Nevertheless, some have suggested that the partnerships are inherently less stable and more fragile because of their lack of democratic legitimacy, ambiguous political status, and reliance on informal support and patronage (OECD, 1996*a*; Parkinson, 1998 and Walsh, 1998). There is certainly considerable misunderstanding, uncertainty and even suspicion in some quarters about the accountability and constitutional position of the partnerships. Yet, there has never been a case of fraud or misappropriation, probably because of the strong commitment of many of the people involved and the reporting systems that have been put in place.

A *profile of four local partnerships*

To gain more detailed insights into the partnership process, four examples were examined. While this chapter does not attempt to evaluate their activities,

© OECD 2001

their experience has informed the general thrust of the analysis and is used periodically to illustrate particular points. The four were broadly representative of the total group of partnerships in terms of their scale, range of activities and pre-existing local conditions, including one rural (OAK) and three urban. Two covered large suburbs of Dublin (Clondalkin and Finglas/Cabra) and one covered Galway City in the west of Ireland. Finglas/Cabra was among the first generation of local partnerships and the other three started in 1995-96.

Figure 1. **Map of Ireland**



© OECD 2001

Table 2 provides a profile of socio-economic conditions in the four areas in 1996, the latest date for reliable data available. The designated areas and populations are quite large, so the level of deprivation does not appear to be much worse than the national average. On some indicators, conditions are actually better than for Ireland as a whole. This is consistent with the national pattern of partnership areas, since they make up just over half (54%) of the population of Ireland (NESF, 1999). Within each area, there are concentrations of more severe unemployment and deprivation, which average out with better-off areas when the district is considered as a whole. The levels of unemployment, low income, educational under-performance and so on within these neighbourhoods is often considerably higher than the national average. Each partnership targets most of its activities on its poorest neighbourhoods and groups.

Finglas/Cabra has the biggest problems of population decline, unemployment, poor educational attainment and lone-parent households. This helps to explain why it was selected as one of the original partnership areas. It is an older urban district of Dublin with a largely working class population, relatively strong community networks and a slightly older age profile than the wider region. It also covers two separate districts, which creates some difficulties in terms of territorial identity and partnership coherence.

Clondalkin is a more socially-diverse peripheral suburb of Dublin, planned as a "new town" in the 1970s and still growing. Consequently, it has a younger age profile, poorer economic and social facilities than most other areas and a weaker infrastructure of community groups and networks. The pre-conditions for an active partnership involving the community were therefore less favourable than in Finglas/Cabra. The Clondalkin partnership identified educational underachievement as a priority concern to avoid disadvantage being perpetuated into the next generation.

Table 2. **Socio-economic profile of four partnership areas, Ireland, 1996**

	Finglas/ Cabra	Clondalkin	Galway City	OAK	Ireland
Population	55 500	57 500	57 200	37 500	3 626 100
Pop. change (1986-96)	–11%	+30%	+22%	+6%	+2%
Unemployment rate	22.6%	18.5%	14.5%	14.6%	14.8%
Labour force participation rate	57.8%	65.7	55.7	55.5%	55.4%
Pop. with no formal or primary education only	41%	26%	19%	34%	30%
Lone parent households	13.7%	10.3%	8.8%	8.7%	10.1%
Average weekly household expenditure	£284	£307	£312	£278	£311

Source: Census of Population, 1996; ADM, 1998*b*.

© OECD 2001

Galway City partnership covers the whole city of Galway, so it has the broadest economic and social structure of the four areas examined. This facilitates involvement by the business sector and unions. The city has generally prospered more than Ireland as a whole during the last decade, although pockets of deprivation remain which are the focus of much of the partnership activity. The partnership also targets particular disadvantaged groups within the city irrespective of where they live, such as people with visual and hearing disabilities and Travellers.

OAK covers a large, relatively depressed rural area some 50-60 km west of Dublin. Recent in-migration of commuter households in the east helps to explain the growth in population. This also obscures some of the deprivation and disadvantage that exists. It is the only partnership to cover parts of two counties (Kildare and Offaly), which creates special challenges, especially for local government and statutory authorities. Although official boundaries divide the partnership area, there is a stronger sense of community than this might imply, partly as a result of shared problems arising from the decline of traditional sources of employment.

The achievements of these partnerships are considered in the next section.

The achievements of partnerships

It is difficult to summarise or generalise about the achievements of the local partnerships. As a largely bottom-up process, the approach generates considerable variety and unevenness. The very nature of partnership working also makes it difficult to attribute credit to particular partners or the partnership as a whole. This report provides three complementary forms of assessment. First, partnerships are assessed using the available quantitative data from monitoring their activities and outputs. This focuses on the scale of service delivery, rather than quality or ultimate outcomes. Second, they are examined in terms of their less tangible role in building institutional capacity to promote development. This is essentially qualitative and dependent on illustrative cases. Finally, their role in promoting policy and project innovation has always been important. This is best judged through specific examples. Where possible, both the overall achievements of the partnerships and the four case study areas are examined for more detailed insights, using whatever evidence is available.

Providing customised services

The ADM performance-monitoring system is one source of information on the activities and outputs of the partnerships. It is based on data supplied by each partnership to ADM according to a standard format. Comprehensive data on all the partnerships (and the community groups) is available up to the end of 1999

© OECD 2001

(ADM, 2000) and indicates a generally high and rising level of activity since the mid-1990s.

Enterprise creation and development

During 1999, 4 260 people set up in business with partnership support, 90 per cent of whom were long-term unemployed. This compared with 5 144 in 1998. The decline may have been attributable to the more buoyant labour market in 1999, encouraging people to seek employment instead. By the end of 1999, a total of 17 000 business start-ups had been supported since the partnerships were created.

Services for the unemployed

Some 21 000 people used such services during 1999 (23 500 in 1998). Of these, 5 396 were placed into jobs (4 766 in 1998) and most of the rest were placed into work experience or attended job search courses. Since the partnerships were created, a total of 19 706 direct job placements had been achieved by the end of 1999.

Community development

In 1999, 1 742 local community and interest groups received funding, advice and guidance, similar to the numbers in 1998. This is believed to have increased the capacity of marginalised groups such as the long-term unemployed, people with disabilities, lone parents and Travellers to participate in decisions and activities affecting their localities.

Complementary education and training

An estimated 11 400 adults on low incomes were assisted to participate in education and training activities in 1999 (7 100 in 1998), 70 per cent of whom were over 25. Altogether, 29 800 people had been assisted under this measure by the end of 1999. The most popular courses were on computers, personal development, accounts, foundation work, childcare and community development, in order of priority.

Preventive education

During 1999, an estimated 29 000 children and young people from disadvantaged backgrounds participated in homework clubs and supervised study, supplementary literacy and numeracy education, and projects aimed at particular groups such as Travellers (20 400 in 1998). There has been a big increase since 1997, attributable to the appointment of education co-ordinators in each area that year.

© OECD 2001

Infrastructure and environmental actions

The partnerships initiated a total of 1 300 environment and infrastructure projects in their areas by the end of 1999, including refurbishment of buildings for childcare, community activities and small enterprises; support for heritage projects; cleaning-up open spaces and other public amenities, and housing improvements.

Table 3 shows a breakdown of the performance monitoring for the four partnerships under review. The lessons to be learned from the data are limited given the differences in local context and potential ambiguity in some of the figures. Nevertheless, the broad message is that the level of activity in most areas and for most functions has been high.

Table 3. **Performance monitoring data for four partnerships, Ireland**

	Finglas/Cabra		Clondalkin		Galway City		OAK	
	1998	1999	1998	1999	1998	1999	1998	1999
Business start-ups	213	221	106	120	134	144	38	40
Job placements (incl. LES)	319	329	307	297	57	112	38	38
Community groups funded	n.a.	59	n.a.	99	n.a.	49	n.a.	30
Preventative education	900	1 094	1 376	1 072	119	192	492	500
Complementary education	300	149	211	194	111	356	101	87

Source: ADM Reports.

There was considerable consistency in activity levels between 1998 and 1999 in Finglas/Cabra, Clondalkin and OAK, and a big increase in Galway City as the partnership expanded its operations. Finglas/Cabra has a particularly strong record in business start-ups. Clondalkin, meanwhile, has always attached particular importance to education. OAK operates in a very different rural context, which helps to explain its lower rates of start-up and job placement. All the partnerships have been active on education – at pre-school level and among school children and adults. Comparable data is unavailable on infrastructure and environmental actions, which are also the most difficult to define and compare between areas. Examples of projects in each category are provided later.

Information on the beneficiaries of partnership support across the country confirms an emphasis on targeting disadvantaged groups. Nearly half (49%) of all participants during 1999 were long-term unemployed, compared with 55 per cent in 1998. "*The participation of long-term unemployed people remains a very important indicator of the Programme's focus*" (NESF, 1999). Other beneficiaries included lone parents, farmers with small holdings in rural areas and short-term unemployed people. More

© OECD 2001

than half (54%) of all participants were reported to have very low educational qualifications.

These achievements have coincided with dramatic falls in unemployment since around 1993-94, both within the partnership areas and elsewhere in Ireland. Between 1994 and 1999, registered unemployment in Ireland fell from 280 000 to 197 000, a reduction of 29 per cent (NESF, 2000). Meanwhile, unemployment (ILO definition) fell from 211 000 to 97 000, a reduction of 54 per cent. Long-term unemployment fell from 128 000 to 42 000 during the same period, a reduction of 67 per cent. Lack of systematic analysis across the partnership areas means that it is impossible to say whether unemployment has fallen faster or more slowly than elsewhere.

While the scale of these activities and falls in unemployment are impressive, it is unclear how much credit the partnerships can take. The focus on active labour market policies has suited the conditions of employment growth. Such supply-side programmes have managed to slipstream large numbers of unemployed people into jobs in the context of a substantial expansion in labour demand. However, there has been very little analysis to disentangle more precisely the impact of the partnerships from the other factors and forces at work. It is particularly important to distinguish between the effects of overall employment growth, the partnerships' role in getting people into jobs who might not otherwise have done so, and other local factors operating independently (such as government employment schemes or private sector investment).

There may also be cyclical factors at work, which favour areas of high unemployment when the economy is expanding and the labour market is tightening. Alternatively, such areas may be left behind because of the extra barriers these groups face in getting back to work. There is insufficient understanding of these dynamics. However, a recent external report on the partnerships included an evaluative study of PAUL partnership in Limerick. It appears to be the only research that begins to address these issues. Drawing on a range of statistical evidence, it concluded in a very positive vein that: "*The case study provides compelling evidence that* PAUL *has been effective in ensuring that the* (*partnership*) *areas not only shared equally in the city's economic growth but also enjoyed a relative improvement in their position*" (Goodbody Economic Consultants, 1999).

This finding is important but insufficient for wider generalisation. This kind of analysis needs to be extended and the reasons for any disproportionate falls in unemployment pursued more closely in order to provide convincing evidence of the partnerships' impact. The challenge is to combine systematic statistical analysis with detailed knowledge of the distinctive role and activities of each partnership in order to ensure that the findings are robust. Longitudinal monitoring of individual beneficiaries of support for a year or two afterwards would also help to

© OECD 2001

establish what proportion actually secured jobs, whether their gains were short-lived or more durable, and what subsequent progress they made in the labour market.

Institutional glue

The partnerships also have an important, albeit less tangible, role to play in strengthening local capacity to tackle exclusion and promote development. They provide a crucial brokerage function or "glue" to bring local and national actors and resources together in a way that could not have happened before, bearing in mind the organisational structure and culture of government in Ireland. Such process-related effects are inevitably difficult to gauge.

> "*It is very difficult to measure impact. It is one thing to look at the throughput of activity in directly funded programmes, but in a sense that is the least important bit of the partnerships. Such programmes get people around the table initially to talk about what needs to be done, but that is not really the important thing. The most important impacts are the subtle influences on thinking and on the way in which mainstream programmes are delivered, both locally and nationally*" (McCarthy, 1998).

There is sufficient evidence from interviews and reports to suggest that progress is occurring on several fronts. The partnerships appear to have brought about new relationships between individuals and organisations, stimulated informal alliances and practical agreements between different actors, involved many interest groups and authorities in dialogue and tangible action around development, and strengthened the ability of local communities to influence wider resource allocation processes by bringing them to the table and equipping them to participate (for example, see ADM, 1998*a* and 1999). The incentive of flexible EU funding has been a useful lubricant. One might expect such effects to have some additional longer-term benefits in affecting the way decisions are made and increasing commitment to tackle local disadvantage.

An important issue is whether mainstream policies have actually changed as a result. There is some debate about the extent to which this has happened. The partnerships have brought selected government agencies into closer contact with local organisations, which has exposed them to pressure to make services more responsive to individual needs and local circumstances. Some have begun to consult service users more routinely, adapt their programmes accordingly, and even involve community based organisations in delivery. Many of the partnerships have also managed to secure ongoing funding from government for projects they developed with EU support.

Yet, the key features of national policies have proved difficult to alter from the local level without stronger commitment from above. In some cases, there is a different basic philosophy involved, such as compulsory rather than voluntary par-

© OECD 2001

ticipation in labour market programmes. National economic development and education authorities have been difficult to interact with because of their lack of regional or local offices. The pressure to spend EU funds has also distracted attention from considering mainstream policies more systematically. An interdepartmental task force report suggested recently that the partnerships have had "limited success" so far in improving the co-ordination and effectiveness of mainstream programmes and in contributing to the national policy making process (Government of Ireland, 1998).

However, the task force did not acknowledge the progress achieved in some areas. Although local actors express frustration at the pace and extent of system-wide change, they also recognise that some improvements have occurred and that the discretion available to the regional offices of national agencies is being used more effectively. For example, the Community Employment scheme, run by FÁS, often funds projects that are devised in consultation with local partnerships. There are also instances where FÁS training programmes have been altered following representation by the partnerships. In OAK, such programmes were originally inaccessible to people dependent on public transport because of their location and inflexible timing, so the arrangements were subsequently changed. In addition, central databases maintained by some national agencies have been made available to help local partnerships track their clients, thereby assisting follow-up work. Other local examples are drawn together in a report by ADM (1998*a*). These sorts of changes should help to make mainstream programmes more effective. Some partnerships have persuaded national agencies to expand the scale of activity in their areas and to incorporate pilot projects into their mainstream budgets.

Drawing on a nation-wide survey, the recent Goodbody study (1999) went further: "*There is evidence that partnerships have influenced the mainstream system to provide more flexible, relevant and accessible programmes for the long-term unemployed*". In its more detailed case study of PAUL partnership, the report concluded that: "*Our explanation of the success of* PAUL *rests essentially on the role which the partnership model played in supporting disadvantaged communities to identify their needs, to develop community infrastructure and services, and to influence statutory agencies to tailor their services appropriately to local needs*".

The partnerships have also managed to involve diverse sectional interests in an unusual framework for joint problem-solving. Many individuals and organisations have committed considerable time and resources to address the priority needs of their areas. The formation of the partnerships "*represents a major institutional achievement ...* (B)*uilding these organisations can be seen as an important investment in the "infrastructure" of local development*" (NESF, 1999). Indeed, the calibre of the people involved and their commitment is impressive. Individuals have been drawn in from different walks of life who clearly believe they can make a difference to local

© OECD 2001

conditions by working together. The partnerships have been able to harness considerable personal effort and initiative beyond the formal obligations of official representatives. This additional energy might otherwise have gone untapped.

The extent of personal commitment is clearly a strength, since it means that people may devote extra effort, use whatever discretion and influence they have to alter their own organisations' programmes, and not take established rules and procedures for granted. Yet it can also have limitations if their organisation's involvement remains at a personal level and if their ability to exert influence depends only on their personal standing. If the higher levels of an organisation (particularly the statutory bodies) are detached from the process, there may be no significant or lasting changes made to their policies and procedures.

Overall, experience appears mixed and it is difficult to generalise without more substantial evidence. Power and authority seem to be strongly centralised in some departments and agencies, but less so in others. The ambiguous position of official representatives appears constructive in some cases but not in others. There are examples of strong organisational co-operation and flexibility, as well as reluctant participation and disinterest. Individual personalities are important as well as the formal policies and culture of the organisation concerned (for example, see ADM, 1998*a*).

Giving voice to disadvantaged groups and communities appears to have been a major achievement. The partnerships have consulted and listened to social groups, which do not normally get much opportunity to participate in the policy process. They have acted as important conduits for particular local needs and demands to be expressed to all kinds of external organisation. This has helped to bring about new services or to modify existing arrangements by widening access or enhancing the quality of provision. The partnerships have also provided some of the resources, support and expertise needed to build up community based organisations through joint planning, training, advice and guidance (a range of examples are provided in ADM, 1999). In most areas, the process started with the appointment of a community development worker who was a key resource to local groups.

Dublin Inner City Partnership has attached particular importance to community capacity building in the interests of sustaining activity beyond the life-time of the partnership and its special funding. In this and other areas, there has been a big growth in the number of community groups. The credibility and accessibility of locally based structures have improved the uptake and effectiveness of national employment and training programmes which use them for delivery or to widen access. In the past, the culture of the public sector was often seen as unresponsive to the needs and views of ordinary people, but the partnerships appear to be helping to alter attitudes. They are also promoting stronger commitment to the

© OECD 2001

principles of consultation, participation and inclusion, implying greater recognition for citizens' rights, even if there is still some way to go.

These various "process" achievements have produced tangible benefits beyond the original partnership remit, including action to address new social problems. Drugs and disability are two examples. Some of the partnerships have taken initiatives to support and rehabilitate people with serious drug addictions or severe physical disabilities who may never be able to enter the labour market. The knowledge, expertise and community networks that have been established in many partnership areas have also helped in the design and speedy implementation of several national initiatives, such as the Drugs Task Force (NESF, 1999). Finglas/Cabra has been active on the drugs issue and Clondalkin on disability concerns. The strong local roots of many partnerships and good access to community structures have given them special legitimacy in the eyes of regional and national organisations. The latest national agreement among the social partners also recognises their importance in tackling concentrated disadvantage and promoting social inclusion and community development (Government of Ireland, 2000).

Some partnerships have been less effective at involving the social partners (employers and unions) than the statutory sector and local community. Part of the problem is the weak structures and policies of these groups at the local and regional level, since they are strongly oriented towards the national level. Where regional offices exist, they are often too stretched to be represented on their local partnerships. In contrast, the local chambers of commerce seem to be more closely involved, although they lack mechanisms for systematic reporting across the country and for identifying common lessons to inform national policy. The social partners do not appear to have maintained a clear policy towards local development, despite strong support in the early 1990s. Indeed, the relationship between the two levels of social partnership – national and local – seems to contain ambiguities. As a result, local representatives appear to have no clear role or mandate to get involved, so if they participate, it is on a voluntary basis. They are not expected to promote any particular policies at the local level, nor to report back consistently on any actions taken or experience gained. Individual union members are also hampered by an inability to get time off work to attend partnership meetings that are scheduled during the day.

Some partnerships have been better than others at involving statutory bodies, perhaps at the expense of the local community. Professionals in these areas seem to have found it easier to talk to each other than to engage non-technical interests. Identifying appropriate forums for effective community involvement and building up the expertise for community members to participate as equal partners have also proved difficult in some localities. This has sometimes been a problem where there was little previous infrastructure of community networks and groups,

© OECD 2001

or the geographical boundaries of the partnerships did not coincide with natural communities. This is clearest where the partnership areas cover large districts.

Promoting innovation

The partnerships can perform a valuable function in experimenting with new projects and promoting policy innovation. Indeed, they were set up to devise more imaginative solutions to long-term unemployment (McCarthy, 1998). The local focus, needs-driven agenda, flexible resources and multi-sectoral approach are helpful in trying out new ways of addressing problems and exploring opportunities creatively. Government funding for programmes to be piloted in particular areas has also spawned new ideas and initiatives. Some of these have since been "mainstreamed", *i.e.*, adopted nationally or offered secure long-term funding. The Goodbody evaluation (1999) included a detailed qualitative analysis of Northside Partnership in Dublin. After interviewing the key actors and agencies involved, it concluded that one of the main elements in its success was: "*The flexibility to develop and test new initiatives that are based on a clear understanding of the needs of its clients coupled with the drive, commitment and influence to ensure that, when successful, they are mainstreamed*".

The local employment service is a good example of innovation. The LES emerged from a national task force report on long-term unemployment in 1995, following successful innovation through local initiatives, particularly the "Contact-point" programme of Northside Partnership (OECD, 1998*c* and NESF, 2000). The aim was to give long-term unemployed people better access to employment opportunities by providing an integrated gateway or access point to a wide range of guidance, counselling and job-placement services. The concept was to enable a flexible, person-centred and planned response to individual needs with a view to getting them a job or suitable opportunity for progression towards employment. It was introduced in 14 pilot areas in 1996, including the original 12 local partnerships. It was then extended to four more areas in 1997 and another seven in 1999. All the new LES were introduced under contract to local partnerships, indicating confidence in the partnership model and recognition of the need for an integrated approach based on good relationships between community groups, state agencies and local employers.

Two national assessments have been undertaken of the LES, both of which have been positive overall, with some qualifications. One of them concluded recently that the development of the LES was a "significant achievement" that had also led to wider lessons being learned (NESF, 2000). LES staff were well trained and highly motivated; they had built good links and credibility with unemployed clients, local communities, employers, training organisations and other service providers; and many unemployed people had been assisted in finding work. By

© OECD 2001

January 2000, nearly 37 000 clients had registered with the LES, roughly half of whom were long-term unemployed and one-sixth were lone parents. Forty per cent of all clients had been placed into jobs, 14 per cent were still being assisted, 7 per cent had been referred to training or education, 7 per cent to work experience and 23 per cent had their cases closed or suspended[5] (NESF, 2000).

The service is currently being extended nation-wide and linked into a more fully integrated national employment service with common objectives and targets. There will be new management arrangements and a new national advisory committee. The local partnerships are concerned that control will be centralised and their influence reduced. This might mean that local flexibility and the personalised approach are compromised through greater standardisation and setting of national priorities, and that the established local networks among communities, employers and service providers are weakened. The counter argument has been that the LES needs more strategic direction in line with national employment objectives and that geographical unevenness in the availability and quality of provision needs to be reduced (NESF, 2000). There are some tensions between national and local aspirations, including the extent to which participation by the unemployed remains voluntary and confidential to the LES. The final outcome of the reorganisation is not yet clear.

Another example of innovation is the Area Allowance scheme, seen above, to assist the long-term unemployed become self-employed. This was piloted in the original partnerships in 1992 with incentives to help people move off welfare benefits, under the supervision of the Department of Social, Community and Family Affairs. In 1998, these incentives were extended nation-wide after the scheme proved popular among unemployed people and successful at generating and sustaining new businesses. Many of the start-ups quoted earlier qualified for this support. Most would probably also have received business advice, counselling or training from the local partnership.

Nationally, the number of people on the Area Allowance Scheme rose rapidly from about 200 in 1992 to 800 in 1995, 1 500 in 1996, 4 300 in 1997 and 7 400 in 1998, partly as a result of the increase in the number of partnerships from 12 to 38 in 1996-97 (ADM, undated). A fairly comprehensive survey of 269 people who were on the scheme in 1992-93 in six partnership areas revealed that by 1998 (*i.e.*, at least five years after starting up), 126 people (47%) were still in business, 50 additional full-time jobs existed in these businesses, 69 people (26%) had taken up alternative employment and 74 (28%) were unemployed. This compares well with the experience of start-ups elsewhere, especially bearing in mind that the people concerned were long-term unemployed and at that time the scheme did not provide any welfare subsidies after the first year.

© OECD 2001

A third example is Community Employment (CE), a national scheme introduced in 1994 to support worthwhile activities in the social economy while, at the same time, offering temporary work experience to long-term unemployed people. CE replaced three smaller programmes and expanded rapidly so that, by 1996, it was Ireland's largest labour market programme, with 40 000 participants on average (OECD, 1998*c*). The local partnerships have played an important role, particularly in assisting voluntary and community based organisations to secure funding for relevant activities, and in developing suitable projects to meet local and national objectives. Through a joint committee involving FÁS, ADM and the local partnerships (via PLANET), an important framework agreement was negotiated in 1998 to promote greater co-operation at the local level between FÁS and the partnerships (see Chapter 4 Box 10). For example, during 2000, a series of workshops was organised for local partnerships and FÁS regions to discuss good practice in this area. The framework agreement also provides some flexibility to set objectives and targets locally, through working groups made up of people from the partnerships and FÁS. These groups also seek to identify examples of innovative projects and to address the barriers that obstruct good project development.

The CE scheme has become more a series of separate local measures funded centrally, rather than a standard national programme. Typical projects have been in arts and recreation, environmental and property improvements, advice and support services, school assistants and caretakers, tourism facilities, and health and welfare services. For example, the Galway City partnership designed an innovative CE scheme to assist 24 long-term unemployed musicians. It provided a range of supports including training, advice and group work over a period of a year to help them gain jobs or become self-employed. Galway was considered a good location because the market for such skills was expanding with its booming tourism and cultural industries.

Other examples of innovation are not part of national initiatives. OAK was one of several partnerships to identify a growing and partly hidden problem of poor farmers with smallholdings threatened by reform of the Common Agricultural Policy and an ageing population. An advisory service was established to improve household incomes by helping farmers to develop complementary off-farm business and employment opportunities, to undertake training in how to manage their resources better, to take up their entitlements to welfare support and to improve the efficiency of their farms.

The concept was subsequently extended to other rural partnerships and became known as the Low-Income Smallholder Households Initiative, co-ordinated by ADM and endorsed by three of the national farming organisations. It has developed in a flexible, "bottom-up" manner to fill gaps in the existing support structures for smallholders, to reflect the diverse nature of this target group, and to develop localised responses tailored to different local situations. A recent

© OECD 2001

external evaluation concluded that the Initiative was meeting a real need and much had been achieved, although there was scope for improvement in terms of clearer objectives, improved local management, greater exchange of experience between areas and stronger linkages with other support providers (Fitzpatrick Associates, 2000).

Meanwhile, Clondalkin is one of several partnerships to have identified serious problems of truancy and early school-leaving. Many young people were dropping out with poor literacy and numeracy skills and no qualifications. The schools could not provide extra guidance and support to deal with the issues properly. The partnership raised funding for intensive outreach, school-based and home liaison services to restore confidence and remotivate those concerned. A network of statutory employment, training and education agencies was established to oversee the initiative and pool resources to provide follow-up support. They built on the partnership's earlier work to improve literacy and language skills among primary school children and to increase access to tertiary education. At the time of writing, the project faced some uncertainty about its future once its initial funding expired, since the Department of Education was unable to take it on. Support may be forthcoming as a result of the new National Development Plan and the growing nation-wide concern about early school-leaving, since recent evidence has revealed that unqualified school-leavers are particularly prone to unemployment.

Local ideas, initiatives and lessons from experience need to be spread more widely to justify the investment in the partnerships and to make a more significant impact on national policy making. The main conclusions of an earlier OECD study visit to Ireland were that the partnerships had been extremely innovative, but that there should be more formal mechanisms for generalising local successes and incorporating the changes they suggest into the main functional administration of the government (OECD, 1996*a*). Although there is undoubted scope for more to be done, especially to promote systematic learning at national level, the situation appears to have improved somewhat since then. For example, more conduits now exist for the partnerships to exchange information among themselves, to transfer experience to other local development groups and to engage with central authorities.

For example, ADM has organised interactive workshops and seminars, published guidance handbooks and pamphlets to identify and disseminate good practice, and promoted common initiatives among the partnerships. It has also begun to establish formal mechanisms to inform government policy and to influence the procedures of departments and state agencies, such as the joint committee with FÁS on Community Employment discussed above. ADM works closely with seven departments: Education and Science; Social, Community and Family Affairs; Tourism, Sport and Recreation; Agriculture and Rural Development; Taoiseach; Enterprise, Trade and Employment; Justice, Equality and Law Reform.

© OECD 2001

In addition, PLANET now has the capacity to represent the partnerships in wider policy making forums and to inform them of relevant policy developments through briefing papers and workshops. It also provides a network for regular internal contact and communication to facilitate exchange of experience and mutual learning.

There has also been an increase in the amount of informal networking and exchange of information between and within each of the partnerships as relationships have developed. This has added to the general dissemination of good practice and identification of common issues, although it gets little recognition in official documentation. Finally, there have been more attempts to evaluate particular partnership programmes and projects, as recommended by the previous OECD report on Ireland. Further work of this nature going beyond case studies is still important, as indicated in the next section. Fuller, more systematic evidence is needed of partnership outputs, impacts and outcomes; their positive and negative achievements; the significance of their innovations; the degree to which they have influenced mainstream policies; the extent to which their effects can be attributed to the partnership framework, and the various direct and opportunity costs of working in partnership.

Conclusions

The changing context

The partnerships have operated in a favourable context of unprecedented employment growth and institutional stability during the late-1990s. The current environment is one of greater change and uncertainty. The economic boom has shifted the spotlight of national attention from growth to distributional concerns. It has also improved the prospects of socio-economic problems being successfully addressed. Rapid economic growth has cut unemployment and increased living standards for those in work, although substantial spatial and social disparities remain. As long-term unemployment has fallen, the composition has altered so that a higher proportion face barriers to employment requiring specialised support, including poor literacy and numeracy, lack of childcare facilities, various disabilities and substance misuse. This may mean they are more difficult to place into jobs (NESF, 2000).

Meanwhile, the tighter labour market and congestion in some places have put pressure on the national social partnership to promote a more equitable allocation of the rewards from prosperity and greater targeting of investment and growth towards areas of need. The tighter labour market has also created opportunities to draw inactive and marginal groups into the workforce, such as lone parents, women returners, people with disabilities and unqualified school-leavers. This depends on appropriate guidance, training, support and welfare/tax structures

© OECD 2001

being in place. Poverty and social inclusion have clearly become more important issues on the national agenda (Government of Ireland, 1999*a* and 2000).

These challenges and opportunities suggest a continuing, albeit modified, role for the partnerships. They cannot replace national policies to reduce poverty and exclusion, but they can complement them well. They can assist national authorities to target disadvantaged communities and connect with excluded households. They can treat the problems of particular areas and groups in the round and co-ordinate responses, based on a better understanding of local circumstances. Their employment policies require closer links between the demand and supply sides of the labour market, and a greater understanding of the needs and constraints facing local economies. Issues such as infrastructure and transport need to be addressed since they affect employers' location decisions and ability to recruit, as well as access to work for the unemployed. Policies to promote progression in the labour market become important to prevent people getting trapped in low-paid jobs. The quality of neighbourhood facilities and environments also become significant as people's incomes rise and they exercise more choice about where to live. Different problems have different spatial patterns, demanding sensitivity about the appropriate scale of response.

Coincidentally, there are important institutional changes in progress, which will impinge on the form and functions of the partnerships. The reform of local government and the introduction of county/city development boards are the most obvious examples. The partnerships were partly established to supplement local authorities, so if the latter are being strengthened and the principle of partnership working is being incorporated, the purpose of the local partnerships needs to be clarified to avoid duplication and confusion. The important changes associated with EU funding for Ireland have also altered the circumstances and created uncertainty about the relationships between different organisations at different spatial scales.[6] The point emerging is that it is difficult to prescribe a particular role for the partnerships in isolation of these other developments. Their function depends on wider considerations than those discussed in this report. Nevertheless, it is clear that the partnerships have many positive features, which should be retained in some shape or form and built upon for the future.

Strengths of the local partnerships

Some of the positive attributes of the partnerships stem from their nature as network arrangements rather than more self-contained structures:

– Their practical problem-solving approach, needs-driven agenda and action-orientation have resulted in the provision of new and enhanced services and facilities, which have directly assisted many poor and unemployed people. Through local consultation and practical knowledge of conditions

© OECD 2001

on the ground, they have identified gaps in existing services, which they have sought to fill directly or by activating other bodies. Their independence has often added to the quality and credibility of their services among local people.

– They have brokered informal alliances and cross-sector networks that have improved the flow of information between functional authorities and helped better to co-ordinate their employment and social programmes. They have brought together, within the same working groups and sub-committees, individuals and agencies that had little contact with each other before. There has been mutual learning and improved understanding all round, as well as increased commitment and dynamism from some quarters.

– They have given disadvantaged communities and groups a more direct say in the way some policies are made and resources allocated. They have provided a platform to enable them to articulate their needs more coherently and directly to the relevant functional organisations. They have also strengthened the capacity of communities to organise services, apply for funding and learn from experience elsewhere. These are important foundations for efforts to address the isolation, powerlessness and political exclusion experienced by many disadvantaged groups.

– These changes have introduced new ways of thinking into the public sector, starting a process that may help to bring about an organisational culture that is more responsive to individual and local circumstances, and more dynamic and developmental in approach. Senior officials in government departments and agencies have been exposed to attitudes, pressures and modes of operation that they have not experienced before. As a result, some national programmes and services have been tailored better to suit local conditions.

– The partnerships have responded to changing circumstances by broadening the agenda of local development to a wide range of economic and social concerns. The area-based approach means taking people seriously and addressing the issues they face in the round, *i.e.*, "joined-up" or integrated policy-making. In some places, this has extended to include transport, environment and economic development issues. These have a direct effect on local employment opportunities and on peoples' access to them. The partnerships have also identified and acted upon new themes, such as absenteeism and early leaving from school.

– Some of their initiatives have been innovative and some of the lessons have been applied more widely in Ireland with beneficial effects. They have also been influential further afield, given the level of international interest in the Irish experience. Much of the energy and creativity appears to have

© OECD 2001

emerged from bringing disparate interests together around a problem-solving agenda with few institutional constraints and preconceptions, and a relatively flexible package of resources.

These features prompted informed local commentators and independent evaluators to recommend that the partnerships be given an enhanced role after 2000. For example, the Goodbody study concluded that: "*As partnerships have become more experienced, they are now very well placed to provide front-line, intensive supports for the long-term unemployed*" (1999). Implicit in this is a recognition that the partnerships have received considerable financial aid, volunteer support and assistance in kind from organisations over several years. The benefits in terms of institutional capacity and networks are now apparent and should not be lost. The main message of a recent review by the influential National Economic and Social Forum was similar: "*We conclude that the Local Development Programme has brought considerable benefits and we recommend that it should continue to be supported in the new National Development Plan* (2000-2006)" (NESF, 1999*b*).

It is rather surprising that the National Development Plan does not acknowledge an explicit role for local partnerships, especially bearing in mind their prominence in the previous plan. Instead, it identifies a range of measures to address social inclusion, some of which are geared to particular groups (such as young people, women and the unemployed), and others to particular service functions (such as education, childcare, community development and tackling crime). It recognises the importance of co-ordinating the planning and delivery of these services at the local level, but states that the County Development Boards will play a key role in this. In a subsequent speech, the Minister responsible for local development stated that there was no sinister motive in not specifically mentioning the partnerships (Flood, 1999). The Department of Finance had written the plan around subject-specific themes rather than departmental programmes. He indicated continued government support for the partnerships,[7] but hinted that a "more focused contribution" was envisaged once the CDBs were established.

This could mean that the scope of the partnerships will be restricted to more of a delivery role involving a narrow set of services, especially if the CDBs are able to pursue a broader co-ordinating function effectively. A delivery role would limit the partnerships' potential to influence policy and to draw together actors around a flexible, needs-driven agenda of local development. A partnership structure may also be unnecessary and even inefficient for a focused delivery role. So, the creation of the CDBs may result in the transfer of the current strategic and networking functions from the partnerships, with some loss of experience and momentum in the process. The CDBs may prove to be better at co-ordinating statutory bodies given their institutional location, but perhaps at the expense of community involvement.

© OECD 2001

The recent agreement between the national social partners supported the objective of local development in disadvantaged urban and rural areas based on a partnership framework (Government of Ireland, 2000). The existing local partnerships were not specifically mentioned, while the strategic role of the CDBs was endorsed. The rural white paper, E*nsuring the* F*uture*, also supported the role of the CDBs, confirming the importance now attached to them.

Weaknesses of the local partnerships

Naturally, there are also weaknesses in the partnerships that need to be recognised in a balanced assessment. These are partly a function of external constraints and structural issues, and partly a reflection of their internal organisation or approach, which is attributable in part to relative newness and inexperience. It is inevitable that the partnerships have developed unevenly, because of their crucial internal dynamics and the variable experience of different partners and the local community.

– They have direct control over fairly limited resources, far less than any statutory partner. Promoting significant change in their localities requires paying more attention to using their networks to harness wider resources and to get greater flexibility into mainstream programmes. Their own resources and any "special" funds are likely to have greater leverage if other organisations are encouraged to become more involved. Partnership activity should not focus on deploying core funds whenever a problem or an issue arises. Such funds may be used to best effect by trying out particular policy ideas, which, once established, should be funded on a more durable basis by other organisations. Mainstream partners need constant encouragement to respond to partnership agendas, to discuss appropriate responses to emerging problems and to deploy their resources accordingly. Central government could give a stronger lead in this respect, which would help to reduce the uneven experience of mainstreaming across areas and departments. Senior decision-makers may not appreciate the benefits that stem from closer co-operation with local partners, including policies tailored better to local circumstances and services delivered more efficiently.

– Many of the partnerships have not been particularly strategic in their approach. Operational pressures have been important, including the need to draw together disparate organisations and individuals with different backgrounds; to move forward incrementally in order to build trust, expertise and credibility, and to be seen to be responding to emerging problems and opportunities with specific initiatives. This may have encouraged an emphasis upon direct service provision, resulting in a range of sometimes loosely connected projects. More could be done to analyse overall condi-

© OECD 2001

tions in the locality, to develop a shared vision for its future and to persuade more powerful agencies to respond to the development priorities on a larger scale and in a more durable way than the partnerships can manage. The relationship between direct service/project delivery and broader strategy development is a question of balance and both processes are important ultimately.

– The agendas of some partnerships may have been narrower than appropriate. They have done more to promote social projects and person-oriented initiatives than physical improvements and economic development. As a result, their links with employers, property developers, financiers and the private sector generally have been weaker than with community groups and public sector bodies. A broad agenda is critical in areas with the weakest economies and fewest institutions to promote development, such as some rural localities. They face considerable challenges at present and in the future with the expected decline in farming. Training and job access programmes without measures to boost labour demand may result in "churning" and displacement of other vulnerable people from the job market. A broad view is also important in urban areas where the barriers to employment go beyond skills and motivation to include poor transport connections, discrimination by employers and lack of childcare. Improving the skills of individuals without the quality of neighbourhood conditions may mean that those who get jobs and improve their incomes simply leave the area. People and place policies need to be pursued in tandem, the precise combination depending on local conditions. It is important to tackle the underlying causes of unemployment and deprivation, and not simply to treat the symptoms. National action on infrastructure improvements, the regulation of development and welfare reform may be needed alongside targeted local measures.

– There is a danger that the valuable experience, learning and trust that has built up within the partnerships is dissipated because it remains within the ambit of the individuals involved and is not embedded within institutional policies and procedures. Despite recent improvements in co-ordination and networking, there are still too few mechanisms in place to report on and generalise the lessons of that experience more systematically at local and national levels. Current monitoring systems are more useful for basic reporting purposes than for providing management information, which would help identify what happens, how and why it happens, and how efficiently it was made to happen. The efforts of the recently established task group involving ADM, the partnerships and community groups to make the existing system more useful both for management purposes at local level and for strategic analysis at national level are to be supported. Any future

© OECD 2001

mechanisms to capture experience should not unduly constrain the relative flexibility and variety of the partnerships with over-centralised systems. However, they should seek to reduce some of the uneven experience across the network by extending the lessons of good practice from the most successful to the rest. They could also help the partnerships get greater credit for their achievements and convey to national government powerful messages about the benefits of local flexibility, responsive administration and integrated use of resources.

Issues for consideration

These comments suggest several areas for improvement. Most issues for consideration apply equally to the CDBs or other local structures that acquire features of partnership working and a role in promoting development in the future.

– Mobilising mainstream resources and incorporating the lessons of the partnerships into the policies of the main functional authorities requires greater support from above (*i.e.*, national level), as well as activating officials and organisations at the local level. Although they have a part to play in generating support from government bodies, the responsibility for mainstreaming local experience cannot be left to the partnerships.

  A regular forum or policy committee of relevant departments and representatives of the partnerships would raise the profile of this activity and strengthen commitment at the heart of government. It could identify barriers to extending local experience and develop mechanisms to overcome them. This is more effective and efficient when it is done centrally than locally. Involving the local partnerships directly would add a new dynamic and determination to existing arrangements.

  Within each department, stronger guidance, resources and feedback mechanisms for their nominated representatives on the partnerships would enhance the present approach, which gives the impression of voluntarism. More hands-on interaction would also reinforce partnership accountability. In some cases, the representatives need to be given greater authority or replaced by more senior or interested staff. Common procedures for resolving local difficulties and increasing local flexibility within departments also need to be developed centrally.

  The budget and policy processes within authorities need to be reviewed to facilitate greater decentralisation, increase support for new ideas and generalise lessons emerging from the local level. With social inclusion now a national priority, there is much to learn from the practical experience of the partnerships.

© OECD 2001

– The creation of new institutions at the local, county and regional levels – such as the CDBs and regional assemblies (RAs) – and the reform of older institutions – such as local government – require some clarification of the basic model of local governance in Ireland. In particular, there is some ambiguity about the relative importance of, and relationship between, elected local authorities and inclusive local partnerships.

  Clearer demarcation of the responsibilities of different bodies is also important. This would recognise that different policy functions are appropriate at different spatial scales and for different types of organisation, and that some problems require an area-based response while others do not. There could be a slightly different outcome and arrangement in each area depending on the capacity of each organisation and the spatial structure of the area.

  The links between organisations also need development to ensure coherence and avoid overlap. In areas with duplication of effort, there may be a case for some rationalisation. The principle of joint planning could encourage openness to different perspectives and limit rivalry.

  There is an opportunity in Dublin for the CDBs and RAs to link the targeted local or neighbourhood development strategies of the partnerships with wider city and regional strategies. This split between local/neighbourhood strategies (pursued by the partnerships) and county strategies (pursued by the CDBs) may be a useful model elsewhere too.

  It is important to maintain and develop the partnerships' functions in networking, advocacy and innovation, even if this can be challenging and uncomfortable for other organisations. If the CDBs and RAs usurp the partnerships' relatively broad role, leaving them to deliver restricted services, then community members and other key partners may lose interest and withdraw, damaging the partnerships' credibility and effectiveness.

– Pursuit of a broad agenda does not mean that the partnerships need to get directly involved in complex implementation arrangements. Their experience and networks mean they have important roles to play in raising awareness of the barriers to inclusion, highlighting issues that specialised agencies neglect (*e.g.*, to ensure equal access to services), promoting more effective, integrated use of resources (*e.g.*, to ensure a quality, client-centred approach), supporting the development of community-based organisations and informing mainstream policies.

  There has not been a sufficiently clear distinction between the scope of relevant issues for the partnerships to consider, and those on which they act directly themselves. The former includes efforts to harness the resources of individual partners and other organisations.

© OECD 2001

"Breadth of vision, focus in action" might be a suitable maxim for the partnerships to remain fairly lean organisations and to limit duplication with other bodies. This also requires a greater willingness on the part of government departments and other bodies to decentralise decision-making, consult the partnerships as a matter of routine and engage in joint policy-making. The partnerships could be given a formal consultative role in the strategic planning and budgeting by other organisations.

– The lessons of the partnership experience need to be better understood locally and nationally. This requires a sounder grasp of what has worked and what has not, what projects have scope for further development and wider application, what value the partnership framework has added, and what national policy issues are raised by local experience (such as the constraints on mainstreaming good practice). This needs to be based on qualitative and quantitative evidence from analysis and evaluation.

  More attention could be given to staff training and development, including techniques such as distance learning where necessary, alongside more informal methods such as mentoring and staff exchanges between organisations within and between partnerships. Closer collaboration with local colleges and universities could promote training, evaluation and research of mutual benefit.

  More systematic research could be undertaken on local labour markets to understand how they work, to identify the barriers to employment and progression in each area, and to identify new ways in which the partnerships might intervene to best effect. This is especially important given the transformation in labour market conditions in recent years and the future challenge to match past achievements. The partnerships also need better local labour market information (*e.g.*, on unemployment stocks, flows and personal characteristics) to monitor the situation and inform their policies.

  Extending the partnerships' remit to address other aspects of social exclusion should be accompanied by similar research on poverty and deprivation. This might include the relative importance of neighbourhood, household and social group dimensions to these problems and the extent to which they require policies targeted at specific areas, groups or wider communities. There is also scope for more analysis of the effects of educational initiatives on individual life-chances and institutional practices.

  Given the fundamental importance of organisational relationships to the success of partnerships, more attention should also be given to the concept of "process evaluation". This should include greater use of self-evaluation techniques within each partnership to assess the extra benefits and costs of

© OECD 2001

partnership work, to identify ways in which procedures might be enriched or streamlined, and to identify future training requirements for members.

The roles of ADM and PLANET remain very important in all these respects, especially in facilitating exchanges of experience and capturing lessons to inform wider policy discussions. The partnerships could also do more themselves to analyse, document and indeed promote their achievements more systematically.

– The experience of involving the social partners at the local level is mixed and could be strengthened in some quarters, particularly the business and union sectors. Otherwise, the relevance of the tripartite model of local partnership (public sector, community and other social partners) may need to be revisited.

  The partnerships need to develop a stronger awareness of the needs of employers, developers, workers, etc. if they are to take economic issues more seriously. For example, matching labour demand and supply becomes increasingly important as unemployment falls and requires measures targeted at particular labour market barriers and vigorous outreach services. Employers could help to identify emerging vacancies and assist in the design of suitable training and education programmes for expanding occupations.

  The social partners at national level have an important role to play in developing their own local and regional structures to facilitate links with the partnerships. To do this, they need a more explicit policy towards local development, including releasing time for officials to participate in partnership work and recognising the commitment involved. It is in their interests to do so because of the increasing recruitment difficulties in the tighter labour market.

  The partnerships should also do more to involve major local employers, public transport authorities and infrastructure providers in their deliberations. This would facilitate constructive dialogue and help to alter negative perceptions, *e.g.*, by improving employers' views of the long-term unemployed and other disadvantaged groups.

© OECD 2001

Notes

1. Other factors have been the devaluations of 1986 and 1993, low tax rates for foreign investors, low interest rates and a growing labour force.
2. 1 IR£ = 1.27 Euro (1 Euro = 0.788 IR£).
3. The name "Travellers" refers to a nomadic Irish ethnic group. Irish Travellers are a people with a separate identity, culture and history, although they are as fully Irish as the majority population. It is estimated that there are around 30 000 Travellers living in Ireland.
4. The County Enterprise Boards tend to support other groups, thereby limiting duplication.
5. The remaining nine per cent are those awaiting a first interview, or with an "unknown" or "other" status.
6. They include the introduction of a new National Plan for the period 2000-2006, regionalisation of key aspects of its implementation including new regional assemblies to oversee local policy-making and resource allocation, the reduction in Objective 1 coverage, as part of the EU funding, for the South and East of the country, and more general changes in the Common Agricultural Policy which will have significant effects on rural areas.
7. An indication subsequently confirmed: funding of the partnerships is ensured until 2006 through the new programme.

© OECD 2001

Chapter 7

Fighting Unemployment and Social Exclusion with Partnerships in Finland

by **Micheál Ó Cinnéide,**
Department of Geography, National University of Ireland, Galway

Employment, governance and partnerships

Finland is a well-developed country of 5.2 million people situated in northern Europe. Covering 338 000 km^2, it extends from the harsh northern sparsely populated arctic wilderness to a relatively mild, fertile southern zone, where most of the population lives. Almost 70 per cent of the country are covered in forest and a further 10 per cent is occupied by lakes and rivers. Indeed, the forests once formed the basis of a major wood processing industry from which much of the country's prosperity is derived. And, today, forests are still Finland's most important raw material resource.

During the 1990s, however, high technology industries emerged as a leading branch of manufacturing, with the mobile phone being Finland's most important export product today (see Table 4 for exports by product group). Finland is also quite advanced in the use of information technology. It has the highest per capita

Table 4. **Exports by product group, Finland, 1998**
Exports by Industry

Exports by Industry	%
Electrical equipment	27.9
Pulp, paper and paper products	23.2
Machinery and equipment	10.4
Basic metals and fabricated metal products	8.7
Wood and wood products	6.2
Transport equipment	6.2
Chemicals and chemical products	56.0
Other	11.8

Source: Statistics Finland.

© OECD 2001

mobile phone ownership in the world (60%) and Internet connections per capita are also amongst the highest in the world. Metalworking and engineering also are well established in Finland.

Although Finland only gained independence from Russia in 1917, lost large land areas to the Soviet Union and was obliged to pay enormous war compensation to that country as a result of defeat in the second World War, by the end of the 1980s, it had become one of the most successful economies in the OECD with almost full employment and per capita income in excess of the European average level.

However, the Finnish economy was plunged into a deep recession in the early-1990s. The recession reflected *a*) a fall in exports, following the collapse of long-standing trading arrangements with the Soviet Union, *b*) debt overhangs in both the corporate and household sectors, following financial deregulation in the period of strong growth, and *c*) substantial falls in world market prices for pulp and wood (OECD, 1996*c*). The Finnish economy has rallied in recent years, with annual increases in gross domestic product the second highest after Ireland within the European Union. However, unemployment and national debt still represent major problems for Finland.

In comparison to most OECD countries, Finland is a very homogenous society with no significantly large ethnic minority groups. There are two official languages, namely, Finnish, spoken by 94 per cent of the population, and Swedish, the vernacular of the remaining six per cent.

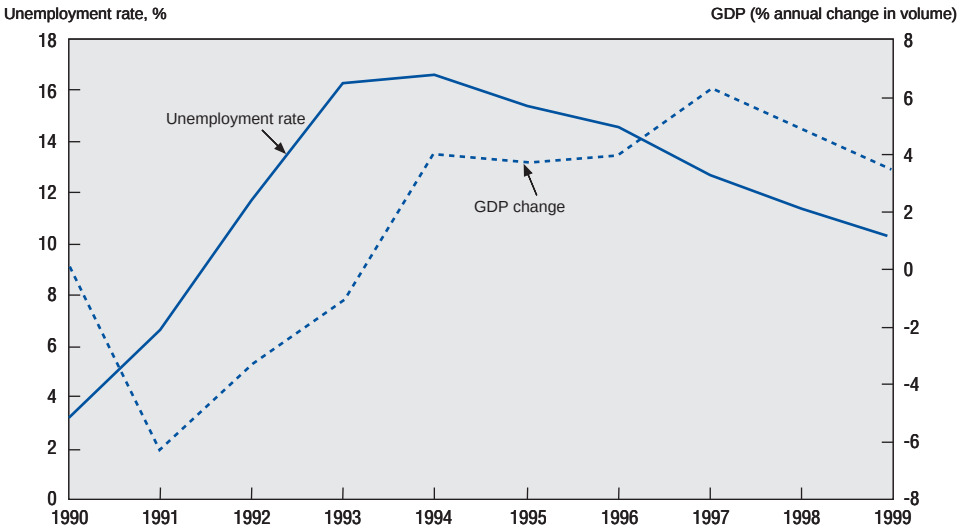
Employment

In the course of the recession of the early-1990s, demand for labour declined sharply and there followed a large increase in unemployment. From a position of almost full employment in 1990, the official unemployment rate measured according to the ILO and EU definitions, rose to a peak of 16.6 per cent by 1994 (Figure 2). The Finnish economy began to recover in 1994 and, since then, has recorded strong economic growth. After a time lag of a year or more, unemployment started to fall with increasing economic activity so that, by 1999, it amounted to just over 10 per cent of the labour force, much the same as the average for the European Union as a whole. In absolute terms, this amounted to 261 000 people.

The Ministry of Labour in Finland has two systems of measuring unemployment. The ILO definition is used in the international context and also as the official unemployment rate in the national context. The rate is based on monthly sample surveys compiled by Statistics Finland. The other system is the Ministry of Labour's statistics. Using this measure, the total unemployed by the end of 1999 was approximately 350 000 people with an unemployment rate of around 14 per cent, as opposed to 261 000 people and 10 per cent, respectively, according to the

© OECD 2001

Figure 2. **Economic and employment trends in Finland, 1990-1999**



Source: Statistics Finland.

official measure. It is this latter measure of unemployment (ILO) that is used in detailing unemployment locally in this report as the official statistics are not readily available at the small geographic scale involved.

Long-term unemployment, defined as unemployment lasting for a period in excess of one year, was practically non-existent in Finland at the beginning of the 1990s. Thereafter, it increased rapidly and accounted for about 30 per cent of all unemployed people by the mid-1990s. It has declined modestly since then, in absolute terms, and as a share of total unemployment. This fall is in keeping with the general fall in unemployment as the economy improved. Even so, long-term unemployment still amounted to 26 per cent of all unemployed people at the close of the century. The overall level of unemployment and the long-term unemployment rate are appreciably reduced by active labour market measures, including training programmes and short-term subsidised employment schemes. The number involved in such measures in the late-1990s was in excess of 100 000 people. Details of the measures involved and changes over the past year are presented in Table 5.

Even before the recent recession, large regional variations in unemployment existed in Finland. Traditionally, unemployment has been highest in the northern

© OECD 2001

Table 5. **Changes in subsidised employment and related measures, Finland, 1999-2000**

Subsidised Employment	February 1999	February 2000	Change (absolute)	Change (%)
Placement in the state	5 952	3 402	–2 550	–42.8
Placement in the municipalities	19 386	16 041	–3 345	–17.3
Placement in the private sector	28 999	23 990	–5 009	–17.3
Total wage-related measures	54 337	43 433	–10 904	–20.1
Labour market training	40 540	37 092	–3 448	–8.5
Trainee work with labour market subsidy	11 751	11 213	–538	–4.6
In job alternation places	4 091	4 756	665	16.3
Grand Total	110 719	96 494	14 225	–12.8

Source: Ministry of Labour, Finland.

and eastern regions due to structural adjustments in agriculture and forestry, and to difficulties in attracting investment to geographically remote areas. Industrialisation and the expansion of the service sector have resulted in low unemployment in the southern urban areas.

During the recent recession, however, many traditional industries were hit hard and public expenditure cuts led to a decline in employment in the service sector, with the result that double-digit unemployment rates prevailed, even in the most prosperous regions in the country in the mid-1990s. Although unemployment in southern Finland has now fallen to almost half the national rate, unemployment black spots persist in many of the large urban centres in the region. The general regional imbalance in employment opportunities in Finland has sustained a strong net migration flow in the general direction of the southern regions.

In keeping with the Nordic model of the welfare state, a comprehensive package of unemployment-related benefits is provided in Finland in order to secure the livelihood of unemployed people. A basic unemployment allowance is payable to unemployed persons who are not members of an unemployment fund. An earnings-related unemployment allowance is paid from unemployment funds to qualifying members. These unemployment allowances are payable for up to 500 days. Unemployed persons who are looking for a job or undergoing labour market policy measures may avail of labour market support payments. Employment subsidies that cover employers' wages costs or provide job-seekers with secure income during practical training or in the early stages of self-employment, may be combined with other labour market measures. These are intended to help people entering the labour market for the first time, to promote the return of the long-term unemployed to the labour market, and to prevent the exclusion of the unemployed from the labour market (Räisänen and Skog, 1998).

© OECD 2001

To counter the effects of recession in the early 1990s, a combination of active and passive labour market measures was deployed in Finland. However, in a situation where the demand for labour was slack, labour market policy functioned largely as a welfare support system that provided a basic income to the unemployed. As the demand for labour began to grow in the mid-1990s, active labour market measures were increasingly deployed but their volume was not increased at a pace commensurate with economic growth so labour market policy had to be comprehensively reformed in the late-1990s. This was facilitated by a highly developed tripartite system of co-operation between government, employers and trade unions. Unions in Finland are in a strong position with over 90 per cent of all employees as members, and there is a well-established system of negotiations that enables them to exert considerable influence on employment-related policies.

Major challenges facing Finnish labour market policy in the mid-1990s included:

1. the high level of unemployment that still persisted side-by-side with growing skills shortages that were curbing economic growth;
2. the increasingly complex structure of unemployment, including the persistently high number of long-term unemployed people, many of whom were ageing and lacking in required skills, generally resulting in low employability potential;
3. regional and local disparities in employment growth and unemployment as traditional industries contracted and new employment opportunities emerging in specific fields concentrated geographically in favoured regions, and especially in the greater Helsinki region;
4. ageing of the currently employed workers and related inability to meet the changing demands of the workplace, in the absence of sufficient investment in lifelong education and training, leading to a tendency towards early retirement;
5. public expenditure curbs requiring increased effectiveness of all labour market measures.

These challenges were addressed as part of a comprehensive National Action Plan for Employment that was launched in 1998 (Ministry of Labour, 1998). Labour market reforms introduced as part of this initiative sought to promote enhanced functioning of the labour market and to prevent exclusion from the labour market by targeting services and active measures at high-risk groups, such as young unskilled people. These goals have been pursued in five main ways:

1. Improvements in the employment services provided to individual jobseekers, *e.g.*, fixed-term interviews, skill mapping, job-seeking training, etc.

© OECD 2001

2. Activation of passive labour market supports, *e.g.*, by transferring labour market support, payable to an unemployed person, to an employer.

3. Reform of active labour market measures, *e.g.*, by improving the quality of training programmes so as to enhance the employability of trainees.

4. Enhancing recruitment, *e.g.*, by obliging firms to provide on-the-job training for employees for whom they receive an employment subsidy.

5. Definition of rights and obligations of job-seekers so as to clarify the relationship between the employment service and unemployed job-seekers.

Preliminary evaluations of the effects of these reforms indicate that, by and large, they are being implemented to good effect. Interactions between unemployed job-seekers and the employment offices have become a more systematic streamlined service that is oriented toward open labour market job search. The economic outcome of the reform is positive, as cuts in active programmes have been substituted by increased entry into open market jobs. In-flow into long-term unemployment has diminished remarkably. Labour market outcomes cannot be evaluated precisely at this time but the reforms as a whole appear to be a significant step in the right direction (Räisänen *et al*, 1999).

Local and regional governance

No understanding of the evolution and structure of Finnish partnerships is possible without an appreciation of the Finnish system of local and regional governance. There are 452 local authorities in Finland, ranging in size from Helsinki, with a population of over half a million people, to small municipalities on offshore islands with fewer than 200 residents. Finnish local authorities have broad responsibilities and a great deal of autonomy. They have primary responsibility for public services such as education, social welfare, health care, the environment and physical infrastructure. They are funded by taxes which they are empowered to levy locally, state subsidies, various charges and sales revenue. Municipal authorities employ 420 000 staff, or one in every five people employed in Finland.

Regional councils have statutory responsibility for regional development and planning. They consist of joint municipal authorities operating according to the principles of local self-government. The assembly is the highest decision-making body of a regional council. The councils of the member municipalities elect representatives to the assembly for a period of four years, the period between local elections. The number of representatives elected and their voting rights are laid down in the regional council's charter and are related to population size. Each of the 19 regional councils has an executive and administrative board elected by the assembly along party lines to be politically representative of the region.

© OECD 2001

Thus, regional councils are political public sector organisations formed on the basis of representative democracy. Their key task is the preparation of regional development strategies that provide guidance relating to labour market policies and sectoral development programmes. The councils prepare plans and programmes in consultation with national and local government and with businesses and organisations within their regions. The regional councils lead regional development work by concluding agreements with the state, the business community and non-governmental organisations. In this manner, regional policy is implemented in different ways in different parts of Finland with activity being focused according to needs and strengths. The regional councils also take care of international affairs connected with their work. Since Finland became a member of the EU in 1995, the councils have been involved in drawing up programmes for the granting of support from EU structural funds for their own regions, except in the case of funding from the European Social Fund, which is the responsibility of the Ministry of Labour.

Strong local and regional government is supported in Finland by the decentralised administrative system that prevails in the provision of central government services. Of particular relevance to this study is the public employment service, operated under the aegis of the Ministry of Labour, which has been to the fore in devolving power from the centre.

Arising from the aforementioned recent labour market reforms, this service is delivered through 178 local employment offices that are co-ordinated on a regional basis through 15 Employment and Economic Development Centres. The latter were established by moving the regional administrative offices of the Ministry of Labour, the Ministry of Trade and Industry and the Ministry of Agriculture and Forestry under the same roof. Although the broad thrust of employment policy and strategy is decided at central level, these centres have been legally bestowed with considerable discretionary powers and are in a strong position to provide a co-ordinated range of services in support of economic and employment initiatives. A system of management by results is in place, by which the Ministry of Labour annually negotiates and agrees the results to be obtained and the associated funding with the employment department of each Employment and Economic Development Centre. These, in turn, operate the same results system in their dealings with their local employment offices. In this way, local employment offices also have some flexibility in the provision of services to clients although key actors in some local areas are unhappy with the amount of discretionary powers vested in local and regional centres.

Evolution of local partnerships

The idea of local employment-related partnerships took hold in Finland in the mid-1990s due to a number of interrelated factors. These included economic

© OECD 2001

recession and the associated countrywide unemployment crisis, new seemingly successful local responses to unemployment abroad and especially in Ireland, supports for local employment initiatives from the European Commission, lessons from the LEED Programme of the OECD and the commitment of key individuals in Finland to the concept of partnership.

Faced with severe recession, traditional government-led interventions and labour market policies were considered to be insufficient, in themselves, to stave off the problems of mounting unemployment and associated alienation of large numbers of people from society. Around the same time, there was a growing awareness of new approaches to problems of high unemployment and social exclusion in many OECD countries (OECD, 1999*c*). As a consequence, progressive social thinkers in Finland started to advocate new responses to the growing crisis, in particular, the establishment of local partnerships that would tackle unemployment from the bottom-up and in a manner that would complement existing measures. It was against this background that, in October 1995, the Ministry of Labour and the Association of Finnish Local and Regional Authorities signed a formal agreement to co-operate on employment-related problems (Katajamäki, 1998).

The seeds of local partnership in Finland were first sown, to any significant extent, through the LEED Programme of the OECD. International contacts established through the Programme led Finnish employment experts to undertake, in 1994, a study visit to Ireland where partnerships had been set up since 1991 to combat problems of unemployment. The experts reported enthusiastically on local partnerships there and proposed the launch of a pilot partnership project in one employment district in Finland. This proposal, however, received a muted response from the responsible Finnish authorities, although several other study visits and staff exchanges between the two countries, relating to local employment initiatives, did ensue.

Considering the comprehensive system of local and regional government and the decentralised nature of the public employment service, many people in Finland very much doubted the wisdom of establishing local partnerships. The distinctive role and potential contribution of partnerships was not fully appreciated. In particular, the notion that partnership extends beyond the public sector to embrace the private and the voluntary sectors and to include as equal partners the people for whom labour support services were designed in the first place was alien to Finnish bureaucracy. Partnership, as a means of generating social capital in support of economic growth and social stability, was not widely understood. It was rare in Finland for entrepreneurs and jobless people to sit down around the one table with trade unionists, clergy, public servants and other people to solve problems on the basis of mutual trust and understanding (Saikkonen, 1999).

© OECD 2001

An influential development in relation to local partnerships in Finland was the publication of a LEED Programme report, *Ireland: Local Partnerships and Social Innovation* (OECD, 1996*a*). This study attracted a good deal of attention in Finland. Coming at a time when unemployment was rampant and some people in Finland were already grappling with the idea of local partnerships, it provided the necessary stimulus for government authorities to act. A senior public official who had been assigned by the Ministry of Labour to draw up proposals for local initiatives relating to the employment of the most disadvantaged groups in the labour market welcomed the OECD study on Irish partnerships and recommended the launch of a partnership experiment in Finland (Harjunen, 1996). Coincidentally, the European Union launched its programme of "territorial employment pacts" around this time and it was to provide a major boost to the launch of a local partnership experiment in Finland. Detailed proposals for the establishment of partnerships in Finland, emanating from the aforementioned assignment by the Ministry of Labour, led to a decision, in December 1996, to mount a pilot experiment, on a national basis, in Finland.

A call for local partnership proposals as part of this experiment produced 78 applications, from which the Ministry of Labour selected 26 for inclusion in the programme. Selection criteria related to *a*) the extent of partnership, in particular, the inclusion of the private sector, voluntary organisations, the unemployed as well as public sector organisations; *b*) the commitment to partnership by the partners; *c*) innovation in respect of proposals to tackle unemployment; *d*) regional representativeness and *e*) attempts to create permanent jobs and prevent long-term unemployment (Katajamäki, 1998).

The experimental areas of the partnership project included a total of 1.8 million inhabitants in 81 municipalities. The biggest partnership area had a population of 230 000 people with the smallest having only 8 000 people. Most of the 26 partnerships were established between May and August 1997. They were funded largely by the EU, as well as through national and local sources for a period up to the end of 1999. Seven of the projects were included as part of the EU's territorial employment pacts. Two of the initial 26 projects collapsed leaving a current total of 24 partnerships in the EU-funded programme. A further 10 partnerships have been established side-by-side with those officially belonging to the pilot experimental programme. These have been originated by local activists, anxious to tackle pressing local problems, and aware to some extent of the promise being shown by nascent partnerships in other areas in Finland and abroad. These spontaneous partnerships are funded primarily by national government and by local partner organisations.

The workings of the official partnerships are co-ordinated by a national co-ordinating team appointed by the Ministry of Labour. This team was charged with implementing the project and supporting the local partnerships by providing

© OECD 2001

them with technical expertise and generally facilitating the exchange of pertinent knowledge and best practices between partnerships in Finland and abroad. The team comprises two full-time staff and nine others acting in a part-time unpaid capacity drawn from the Association of Finnish Local Authorities, enterprise organisations, associations for the unemployed, the churches and voluntary organisations. With only two full-time staff and with the other members obliged to undertake their normal duties as well as contributing to the national co-ordinating team, the resources at its disposal are meagre in the face of the enormity of the challenge it was set.

The total funding provided for the partnership pilot programme for the period 1997-1999 was about FIM 40 million.[1] This relatively small sum, amounting to FIM 600 000 per partnership per annum, covered the costs of a skeleton staff of two to three people at each of the local partnerships as well as providing for office space and other administrative expenses.

Funding from the European Social Fund of the EU has not been provided for local partnership structures under the new ESF programme for the period 2000-2006. Several of the present partnerships that are heavily dependent on such funding will likely cease to exist in their current form as a result of this decision, but partnerships funded through other means are expected to continue as before.

While partnership structures are not to be funded under the new ESF programme, partnership principle is stressed in the policy frame of reference. The co-operation of regional, local and other competent authorities as well as economic and employment bodies is proposed as a general principle in order to obtain significant added value. Furthermore, local partnership is one of the five horizontal emphases in the policy frame of reference.

In general, it appears that even though direct funding for local partnership structures is to be discontinued, opportunities are to be provided to realise the aims of local partnerships, including: *a*) preparation of normal project proposals to fund partnership activity and/or as an element proposed by regional implementation bodies, *b*) overarching supra-regional or national structures that may be required to co-ordinate local or regional initiatives, and *c*) proposals by intermediary non-government organisations or associations of municipalities for global-type grants to fund local partnership projects.

Case studies

This chapter contains a detailed account of three local partnerships active in the fight against unemployment and social exclusion in Finland. The partnerships selected are representative of a wide range of local economic and employment conditions that prevail in Finland.[2] They illustrate many strongly contrasting features of local partnerships operating throughout the country. As such, they repre-

© OECD 2001

sent a good basis on which to construct an overall analysis and assessment of local partnerships against unemployment and social exclusion in Finland.

Iisalmi Partnership (ISKU)

Local economy

Iisalmi partnership operates in the three municipalities of Iisalmi, Sonkajärvi and Vieremä. The area is situated in the northern part of East Finland, some 470 km north of Helsinki. The partnership area forms part of Ylä-Savo (Upper Savo) sub-region, consisting of the nine northernmost municipalities in the county of Pohjois-Savo (North Savo). The area is predominantly rural and is characterised by an unspoilt natural environment of exceptional quality. Climate conditions are harsh, however, especially during the long winter. Geographical remoteness obviously represents a major obstacle to development and to the creation of employment opportunities in the area. However, the area is only 80 km from Kuopio where there is an airport, a university and other major facilities. The area is also well serviced with high-level road and rail connections.

The population of the Iisalmi partnership area at the end of 1998 was 33 624 (Table 6). Population density is low, averaging some 11 people per km^2. The town of Iisalmi, with a population of 23 612, accounts for over 70 per cent of the total population. The rest of the population is dispersed widely in small settlements and individual homesteads throughout the area. Population is declining signifi-

Table 6. **Selected features of the Iisalmi area**

Number of municipalities	3
Land area (km^2)	3 165.6
Total population (end-1998)	33 624
Population density (persons per km^2)	11.0
Population 0-14 years (%)	17.9
Population 15-64 years (%)	65.6
Population 65+ (%)	16.5
Total net migration (1998)	–261.0
Excess of births over deaths (1998)	–51.0
Higher education (%)	
Iisalmi	9.8
Sonkajärvi	7.4
Vieremä	5.9
Dependency ratio	
Iisalmi	1.9
Sonkajärvi	2.2
Vieremä	1.9

Source: Table 32 in *Statistical Yearbook*, Statistics Finland.

© OECD 2001

cantly due to out-migration of young people, in search of employment opportunities in southern Finland, and a low birth rate (Table 6). The residual population is seriously imbalanced with a disproportionately large number of old people. Education levels are relatively low with only nine per cent of people aged 15 years or over having completed a programme of higher education, whereas the corresponding figure for the whole country is 13.4 per cent. Dependency rates are high ranging from 1.9 in Iisalmi and Vieremä to 2.2 in Sonkajärvi, compared with an average of 1.6 for Finland as a whole.

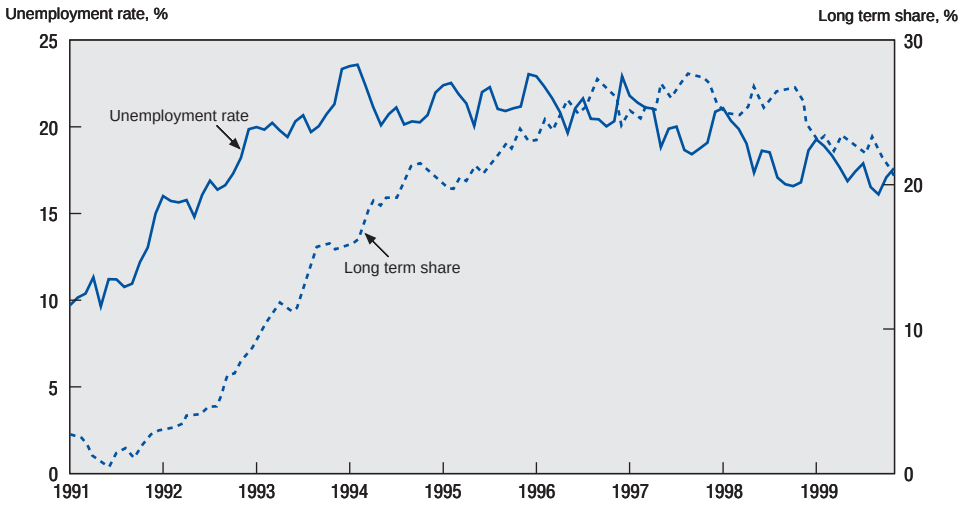
The service sector employs about 50 per cent of the labour force, with the largest employers being the three municipalities and the municipal federations. The industrial sector employs 20 per cent of the labour force. Major industries in the area include metal-working, engineering, saw-milling and, to a lesser extent, food processing, brewing, printing, graphics, plastics and electronics. Primary production and especially forestry and agriculture remain a significant area of economic activity with 10 per cent of the workforce engaged in this sector. This sector is undergoing significant restructuring with a consequent loss of jobs associated with it.

The unemployment rate in the Iisalmi area is currently 20 per cent of the labour force. Unemployment peaked in the mid-1990s and, since then, the secular trend has been modestly downward (Figure 3). About one-fifth of the 3 000 unemployed people in the area are in the long-term unemployed category and although long-term unemployment has recently declined in absolute terms and as a proportion of total unemployment, it still represents a major and intractable problem. Unemployment affects all age groups but it is particularly pronounced amongst older segments of the labour force. The real levels of unemployment are considerably higher than the official rates indicate as many people in the area are engaged in mainly temporary jobs, created through special labour market measures, or participate in labour market training schemes.

The loss of many highly educated young people through out-migration, the ageing of the residual population, the high levels of unemployment, decreasing real incomes, curtailments of services provided by the municipalities due to decreased support from central government and reduction in revenues raised locally all hinder economic development and employment creation in the area. A highly competitive forest-product industry, a small but significant agricultural base especially dairying, a strong construction sector, metal-based industry and especially the production of machinery and some new high technology based industries, including biotechnology, represent strong elements of the local economy. An outstanding natural environment, coupled with a distinct cultural heritage, provide a base on which to expand tourism. Local third-level educational and research institutions are also of significant importance to the local economy.

© OECD 2001

Figure 3. **Trends in unemployment rate and long-term unemployment share in the Iisalmi area, 1991-1999**



Source: Ministry for Labour, Finland.

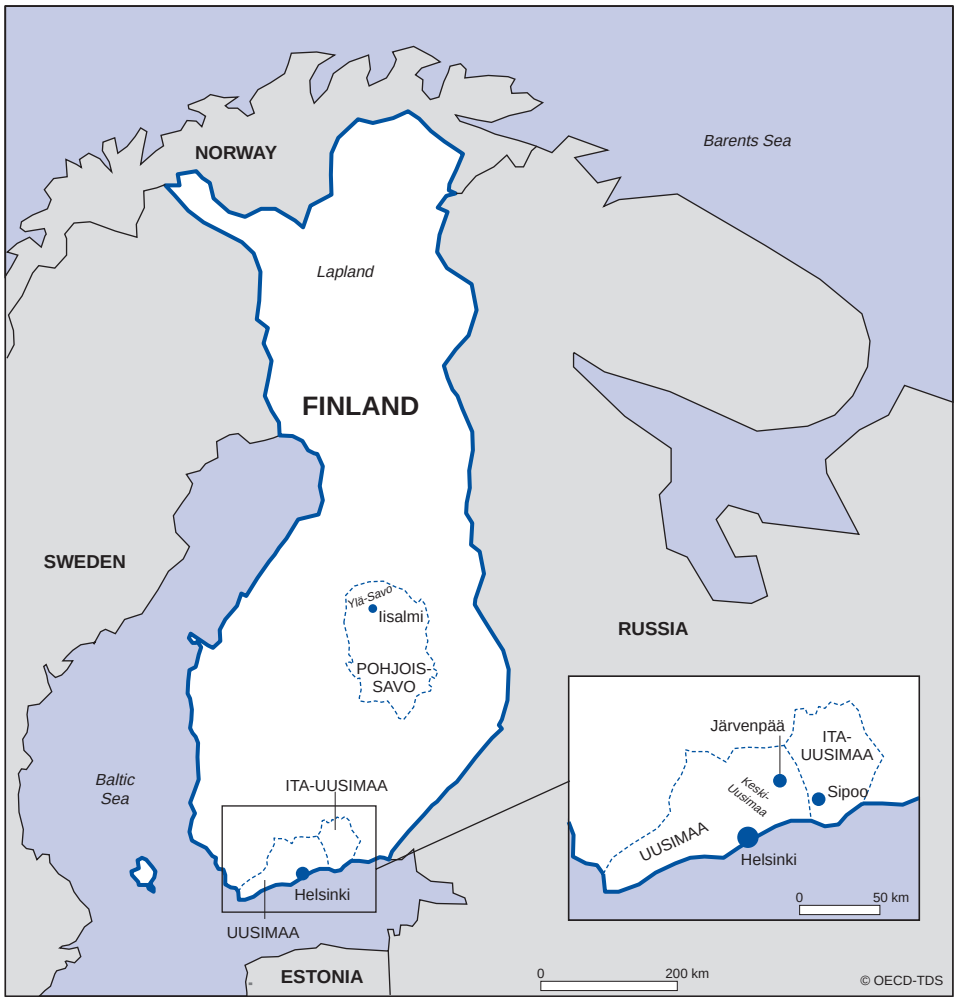
Local partnership

ISKU is one of the 26 pilot local employment partnerships established in Finland in 1997. It is one of seven partnerships in the country that belong to the EU's programme of territorial employment pacts. ISKU, an acronym derived from the Finnish words *iisalmen seudun kumppanuus*, meaning literally "a blow" against unemployment, was established with the express purpose of seeking new ways to create employment opportunities and combating social exclusion resulting from unemployment. co-operation between key actors in the locality, based on a genuine commitment to partnership, was regarded as fundamental to the success of the partnership. Specific objectives set by ISKU for the period 1997-1999 included the creation of 150 new jobs; saving 50 jobs that may have been at risk; reducing long-term unemployment from its 1997 level, or at the very least preventing it from getting any worse; and undertaking numerous experiments relating to new ways of generating growth and employment in the area.

The three municipalities of Iisalmi, Sonkajärvi and Vieremä are founding members of ISKU. The municipality of Iisalmi is responsible for the administration of the partnership as ISKU is not an independent legal entity but a consortium of

© OECD 2001

Figure 4. **Map of Finland**



local actors that have joined together to fight unemployment and social exclusion as a team. Signatories to the partnership agreement include some 50 key local actors from the public, private and community sectors, including the regional council of North Savo, North Savo Employment and Economic Development Centre, the employment office of Iisalmi, agricultural producers, forestry societies, associations of unemployed people, voluntary bodies and the three municipali-

© OECD 2001

ties. Local and district employment service offices play a prominent role in the partnership, as do the three municipalities. The participation of the private sector and particularly larger enterprises is disappointing.

ISKU has a management committee of eight people drawn from the three founding municipalities, the local employment office and the local development company, with a project manager acting as secretary to the committee. It usually meets bimonthly and has ultimate responsibility for strategic decision-making relating to the partnership. In addition, there is a steering committee of 16 members, which meets two to four times annually and provides advice and strategic guidance to the partnership. The management committee has also appointed a working group that prepares and expedites the business of the management committee.

ISKU operates mainly through committees on topical themes. The committees involve a wide range of people in developing strategies and actions. Particular theme committees provide the dynamism to develop project ideas and to create links into wider networks. Although personnel serving on the various committees and groups are nominated by partner organisations, they serve in a personal capacity and not as representatives of their organisations. For this reason, ISKU is more an informal partnership of committed people interested in co-operation than a formal partnership of organisations.

The partnership office is in a centrally located building in the town of Iisalmi. Several related projects have their offices in the same building, thus facilitating co-ordination of effort and co-operation on particular projects. In addition to the project manager, the two ISKU staff members work in the partnership office. Funding for the period 1997-1999 amounted to FIM 1.8 million provided from EU funds (75%) and by the three municipalities (25%). Staff wage costs accounted for FIM 1.4 million of this funding with the balance of FIM 400 000 being expended on office rent and other miscellaneous expenses. Projects undertaken by ISKU are financed in a variety of ways, mainly through funds at the disposal of various participating organisations.

ISKU is closely associated with numerous interesting and locally innovative projects in the partnership area. It has activated its own third-sector projects in areas ranging from afternoon care for school children, care for disabled and aged war veterans, the provision of domestic services, the renovation of old buildings leading to the revival of traditional construction methods and the production of open air theatre, specifically Via Dolorosa – this is performed nightly throughout the spring on the streets of Iisalmi and involves a large cast, many of whom are recruited from the ranks of the long-term unemployed.

The partnership has also supported the establishment of small and medium-sized enterprises by the private sector through running business-idea generating

© OECD 2001

competitions and sponsoring studies of the development needs of micro enterprises with a view to enhancing their competitiveness. It has also assembled a database relating to highly skilled young people in the area to help local enterprises source requisite staff and decrease the brain drain from the area. ISKU has actively supported the establishment of a business incubator unit focused specifically on the information technology sector in a variety of ways. These include a feasibility study, identifying potential market outlets, creating a network of key local actors, and arranging education and training programmes to ensure the local availability of suitable staff.

Kehypaja Development co-operation Workshop is one specific initiative with which ISKU is closely identified. This major project, run by Iisalmi Youth Aid, is designed to provide social support, training and work experience to young people at risk through delinquency and other psycho-social problems. Over 80 people are currently on this programme and several hundred more have completed their stay in Kehypaja.

In the course of their training programmes, a special effort is made to establish the interests and attitudes of each individual and to develop their education and skills to use their talents and to live socially useful lives. Goods and services in industries relating to wood, metal, stone, clothing and electricity are produced. A paired working system, by which an experienced long-term unemployed person supervises a younger unemployed person, has been found to work to good effect. Financial support to the project is provided by various central government ministries but some 40 per cent of the total operating annual budget of FIM 13 million is raised through the sale of products and services.

ISKU supports this and other projects of the Development co-operation Workshop in many ways, such as bringing key organisations together, advising them regarding funding opportunities and generally providing back-up support including, for example, forging international links with partnerships and projects in other countries. For instance, ISKU helps the Development co-operation Workshop to maintain mutually beneficial links with an education centre in Tanzania that provides training for up to 80 people at a time.

ISKU has played a major role in the development locally of employment opportunities in forestry by planning and providing, in conjunction with the local employment office and forestry associations in the area, a multi-faceted course in forest management for unemployed people with former experience of forestry work. The forestry associations have employed all 24 course participants in the maintenance and harvesting of privately owned forests. This project is particularly noteworthy in that it provided a custom-tailored training programme for a specific group of people to meet a particular skills shortage in the area.

© OECD 2001

A very important feature of ISKU's contribution is the manner in which it acts as a local broker in bringing various elements together to create innovative employment-generating projects that meet local needs. For example, many households require part-time domestic help but there are considerable legal and other difficulties in employing such staff. Consequently, the partnership has helped create household circles that hire domestic staff on a shared basis, thus creating permanent full-time employment opportunities for long-term unemployed people. Similar initiatives have been undertaken in a range of other fields and to good effect.

Another example of the brokerage role of ISKU is the manner in which it facilitates the recruitment of unemployed people by various local employers, including the municipalities, through the application of various routine employment support subsidies. In this capacity, ISKU builds the necessary linkages between employers, unemployed people, employment offices, training bodies and other organisations.

The local employment office finds these contributions of ISKU particularly useful, as their own staffs are often preoccupied with routine service provision, whereas the partnership has additional flexibility and dedicated staff to organise and support new initiatives. The partnership is also a useful means for the employment service to consult key stakeholders regarding particular measures, such as combined employment subsidies and, in this respect, the partnership facilitates the adoption of national policies to local needs. The partnership also appears to have stimulated greater co-operation amongst the three member municipalities, even in relation to matters beyond the scope of the partnership's initiatives.

Another perceived benefit of the establishment of ISKU is the opportunity it has afforded local people and bodies to establish international links with similar projects. Though the real impacts of such exchanges cannot readily be assessed, partnership activists assert that they are of significant importance in introducing new ideas and approaches, and especially so in the case of relatively remote areas such as that of the ISKU partnership.

Conclusion

Overall, ISKU has performed very well with respect to targets set for the period 1997-1999. Over 100 permanent jobs have been created, mainly in projects initiated by the partnership but also in projects that it helped to plan. An additional 377 temporary jobs were created in the partnership's own projects or in projects initiated by it. Twenty-eight new enterprises were established at the instigation of ISKU. Performance under the above headings has been well ahead of targets set in 1997 and reflects favourably on staff and management alike. The

© OECD 2001

Table 7. **Employment and enterprise targets and achievements, ISKU partnership, Finland, 1997-1999**

	Targets	Own projects	Projects initiated	Projects partly planned	Total achieved
Permanent jobs	20	–	60	32	101
Temporary jobs	30	162	215	–	377
Maintained jobs	45	–	–	–	–
New enterprises	10	–	28	–	28

Source: ISKU.

one area where ISKU has not reported results ahead of targets is in relation to the maintenance of jobs at risk (Table 7).

In the course of creating new jobs and enterprises, ISKU has undertaken several studies that have enhanced and clarified various aspects of unemployment in the area. It has also supported feasibility studies in particular fields such as in information technology. Another important aspect of ISKU's work is the large number of custom-tailored educational and training initiatives that it has helped organise, thereby enhancing the skill levels and employability of local people. ISKU has also served as a link to other parts of Finland and to areas throughout the EU and, as such, it has functioned as a conduit for the transfer of ideas and best practices. Finally, ISKU has had an important input to the preparation of local and regional policy and strategies, particularly proofing them with respect to their likely impacts on unemployed and socially excluded segments of the population.

However impressive the above achievements may be, ISKU itself lays particular emphasis on the accomplishment of process objectives. A sophisticated understanding of partnership processes is evident amongst the main actors. The co-operation networks that now exist in the area between public, private and community organisations, with a contribution to make in the fight against unemployment, is due in large measure to the instigation and facilitation afforded by the partnership. Through the partnership approach that ISKU has cultivated, key local players join together in a collective problem-solving capacity to find solutions that are suited to local conditions. The establishment of third-sector associations to meet local needs, as a result of which many long-term unemployed people obtain temporary jobs, is another highly successful initiative. Public funds previously paid as living allowances to passively support unemployed people have been diverted to fashion new financial instruments in support of employment creation. Most importantly, unemployed and socially excluded people, through their presence on the steering and other committees of the partnership, have been afforded a forum to influence policies, schemes and activities intended to help them.

© OECD 2001

ISKU has formed new and effective links between the local employment office, employers, unemployed people, training agencies, and community organisations and the scale and range of activities undertaken by the employment office have been substantially extended as a result of the close collaboration between it and ISKU.

One of ISKU's greatest failures is the continuing lack of significant participation by leading local private sector firms in its proceedings. ISKU's overtures to private sector companies and associations have been limited though useful, but the non-involvement of major local employers means that an important link in the employment creation chain has not been forged to the detriment of all concerned.

Another disappointment for the partnership relates to its failure to organise several other experiments on tackling unemployment and social exclusion due partly to legal restrictions and administrative difficulties associated with its close ties with the municipalities. Partnership staff may not always have had sufficient independence to act autonomously and pursue bold and imaginative ventures even at the risk of failure. It may also be a question of getting different cultures to work together, especially within the short time-fame afforded by the partnership project.

Local and national funding bodies have emphasised the attainment of task objectives relating to training, enterprise and employment creation with the result that these issues have come to dominate the agendas of partnership committee meetings. This has placed the partnership in the invidious position of competing with mainstream training and development bodies with which they are supposed to be co-operating. Staff and many of the partners strongly wish that the contribution of the partnership would be more focused on their process objectives as they believe that it is in this manner that they can be most effective in the long term. In this regard, they are faced with the challenge of convincing the Ministry of their true worth.

The Partnership Association *of* Sipoo (PAS)

Local economy

Sipoo is a mainly rural municipality situated along the coastal area just east of Helsinki. The total population is almost 17 000 people (Table 8). There are two built-up urban centres, namely Nikkilä and Söderkulla, each of which has a population of *circa* 4 000 people. The balance of the population is widely dispersed throughout the municipality but with a concentration of single unit, mainly luxurious, housing along the coastal zone. A distinguishing feature of Sipoo is the strong Swedish presence: 45 per cent of the population speaks Swedish, in comparison with six per cent nationally.

© OECD 2001

Table 8. **Selected features of the Sipoo area**

Number of Municipalities	1
Land Area (km^2)	364.1
Total population (end-1998)	16 687
Population density (persons per km^2)	46
Population 0-14 years (%)	22.1
Population 15-64 years (%)	65.6
Population 65+ (%)	12.2
Total net migration (1998)	466
Excess of births over deaths (1998)	81
Higher education (%)/	15.8
Dependence ratio	1.3

Source: Table 32 in *Statistical Yearbook* 1999, Statistics Finland.

The population of Sipoo is growing rapidly. Annual growth rates of *circa* three per cent have been recorded in recent years. The high growth rate is due largely to in-migration. Many people who work in Helsinki choose to live in Sipoo with its attractive countryside including sea and lakes, open spaces, well-developed services and proximity to Helsinki, which is estimated to be 15-30 minutes commuting time along Highway 18, even during peak hours.

The rapid population growth is of concern to the municipal administration of Sipoo as it is putting local services under strain and threatening the rural nature of the area. There is also a danger that the Swedish minority may be swamped by the in-migration. Consequently, the municipality is seeking to restrict population growth by retarding the flow of in-migrants, and to develop a settlement pattern that affords closeness to nature and preserves much of the open land as a green zone next to the metropolitan area of Helsinki.

Sipoo traditionally has been a well-off municipality. The service sector dominates the local economy, accounting for 72 per cent of the working population. Industry provides jobs for a further 23 per cent with the remaining five per cent engaged in agriculture, forestry and fishing. Very many of those engaged in services and industry work in Helsinki although there are some significant employers based within the area. The municipality is anxious to provide additional employment opportunities within the municipality, as new investments in infrastructural and service facilities, to meet the needs of the rapidly growing population, require additional revenue.

There were 483 people out of a total workforce of 8 039 unemployed at end-1999. At six per cent, the unemployment rate is well below the national average. In addition to those unemployed, there were 115 people engaged in mainly temporary jobs or on training programmes that are supported by special labour market

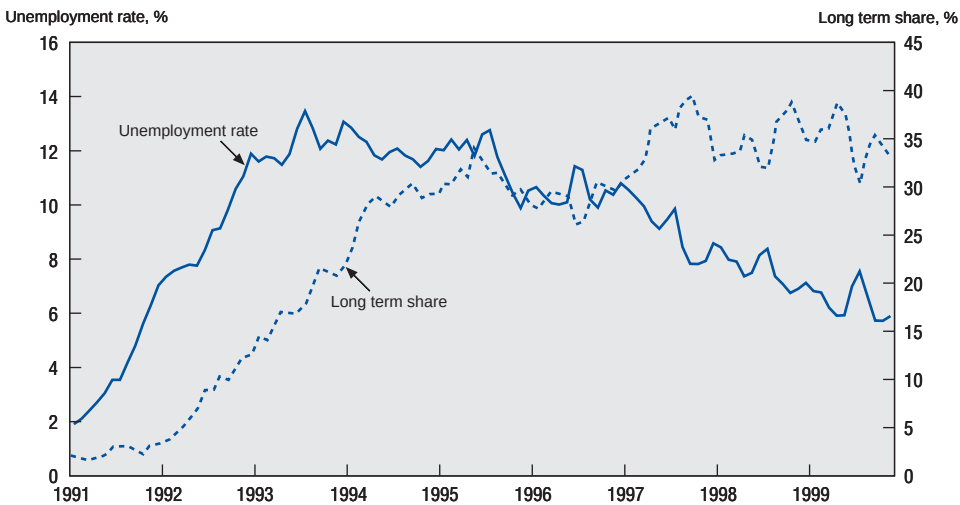
© OECD 2001

measures of the local employment office. There have been significant fluctuations in unemployment in recent years (Figure 5). From a situation close to full employment at the beginning of the 1990s, unemployment peaked at over 1 000 people, or 13 per cent, in 1993 and dropped steadily since then although with minor setbacks. A major blow to the local economy was the recent closure of a large mental hospital owned by the Municipality of Helsinki, with a loss of 500 jobs. Long-term unemployment continued to increase for two years after the total unemployment began to decrease, peaking in 1995 and even since then it has shown a stubborn resistance to significant amelioration. It currently represents about 33 per cent of total unemployment in the area.

Local partnership

The Partnership Association of Sipoo (PAS) commenced operations in 1998, but its emergence is not linked with the Ministry of Labour's pilot partnership programme initiated in 1997. Rather, PAS was launched spontaneously by concerned local people to tackle problems of long-term unemployment and social exclusion in the area. The prime mover was the manager of the local employment office, who had familiarised himself, through a study visit, with the work of local partnerships

Figure 5. **Trends in unemployment rate and long-term unemployment share in the Sipoo area, 1991-1999**



Source: Ministry for Labour, Finland.

© OECD 2001

in Ireland, and considered them applicable to the resolution of problems of unemployment and exclusion in Sipoo.

PAS is an independent legal entity with its own board of directors. It comprises 14 members drawn from the public, private and community sectors (Table 9). Other interactive partners are Highschool of Diaconia, Jobs and Society of Porvoo (a voluntary organisation), Porvoo Health Centre and the regional council of Itä-Uusimaa.

The affairs of PAS are managed under the general direction of a board of eight people, drawn from the member organisations. The local association of the unemployed and the business sector each have two representatives on the board, while the municipality of Sipoo, the Finnish parish of Sipoo, the employment service office of Sipoo and the local association of the Trade Union of Finland each has one person on the board (Table 9). The current chairman of the board is the representative of the municipality and the vice-chairman is from the private sector. Meetings of the board are normally held once a month.

Total funding for PAS for the period 1998-1999 amounted to FIM 361 000, of which 84 per cent was provided from government funds through Uusimaa Employment and Economic Development Centre. The balance was raised from church, municipal and regional council sources as well as from membership fees. Staff wages of FIM 299 000 represented the largest cost item, with rent and other expenses accounting for the balance of FIM 62 000. Although the Employment and Economic Development Centre is the main funding source, it is not represented on the board of PAS and does not unduly influence the independence and decision-making of the partnership.

Table 9. **Member organisations and representation on the board of the Partnership Association of Sipoo**

Members	Representation on Boards of PAS
The municipality of Sipoo	1 (chairman)
Finnish parish of Sipoo (Lutheran Church)	1
Employment service office of Sipoo	1
Association of the unemployed in Sipoo	2
Local association of the Trade Union of Finland	1
Local association of the Federation of Finnish Enterprises in Sipoo	1
Association of the artists in Sipoo	
Aktia Bank of Sipoo	
Local insurance company of Sipoo	
Travel bureau of Sipoo	
Four private companies	1
Total	**8**

Source: Partnership Association of Sipoo.

© OECD 2001

PAS seeks to build social capital through genuine local partnership so as to create a mechanism through which comprehensive solutions to long-term unemployment and social exclusion, particularly among older disadvantaged people, can be found. The local employment office and the municipality, in particular, saw the need to co-ordinate their actions in respect of long-term unemployed people and regarded partnership as a means of providing a personal case-by-case team approach to the rehabilitation of those who had, for whatever reason, become socially excluded.

The primary practical manifestation of its endeavours to date is the Varglyan Centre, established in the vacated buildings of the recently closed mental hospital. Several possible uses of these premises were explored by the municipality but none came to fruition. To PAS, these buildings represented a great opportunity to establish a multi-functional centre to tackle problems of long-term unemployment and social exclusion in the area. With the co-operation of many key local actors, this project has been advanced quickly and a range of projects is already under way in the Varglyan Centre. Staff associated with the centre includes a manager and an assistant to the manager who acts as projects supervisor.

The anchor initiative in the Varglyan Centre is focused especially on people with a mental disability. The fundamental objective of the project is to build a user-friendly social centre to help and guide these people to independent control of their lives and to permanent or partial employment. The initiative is organised as a non-profit third-sector firm that provides services to the municipality of Sipoo and other contracting bodies. The current project phase is financed mainly by the Common Responsibility Funding Campaign and the regional council of Itä-Uusima. The project is run by an executive committee consisting of representatives of the municipality, the local employment service office, the health centre and the association of the unemployed.

A number of other initiatives are established within the Varglyan Centre. The Finish parish of Sipoo operates a part-time office for church social work as part of the project. The employment service office of Sipoo has a training officer allocated to the project. The local association of the Federation of Finnish Enterprises of Sipoo has its own office located in the Varglyan Centre and employs two staff, previously long-term unemployed, in the organisation of a major fair for the promotion of local enterprises and in arranging meetings and training for its members. The association of unemployed in Sipoo has two staff employed at the Centre, running their own office, operating a café and dining-room service for the unemployed, organising a food bank and providing a recycling point. The volunatry organisation Jobs and Society of Porvoo also operates a service point within the Centre.

The progress of the Varglyan Project is monitored and evaluated on a regular and systematic fashion. This is done in order to meet the requirements of the

© OECD 2001

funding bodies but also as a means of informing project management. Apart from the major task of renovating and adapting the Varglyan centre for its present use, the evaluations reveal that PAS has succeeded in developing a social centre, café and dining facilities, attracting various service offices to the centre, organising special professional teams to look after the special needs of individuals, trained and placed small but expanding members in employment and supported the establishment of a small number of micro enterprises by the unemployed.

The Varglyan project originated from a recognition within the employment service office of Sipoo that many people in the community, because of disability, ageing, ill-health, addiction or other affliction, needed special attention if they were to be rehabilitated. With the strong support of the church and other partners, the Varglyan Centre is evolving as a place where marginalised people can socialise, dine, undertake training, work and even start their own enterprises in a sheltered and strongly supportive environment.

The active participation of local entrepreneurs provides invaluable support in the form of advice with regard to appropriate work-related training, employment opportunities and support for micro-business start-ups. The needs and aspirations of the socially excluded are systematically surveyed and assessed by teams of professional people acting in concert. Most importantly, the opinions of those being helped are sought and heeded and, in this way, they contribute significantly to the design and execution of the interventions that are being made on their behalf.

Conclusion

Concern among prominent local actors for Sipoo's marginalised members of society, a clear vision of what the future should and could hold for these people, team spirit, a well thought-out integrated strategy especially in relation to labour market challenges, co-ordinated action, and strong determined management are characteristic features of PAS.

Despite formidable obstacles and in a relatively short period of time, the partnership has progressed significantly, attaining task objectives such as the development of Varglyan Centre, the organisation of custom-tailored training courses, the integration of a small number of people into the labour force and the successful launch of micro-businesses by previously unemployed people. It has also developed systems and processes that foster team spirit and co-operative action and engage the targeted groups in a meaningful and empowering fashion. Undoubtedly, this approach yields a major voluntary response and results in synergistic effects on services provided by various bodies. Through harnessing local energies and facilitating a co-ordinated response from service organisations, PAS

© OECD 2001

is judged to be generating a significant additional benefit to the lives of the socially excluded in Sipoo.

Although PAS has made considerable progress in the attainment of both task and process objectives, many serious obstacles to its smooth functioning are reported. Prominent amongst these are the difficulties associated with a new culture of joint responsibility and shared decision-making amongst the relevant actors. The worlds of the disenfranchised, of the public servant, and of the private entrepreneur are very different and it takes time, patience, perseverance and a great deal of skill to involve people in the work of partnerships, to reconcile their views and to agree a common agenda. Funding bodies, including Uusimaa Employment and Economic Development Centre, in this case, are wont to provide short-term financing with the expectation of early concrete results. The experiences of PAS also suggests that partnerships are sometimes viewed as inexpensive means of providing necessary services and that the state may try to use them in this manner, especially in times of financial stringency. Meagre short-term piece-meal funding is an insecure basis on which to launch any partnership.

Central Uusimaa Partnership (CUP)

Local economy

The partnership of the Keski-Uusimaa (Central Uusimaa) area operates in the three municipalities of Järvenpää, Kerava and Tuusula. Situated about 30 km north of Helsinki, the area is crossed by several major transport arteries including the country's main railroad and a number of major roadways. This transport infrastructure provides for a well-functioning traffic system that forms a good basis for business growth and development within the area.

The total population in the area is almost 96 000 people (Table 10), most of whom live in tightly built urban centres. Population in the Central Uusimaa area is growing at a rate close to one per cent per annum. This is due both to natural increase and in-migration, a phenomenon common to much of southern Finland where most development is occurring. The age profile of the population is relatively young. The socio-economic structure of the population is predominantly middle class but there are sharp differences in living standards in the area. For instance, problems of unemployment and social exclusion are concentrated geographically in a small number of tenement housing blocks, particularly in Järvenpää, where there was a good deal of old labour-intensive industry that is now in decline.

Over 70 per cent of the labour force are engaged in service occupations. The share of industrial workers has fallen to 25 per cent. The balance of less than five per cent is engaged in agriculture, forestry and fishing activities. There are

© OECD 2001

Table 10. **Selected features of the Keski-Uusimaa area**

Number of municipalities	3
Land area (km^2)	288.0
Total population (end 1998)	95 451
Population density (persons per km^2)	331
Population 0-14 years (%)	22.0
Population 15-64 years (%)	69.5
Population 65+ years (%)	8.5
Total net migration (1998)	290
Excess of births over deaths (1998)	591
Higher education (%)	
Järvenpää	16.0
Kerava	15.8
Tuusula	13.7
Dependency ratio	
Järvenpää	1.3
Kerava	1.2
Tuusula	1.3

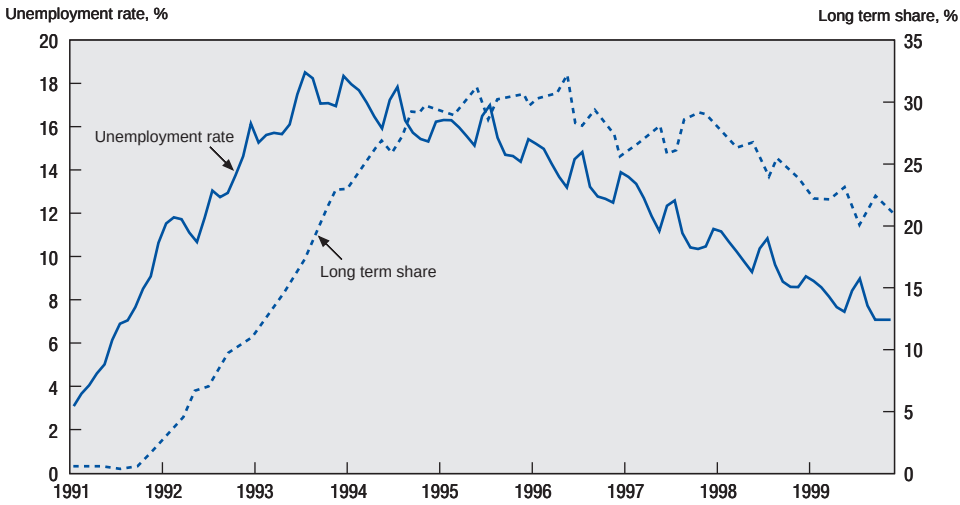
Source: Table 32 in *Statistical Yearbook* 1999, Statistics Finland.

approximately 4 500 business enterprises located in the Central Uusimaa area, providing some 30 000 jobs within the area. Of these, 50 per cent are in the service sector and 38 per cent are provided by industry. The total number of available jobs in the area at present is nearly 5 000 less than in the beginning of the 1990s. Situated as it is immediately to the north of the metropolitan area of Helsinki, the partnership area is linked closely to the capital city. Not surprisingly, a large proportion of the local labour force commutes daily to work, much more so than in Uusimaa as a whole or in the country as a whole. Most are employed in the service sector. For this reason, the occupational profile of the labour force is more service-oriented than the profile of available jobs within the area.

The total number of people unemployed in Central Uusimaa at the end of 1999 was 3 800. The unemployment rate, which was less than four per cent in the beginning of the 1990s, rose rapidly during the national recession of the early 1990s to a high of over 18 per cent in 1993. Since then, it has fallen steadily to a level of 7.7 per cent at the end of 1999 (Figure 6). Long-term unemployment constitutes about 20 per cent of those unemployed. There are 642 people employed in mainly temporary jobs through special labour market measures and a further 627 engaged in labour market training programmes. Long-term unemployment has decreased steadily since the mid-1990s although the relatively large number of people in short-term employment schemes and on training courses tends to disguise the true extent of the problem. Many of the unemployed are unskilled or lowly skilled. Social and health-related problems, including ageing, militate further against their chances of finding suitable employment. Many of

© OECD 2001

Figure 6. **Trends in unemployment rate and long-term unemployment share in the Keski-Uusimaa area, 1991-1999**



Source: Ministry for Labour, Finland.

them have been unemployed for a considerable time and are no longer imbued with a culture of work. The national economic recovery has led to labour shortages in certain growth industries but these jobs are of little relevance to the unemployed in the CUP area, because they are insufficiently educated and skilled to meet the emerging requirements of the labour market.

Local partnership

CUP was formed in 1997 by the three municipalities of Järvenpää, Kerava and Tuusula. It was established as a response to the Ministry of Labour's national call for partnership proposals. Founded as an association, it is an independent legal entity though strongly under the control of the three municipalities. Each municipality nominates two directors (one elected local representative and one official) to the management board. However, the nominated elected representatives have business interests and so bring considerable expertise to bear on the deliberations of the board.

The six-member board of directors co-ordinates the partnership's overall activities at a strategic level and also at a practical decision-making level. The

© OECD 2001

board as structured does not conform with the general partnership model. It has been under review for some time with a view to broadening participation at management level as it has no representatives from the employment office, social partners or third sector, despite being in existence for three years.

CUP's board has invited about 30 people from various organisations that are active in its co-operation network to act as a supporting steering group. Besides the municipalities, this group includes people drawn from the local employment service offices, associations of the unemployed, entrepreneurs and business advice organisations in the area, as well as various trade organisations, training agencies, churches and third-sector institutions. The implementation of particular projects is directed by specially convened working groups, mainly composed of people with expertise relating to the projects on hand. CUP is part of the national partnership network and benefits from the exchange of information, know-how and best practice provided through this network. CUP also has international links, especially with a partnership in Ireland, where the board and staff members have undertaken short training programmes.

CUP has a staff of three people including a manager, a secretary and an employee of the local employment service office who is seconded to CUP. Staff is responsible for the detailed planning and the practical implementation of projects. CUP's total administrative budget for the period 1997-1999 inclusive amounted to FIM 2.2 million which was provided by the EU, the Ministry of Labour and the three municipalities involved in partnership. Projects are financed separately from various sources but mainly the bodies that are active in CUP. The total value of projects already underway is over FIM 10 million.

The fundamental objective of CUP is to counteract unemployment, particularly long-term unemployment, and the associated problem of social exclusion. CUP seeks to develop new action models to encourage job creation and supports local entrepreneurship by improving the preconditions for the establishment and growth of small businesses within the area. Promising new fields of employment such as social and cultural projects are specifically targeted. Local co-operation networks are promoted in support of third-sector initiatives.

At a more general level, CUP aims to develop positive self-help attitudes within the local community and give unemployed people in particular the self-confidence and the skills to re-enter economic circuits and pursue socially useful and personally gratifying livelihoods.

CUP works to an action plan based on a thorough SWOT (strengths, weaknesses, opportunities and threats) analysis of the area. It was developed in consultation with over 50 local organisations and other actors and approved by the management board in autumn 1997. Implementation strategy is based on four key operational programmes: *a*) enhanced communications relating especially to

© OECD 2001

employment and business opportunities, *b*) facilitating entrepreneurship by helping to overcome obstacles to businesses start-ups, *c*) identifying new employment opportunities in the local economy, and *d*) fostering personal resources. Each action programme has supported several development projects.

Major projects, which CUP has successfully supported, include:

1. P*otkuri*, a newspaper of the associations of the unemployed, which predated the partnership, but is used by it as an effective tool to disseminate information and promote discussion on issues pertinent to the unemployed.
2. Central Uusimaa Job Market, a staff recruitment fair held periodically at different locations throughout the area and at which unemployed people and employers are brought face-to-face.
3. Tuusula Environment 2000, an initiative designed to train unemployed people for jobs in the environmental field, in the course of which restorative works are effected on old buildings and other environmental enhancement schemes are completed.
4. Third Base, which lays special emphasis on the provision of training and other supports to people interested in working with voluntary organisations and other third-sector companies.
5. The Culture Mill, a business centre which is focused on exploiting the latent potential for culture-based enterprises in the area, by providing support services and suitable space for such ventures.

The Culture Mill represents one of CUP's most interesting and innovative projects currently underway. The Central Uusimaa area is renowned for its cultural heritage, as it is closely associated with internationally famous artists. Building on the creativity of the past, CUP seeks to promote new firms in the cultural industry through the establishment of a business support centre based on a wide network of co-operating bodies, including art-education institutions, business-service providers, training institutions, private entrepreneurs and others.

The Cultural Business Centre specifically targets local entrepreneurs, art school graduates, artists and artisans. It assists them with business ventures by providing, under one roof, business-incubator space, technical-support services, business-management training, etc. Started in September 1999 and financed by the Employment and Economic Development Centre, the Uusimaa regional council and the city of Järvenpää for an initial period of two years, the project already has a number of firms up and running and demonstrates considerable development potential.

The Culture Mill project is illustrative of the current thrust of CUP's initiatives. In the beginning, the main strategy centred on stimulating other partners, mainly

© OECD 2001

state bodies, into action but, more recently, CUP is becoming more centrally involved in project implementation as well as acting as a mediator between state bodies and potential clients. CUP's careful analysis of the needs of the unemployed and socially excluded and of opportunities that exist in the area enables them to act effectively, in a brokerage capacity, in order to get all partners relevant to particular projects to work as teams to provide a co-ordinated custom-tailored support service to clients in their efforts to exploit particular opportunities.

Specific objectives set in CUP's 1997-1999 action plan included: *a*) the establishment of three to five innovative models of co-operation in support of employment creation, *b*) 120 new enterprises offering 150 jobs, *c*) an additional 250 part-time or full-time jobs, and *d*) solutions to personal problems of another 90 people. These objectives, except for the establishment of only 20 of a targeted 120 new businesses, have been realised and, indeed, employment targets have been exceeded. So far, for example, over 150 people have secured jobs out of the first two job fairs and approximately 300 jobs have been created in total. Some useful studies of the local economy and the functioning of the local labour market also have been undertaken. CUP has co-operated with mainstream bodies in the provision of services (*e.g.*, training courses), tailored and targeted according to clients' special needs. Independent external evaluation found that CUP has been successful in facilitating co-operation amongst local bodies. This co-operative endeavour has impacted advantageously on the local economy and made a significant contribution to alleviate unemployment and social exclusion amidst the local population.

Conclusion

CUP has met with considerable success in a relatively short period of time, due mainly to decisive management and a small but effective board, comprising people with a great deal of relevant expertise. The board has been bolstered by an information flow from the national network of Finnish partnerships and appropriate training (including in Ireland) on the roles and modus operandi of partnerships. A well-prepared strategy with clearly stated objectives and a four-pronged action plan has led to a judicious choice of projects that have been progressed remarkably well in a relatively short period of time. The overall approach is quite sophisticated and there is evidence of sound technical expertise being available when required. Considering the great difficulties involved in reaching the long-term unemployed and socially excluded, the achievements of the partnership, to date, are quite impressive.

Some weaknesses and tensions are evident also in CUP, the main one being the fact that the partnership, after three years of operation, is still very much an instrument of the municipalities. Undoubtedly, the partnership has fostered a great deal of co-operation between the three municipalities, which has been facili-

© OECD 2001

tated by the restricted board membership. The partnership also has managed to create effective means of co-operation with the public employment service and other bodies. However, there is little evidence that the private enterprise sector has been successfully engaged. CUP has restricted board-level participation to politicians and officials from the founding municipalities. But, at the same time, it has sought to promote the involvement of the target groups in the work of the partnership by including them in the advisory steering group and at project-management levels. The newspaper produced by the associations for the unemployed, with the help of CUP, is also a useful tool in creating interest amongst the unemployed in the operations of the partnership. A determination on the part of the board to progress rapidly, coupled with pressure from funding sources to produce tangible results quickly, appears to be placing much emphasis on doing things on behalf of the socially excluded and too little emphasis on their empowerment by centrally involving them in proceedings. Administrative efficiency and expediency appear to be prioritised over the slow painstaking process of building real and effective partnership.

Other difficulties encountered by CUP include: *a*) superficial commitment to true partnership on the part of some partners, *b*) local political rivalries, *c*) inter-agency demarcation disputes, *d*) attitudinal differences between business people and the socially excluded, *e*) lack of self-help mentality associated with strong dependency on municipalities and other bodies, *f*) short-term funding and *g*) insufficient recognition and technical support from national level.

These difficulties notwithstanding, CUP is keen to continue its mission. A broadening participation base, growing confidence in CUP among target groups, new impetus and stimulation from the increasing diversity of views by those involved, emerging new economic opportunities and innovative business forms to exploit these, together with the resources of a strongly motivated team of professional staff, represent considerable strengths on which to progress the work of CUP into the future.

Conclusions

Rationale for local partnerships

In a complex world dominated by the globalisation of economic activity and supra-national regulation and governance, an emergent trend of growing importance is localisation, *"the increasing demands of local communities for greater autonomy"* (World Bank, 2000). Local partnerships are regarded by many as having the potential to give communities more control over their own lives. They are represented as the core of a new emergent localism, an antidote to feelings of powerlessness in an increasingly internationalised environment. Decision-making in prevailing

© OECD 2001

systems of government all too often is distant and compartmentalised when observed from the perspective of the local community. Decision-makers may lack objective reality, as frequently they have no direct experience of the problems, which they seek to address.

Unemployment, poverty and social exclusion have important spatially variable dimensions (McDonagh, 2000). Their causes and their optimal solutions are diverse and vary from one locale to another. They belong to the family of so-called "wicked problems" that require co-ordination of service provision across a wide range of formal jurisdictions and the meshing of professional knowledge of service providers with everyday knowledge or common sense of service users, in order to adequately address them (Sabel and O'Donnell, 2001). Their resolution is not likely to be effected from the top down, nor from the bottom up, but from a combination of flexible steering through broad frameworks emanating from the centre. Within these frameworks, communities can, by drawing on the innate capacity of actors in the public, private and voluntary sectors, undertake social experimentation in the search for locally optimal solutions, some of which may merit application in broader domains. Governments in many OECD countries are trying to achieve this by increasing the involvement of local and regional authorities, social partners, the private sector and the community in policy design and implementation (OECD, 1998*a*).

Achievements to date

The local area-based partnerships in Finland have made significant advances in the short period of time since their inception in 1997. Notable achievements attributable to the pilot programme are apparent in areas where they have been operating:

– One of the most important of these is the extent to which the concept of partnership has gained recognition and acceptance in many locales throughout the country. There is evidence of a sophisticated level of understanding of the concept and general appreciation of the practical value of partnership amongst many key actors in locales where the partnerships have been operating. Co-operation, co-ordination, networking, team building, etc. in local settings are now well-established in many areas. Intersectoral barriers have been lowered, multi-agency initiatives are more frequent and a degree of common purpose is more apparent. Favourable attitudes to citizens' participation in local decision-making regarding design and delivery of initiatives have become more prevalent within official state bodies. The social capital that these close linkages and trusting working relationships represent is deemed to be a major asset for the communities concerned.

© OECD 2001

– The added value, which the partnerships have brought to bear on hitherto largely unco-ordinated efforts to resolve community problems, is another significant accomplishment. Teams of local actors have been purpose-built to tackle specific problems and as problems vary in time and place, so too do the composition of the teams and the expertise that are brought to bear on them. These fledgling task-forces have been significantly bolstered through the committed participation of many people, to a degree above and beyond the call of official duty. Much expertise and assistance is provided on a totally voluntary basis.

– Learning by doing or empowering by involving is a basic tenet of community economic development (Ó Cinnéide, 1987). Several of the local area-based partnerships are giving practical effect to that basic principle of facilitating widespread community involvement in the development process. In particular, many marginalised people have been involved in the work of partnerships and undoubtedly have personally benefited through the experiential learning opportunities afforded by their involvement. Professional staff, also, indicate that they have acquired greater empathy with socially excluded people and greater expertise in tackling social problems as a result of the exchanges of views, knowledge, etc. that happens through working in partnership with the unemployed and other professionals in the public and private sectors.

– The area-based partnerships report some significant accomplishments in respect of task objectives. An estimated 400 projects have been launched by them in a period of just over two years and 30 000 individuals have been reached through one initiative or another. Employment effects are estimated at 15 000 although many of these are accounted for by subsidised placements (Loustarinen, 2000). Local employment offices, municipalities and other bodies may have been central to many of the projects and may justifiably assume credit for at least some of the end results, but these bodies acknowledge the critical role of partnerships in instigating projects, in organising and co-ordinating the main players and, in some cases, implementing them. Also acknowledged is the capacity of partnerships to be innovative with respect to new fields of employment and new forms of business organisations.

Weaknesses

Several factors militate against the successful progression of the local area partnerships in Finland, as now established:

– The spirit and purpose of partnerships have not been agreed with sufficient clarity. Central government and, in several instances, some of the local part-

© OECD 2001

ner organisations, prioritise the achievement of task objectives such as the organisation of training courses, the creation of employment opportunities, environmental improvement schemes, etc. Others see the primary function of the partnerships as securing process objectives such as the generation of social capital; the empowerment of marginalised people; the facilitation of co-operation among public, community and private interests; the achievement of cross-sectoral co-ordination etc. In short, the creation of a caring can-do, self-help culture amongst local communities and the development of organisational systems that give practical effect to these abstract notions. Lack of clarity with regard to functions has caused confusion and tension within partnerships, between partnerships and funding bodies and in the programme as a whole.

– The manner in which partnerships are structured is not always conducive to the discharge of their function. Some partnerships are so strongly linked with particular partners, notably municipalities, that they lack independence and flexibility and are perceived locally as an extension of the state bureaucratic system. In other cases, representation from the private sector is noticeably weak. Another area of great concern is the participation of the marginalised groups at a level more than nominal. There is evidence that the views of well-established partners are more influential and that the necessary animation and capacity building to enable the socially excluded to assert themselves as equal partners have not been systematically pursued. Partnerships derive much of their inherent strengths from the diverse viewpoints constituent partners bring to bear on issues to hand (Bryant, 1991). Whenever one voice is dominant or another is absent, whenever egalitarianism is not promoted and cherished within it, such a partnership is not well positioned to fulfil its mission.

– Partnerships have not been provided with sufficient resources. The funding provided for the pilot partnership programme was spread too thinly over several local partnerships. The funding period of approximately two-and-a-half years, 1997-1999, was too short to meaningfully pursue the social experimentation that is central to the rationale for these area-based partnerships. Limited time, thought and resources have been put into the process of building partnerships as practical outcomes, such as training programmes and employment schemes, were given precedence over process objectives. Considering the generally high rate of unemployment that prevailed throughout the period, the preoccupation with practical short-term goals is understandable but it curtailed the more strategic contribution of the partnerships in such areas as enhancing the process of integrated local development planning and linking of local plans with regional and national strategies.

© OECD 2001

– National steering of the pilot partnership programme is weak. It appears that central government has not ceded sufficient control of the pilot programme to the co-ordinating team in order for it to engage the local partnerships in searches for innovative solutions. Nor has the national co-ordinating team been provided with the requisite resources to stimulate the formation of partnerships, to guide and grow them and to distil from them best practices that may be applicable to one another and lessons for national and international policy and strategy. Potential solutions to the intractable problems of unemployment and exclusion are unlikely to be unearthed unless the social experimentation of the partnerships is undertaken within an action-research framework that is designed *a priori* to capture these results.

– Monitoring, evaluating and reporting requirements have tended to push the partnerships in the direction of attaining short-term, mainly task-oriented results, regardless of means. Not only does this give rise to duplication in the provision of services to unemployed and socially excluded clients, but it sometimes brings the partnerships into direct competition with partner organisations whose territory is encroached, resulting in reticent further participation in and toleration of the partnerships, at best, and obstruction and even withdrawal, at the other extreme.

Issues for consideration

There is a well-established tradition in Finland of consensual policy formulation at national level, especially with regard to economic development and related employment issues. Tripartite negotiations between government, trade unions and employer federations have generated several national level agreements that have contributed significantly to economic development and to the general prosperity of the country.

On the other hand, the concept of partnership at the local level, at least in a formal sense, is of very recent origin and the embryonic area-based partnerships that have been established are now in a critical stage of development. Launched with considerable fanfare and publicity, the movement has generated high expectations amongst many groups and communities beset by problems of unemployment and marginalisation and despairing of the capacity of external agencies to effect solutions to their plight. In order for the local partnership initiative to realise its full potential, the responsible bodies should consider making the following adjustments to the programme:

– Agree and clarify the role of partnerships with all concerned. Local partnerships have the potential to deliver far more than has been accomplished to date. Through their interlinking of the social partners, they are well posi-

© OECD 2001

tioned to integrate labour market policy and positively influence both the demand for and the supply of labour at the local level. They represent useful vehicles by which the formulation of local and regional strategies may be informed. The emphasis should be on process objectives such as the empowerment of marginalised groups, the development of a culture of participation and the facilitation of integrated responses to complex problems. Empowerment implies that local people, including the socially excluded, exert a growing degree of influence over matters of immediate concern to them. Local people, if empowered, become less the object of development initiatives and more the subject or architect of the solutions to their own problems. Participation, if meaningful, requires significant democratisation of decision-making, and in particular, it implies the promotion of hitherto unrepresented views. Integration implies harmonisation of effort across many sectors. The primary function of local area-based partnerships is to divine and construct, through experimentation, the most effective formulae that make these things happen in their areas. In this way, social capital, which is increasingly regarded as a critical success factor, is generated locally.

– Provide the local partnerships with the resources and the scope that are required to fulfil their mission. Although national and EU funding sources are desirable, they should be complemented by contributions from local partner organisations in order to reflect their genuine commitment to partnership process. Bearing in mind the extent of the problems of unemployment and social exclusion and the large number of related problems that are often associated with these, the large public expenditure programmes to address these problems, and the need to continuously reform these programmes in the interests of equity and effectiveness, the commitment of increased resources to the partnership programme over a longer period seems justified. However, sufficient resources alone will not suffice unless the partnerships are given the freedom to explore innovative approaches, to take risks, to search for bold and imaginative solutions without fear of failure. Specifically, this may require a formula whereby the partnerships exist as independent entities that would ensure they are not constrained by the prevailing culture of individual partners, but with controls that are consistent with meeting public accountability criteria.

– Create an adequate mechanism for running the partnership programme at national level. Local partnerships need to be guided, monitored and evaluated, if only to satisfy public accountability requirements. Maintenance measures in respect of established partnerships also need attention. Even more importantly, a system must be designed to systematically capture the results of the experiments, to identify success and failure factors, to synthe-

© OECD 2001

sise findings and to bring these to the attention of potential beneficiaries, such as other partnerships in Finland and abroad, communities contemplating the formation of partnerships, statutory bodies, etc. Mainstreaming of lessons is of particular importance, especially since many of the measures currently used to progress socially excluded people, such as the long-term unemployed, to a situation where they can hold down a job, are not always very effective. There is a clear need for more finely tuned interventions that overcome the many obstacles along the path from long-term unemployment and exclusion to socially useful and personally fulfilling livelihoods. With due attention to research design, the partnerships, through their experimentation, provide a means of informing this process. Universities and other research institutes and indeed private consultancy firms are likely to have the expertise and capacity to undertake the required research on an ongoing basis.

Notes

1. 1 FIM = 0.169 Euro (1 Euro = 5.95 FIM).
2. The three partnerships were chosen through a selection process in which the Ministry of Labour invited the 14 Employment and Economic Development Centres to propose projects operating in their area. The proposals were then examined by a national committee composed of the Ministry of Labour, the Ministry of Social Affairs, the Association of Finnish Local and Regional Authorities and the Swedish School of Economics. A committee of OECD/LEED delegates made the final selection using criteria of diversity of socio-economic contexts and institutional arrangements.

© OECD 2001

Chapter 8

A New Approach to Economic Development in Sicily: Planning in Partnership

by Alberto Melo,
University of Algarve, Portugal

The general institutional framework

Recent trends in economic development policies

"*Italy is too difficult to explain*!" "*Italy is always a strange country*!" These and similar sayings are often expressed by Italian interviewees when questioned about any national issues.

In fact, since its inception in 1870 as a full nation-state, Italy has shown itself to be a very lively and creative civil society and, at the same time, a state and public administration that seems locked in the 19th century, occasionally overpowering, but always surrounded by an aura of inefficiency, if not of profligacy. Since the Republic was founded in 1946, Italy has had 57 governments (more than one a year, on average). Each individual government, in the short time it expects to rule, normally issues a glut of legislation and creates several public institutions. Successive layers of legislation (about 200 000 laws) and new institutes have created an intricate legal and bureaucratic mesh that is a source of bewilderment to the citizen and of crippling perplexity for civil servants and decision-makers. Thus the current regime of "slowcracy" emerged, as many Italians now call their administration.

The epitome of this situation can be found in the way the problems of Southern Italy (Mezzogiorno) have been tackled until very recently. People in the less-developed half of the country feel that they are still paying for the institutional chaos of the 1950s. There was even a minister for the Mezzogiorno at one stage. And each government seems to have preserved whatever existed and added, in its turn, something else. Another interesting concept which applied to Southern Italy was the "extraordinary operation" (*intervento straordinario*) conducted by the Bank for the South (*Cassa del Mezzogiorno*), which appears to have been used for

© OECD 2001

everything except the sustainable development of backward areas. This operation was duly closed in 1993.

After 1992, strong winds of change started to blow in the corridors of power and within the offices of administration. "Bottom-up" and "top-down" forces in Italian society gradually converged, setting the foundations for participatory approaches to policy and strategy making and to the design and implementation of programmes and projects leading to a steadier and widely supported development.

Programmazione negoziata: planning in partnership

As early as 1993, local actors in the Sicilian province of Caltanissetta had started a process of co-operation and joint work that led to a "local agreement for development". It was, however, still too early and no appropriate institutional and financial instruments then existed to make it viable. Nevertheless, the general trend in public policy was pointing that way, as Law No. 662 of 28 December 1996 clearly reveals, pushing forward the notion of *programmazione negoziata* (PN, or planning in partnership).

After the initial breakthrough, which shall be credited to the CNEL (*Consiglio Nazionale dell'Economia e del Lavoro*, or National Council for the Economy and Labour), the powerhouses that generate and disseminate the principles and the practices of planning in partnership within central government and administration are the Ministry of Treasury, Budget and Economic Planning and the CIPE (*Comitato Interministeriale per la Programmazione Economica*, or Inter-ministerial Committee for Economic Planning), which is linked to the Presidency of the Council of Ministers.[1]

The Law approved in 1996 remains the most important document to outline the development policy for Southern Italy from the viewpoint of the Italian government. PN is not in itself a real intervention, rather a set of guidelines or methodologies. It aims at social partnerships, using public (national and European) funds as an incentive to ensure co-operation among different institutions and to mobilise local private investments.

The "old" model, that lasted from the 1960s into the 1990s, had attempted to base development on public investments and vast infrastructure, decided and managed from the centre, within sectoral programmes, as well as on the practice of big industry being "exported" to disadvantaged territories. The "new" model, that now pervades the "mainstream" of political thought and performance, aims to spread a culture of local entrepreneurship, of individual and institutional responsibility.

© OECD 2001

The instruments of local development

In the 1990s, local development had two main instruments in Italy: *i*) PN, which includes the "territorial pacts" (TPs) and Law 488/1992 (giving incentives to new enterprises), and *ii*) Law 44/1995 on youth entrepreneurship (see Box 12 for a

Box 12. **Local development instruments in the South of Italy**

A. Law 488/1992 to stimulate business development

This law was designed to support companies in mining or manufacturing, services and tourism. It offers incentives for the creation of a new productive unit or for the expansion, modernisation, restructuring, conversion or reactivation of an existing one, and also for its transfer. The law can be applied in all Italian areas that are eligible for EU Structural Funds. Land and buildings, surveys and studies, permits and certificates, machinery and other equipment, vehicles and software are among the main items eligible for financial support. Applications are submitted to an authorised bank, which will examine them and send their assessment to the Ministry of Industry.

Business projects that have passed the preliminary evaluation will be awarded points according to five basic indicators:

- the amount of the company's own investment in the project as a percentage of the total eligible investment;
- the number of jobs created by the project as a ratio of the total eligible investment;
- the amount of the incentive's fixed ceiling compared with the sum requested;
- regional priorities;
- environmental impact.

B. Law 44/1995 to foster youth entrepreneurship

Objective: to support the development of youth entrepreneurship through the financing of new enterprises in deprived areas.

Eligibility: small enterprises whose associates are young adults aged between 18 and 35 years, in sectors of agriculture, industry, handicrafts, and services to enterprises. The costs of feasibility studies, land, buildings and equipment are eligible.

Financial support: a grant, up to a maximum of 50 per cent of the total investment, and a loan (interest rate of 2%), up to a maximum of 45 per cent of the total investment.

© OECD 2001

summary of both laws), as well as some regional laws. Public agencies have been set up to help implement these instruments (see Box 13).

More recently, measures were introduced with regard to land planning at local level, which empower local authorities to represent the general interest of the local community and to undertake the promotion of local development. Until the early 1990s, these were prerogatives of central government or autonomous regions (like Sicily) and not of the municipalities. Obviously, within such a centralised context, the only role left for municipalities or provinces was lobbying the higher circles of power in search of public works and other supportive instruments.

Nowadays, local politicians can start thinking in terms of promoting development on the basis of local capacities and resources. The PN instruments have to

Box 13. **Public agencies to support local development in Italy**

Sviluppo Italia (SI, Development Italy) is the national agency for economic and entrepreneurial development in Southern Italy and other disadvantaged areas in the country. It was given the following main tasks:

a) promoting production and employment initiatives;

b) supporting new entrepreneurship;

c) attracting foreign investment;

d) stimulating innovation;

e) developing local enterprise networks;

f) providing advisory services to central and local administration on financial and development planning.

Sviluppo Italia is a joint-stock company, whose capital is held entirely by the Treasury. It was created in 1999, following a merger of six companies (IG, Insud, Itainvest, SPI, Finagra and RIBS) which were already operating at national level. One of the main priorities for SI has been to support the first generation of territorial pacts.

Imprenditorialità Giovanile (IG, Youth Entrepreneurship) was created by the government to imbue young adults with an enterprising culture and to help them overcome the "culture of inertia". It specialised in promoting territorial development through supporting enterprise creation by young adults. To do that, it has adopted a wide range of instruments, from more individual-based ones – such as grants to private entrepreneurs and for self-employment – to more territory-based ones, such as support to local development. IG adopted a flexible approach and claims the capacity to directly address the demands of any individual young entrepreneur. In 1999, IG merged into *Sviluppo Italia*.

© OECD 2001

be considered within this new context. As this chapter will suggest, there is a fresh vision today in Italy concerning territorial structures and tasks. However, a lot remains to be done, at central, regional and local level, in order to fulfil all the promises of this innovative political and administrative framework. There are several restrictions and uncertainties regarding the availability and the timing of public money transfers. Procedures and structures are too complex: year after year, new rules find their place among the old regulations that are not discarded. Regions have to define their role in the new system and clearly need to better adjust to it. Small municipalities still lack the necessary technical capacity to cope with their newly found duties and prerogatives, thus underlining the need for more accessible training services, for both official and professional staff.

Planning in partnership: territorial pacts and area contracts

Italian and European paths run together

In 1993, within the CNEL, after the abolition of the "extraordinary operation for the South", and in parallel with the implementation of Law 488/1992, it was felt that new instruments needed to be designed to promote area-based development, based on local partnerships and the creation of new enterprises. Over the following years, several instruments were defined, all under the same umbrella of PN: "territorial pacts for development" following the Italian regulation; "territorial pacts for employment" under the EU auspices; area contracts (ACs); area programmes; institutional programme agreements; territorial pacts for agriculture; territorial pacts for environment. These instruments were all specifically directed at local actors, aiming to reconcile business incentives with a territorial basis. Their co-ordination has been carried out by the Treasury which, in 1995, defined rules and allocated funds for the territorial pacts (CIPE Decision, 10 May – *regolamentazione dell'istituto del patto territoriale*).

In December 1996, the European Council in Dublin launched a pilot-scheme of territorial pacts for employment all over Europe, by granting 200 000 Euro for technical assistance and further direct financial support through the European Commission (EC). Despite several common features, these European instruments were designed along different lines from the Italian ones, which were actually conceived earlier (but implemented later). The European TPs tend to support integrated development in all sectors, including those not covered by the Italian TPs, such as the social economy or third sector, the so-called new employment activities and vocational training.

With regard to the Italian model, a CIPE deliberation issued in 1997 allowed the Treasury or, more specifically, its newly created Department for Development

© OECD 2001

and Cohesion Policies, to activate a certain number of TP initiatives. According to the CIPE deliberation of 21 March 1997:

> "*The* TP, *as an expression of social partnership, is the agreement between institutions (local authorities and other local public bodies, local representatives of employers and employees, private organisations, regions and provinces concerned, banks and other credit companies, industrial development consortia) in order to implement an integrated action programme within the sectors of industry, agribusiness, services and tourism, as well as in infrastructure. The* TPs *must pursue objectives regarding the promotion of local development, on a sub-regional scale and compatible with the principles of sustainable development*".

The deliberation also stresses the significant impact of TPs and ACs upon employment "*by means of development and modernisation of the productive system, simplification of administrative procedures, training of youngsters, adoption of flexible methods to manage industrial relations*".

"Italian" TPs for development	"European" TPs for employment
What is different?	
– more industry-based;	– cover a wider range of activities;
– a form of supply-led policy;	– nearer to integrated local development;
– individual companies take part, from the beginning, in the negotiations;	– individual companies only join in the process at a later stage, by submitting proposals under a public call for tenders;
– training costs, as a rule, are not eligible;	– training costs are eligible;
– one bank assesses individual projects, another bank transfers public funds;	– only one bank is used, which assesses projects; the local development agency carries out the payments to promoters;
– there is no provision for the costs of a co-ordinating structure;	– there is financial provision for the costs of a co-ordinating structure;
– funds are not transferred to TPs, but go directly from the Treasury to the bank and from the bank to the beneficiaries;	– TPs manage funds they directly receive from the EC;
– external agencies selected by the Treasury do most of the work regarding the local action plan;	– TPs design in common the local action plan and set up their own agency to help implement it;
– 30 per cent of total investment for public infrastructure; 70 per cent for private enterprise.	– No fixed quotas for public and private investment: it will all depend on the local agreement.
What is common?	
– a pre-defined, homogeneous territory;	
– a local partnership among all local actors concerned with the development of their territory;	
– an integrated and sustainable local programme to promote employment, enterprises and, to a certain extent, social and cultural projects;	
– an agency to manage the procedures and to stimulate the whole local process (*società di gestione* or *soggetto responsabile*).	

© OECD 2001

The "Italian" territorial pacts for development

Territorial pacts, are, according to the Ministry of Treasury, Budget and Economic Planning (2000*b*), "*an instrument for local development and their aim is to favour the growth of local entrepreneurial systems by local – social, economic and institutional – stakeholders, while the state is expected to contribute financially*". The Treasury considers the TPs as an expression of the "subsidiarity principle" as also applied by the EU Member States.

TPs represent agreements among local – private and public – institutions and organisations, within sub-regional areas, which are set up to stimulate and co-ordinate different projects, of a productive and infrastructural nature, that will ultimately foster local development. These projects constitute the core of the local development plan.

To support their progress, a favourable social and institutional context has to be guaranteed – via public and private specific funding mechanisms, administrative streamlining and expeditious procedures, special contract clauses on wages, work conditions and industrial relations settled between companies and trade unions, exceptional terms and conditions contracted with the banks.

To be entitled to state funding, a TP has to be located in a depressed area (for example, an Objective 1 zone under the EU Structural Funds regulation). Public aid can be granted to projects within the following sectors of business: industry, agri-industry, agriculture and fishery, tourism and services. Public resources for TPs are not earmarked beforehand, but have to be obtained through the usual financing channels provided for by different EU, national and regional programmes. A public grant is accessed through bidding procedures organised by the Treasury, while all documentation regarding private projects is scrutinised by accredited banking institutions.

Individual applications for co-financing follow public, widely advertised calls for tenders. The accredited bank alone is responsible for the final selection, in which it is expected to combine financial and commercial considerations with the set of criteria that was defined by each TP in accordance with the local plan. In this way, given that the TP is not involved in the process leading to approval, an external image of transparency is guaranteed. This also allows the partnership stakeholders themselves to submit applications without becoming judges at their own trial.

The role of the selected bank is very prominent in each TP. It has to analyse every individual private project, to verify whether or not it is commercially and financially viable, to check the applicant's capacity to invest its own funds. And this has to be done with the utmost accuracy, for if one of the TP ventures goes into bankruptcy, it is the bank that will reimburse the Treasury for the funds already advanced.

© OECD 2001

There are approximately 100 TPs of this type in Italy, but they seem to be mushrooming: 781 requests for new ones have been received from all over the country.

- Implementation procedures

The procedures governing the implementation of a TP are as follows:

- A local institution or a group of institutions decide to undertake all duties regarding organisation and funding and to set in motion a local course of action.
- A forum (*tavolo di concertazione*) is established. After an inquiry by the CNEL, the original actors set up a working group to initiate all contact with the economic and social stakeholders and the local institutions.
- The first "document on local agreement" is drafted and jointly signed by the proponents and the CNEL. The latter checks the agreement with the social partners and the local authorities regarding contents and objectives. In this way, the CNEL acts as the guarantor of local consensus.
- The "definitive proposal of the TP" is outlined, usually by an external technical assistance agency, which is also responsible for monitoring its implementation.
- The final proposal is again submitted to the CNEL, which repeats its assessment of the local consensus. The proposal is then formalised by the proponents and the social partners by the formal signing of a "statement of accordance" (*protocollo d'intesa*). With this solemn act, the preparatory stage of a TP is concluded.
- All the documents are taken to the CIPE for approval and funding.

- Approval and funding

Within this legal framework, the CIPE will approve a new TP if and when the following conditions are met:[2]

- The promoters of the initiative are municipalities or other public institutions operating at local level, employers and workers' representative bodies or private organisations.
- If the regional authority is not one of the TP partners, it has to be informed of the initiative taken and will have to give its advice before CIPE approval.
- The plan is a task for the local actors, which may resort to a technical assistance firm to be freely chosen among those accredited by the Treasury.
- In addition to the promoters, all other local institutions, public or private, of a commercial or non profit-making purpose can be signatories of TPs.

© OECD 2001

Autonomous regions and provinces can also be involved, as well as banks, financial establishments, and industrial consortia.

– Every TP partner must clearly and formally undertake a specific commitment leading to the accomplishment of the local action plan. The region has to incorporate the pact among the activities of regional planning; banks and financial establishments must support the productive initiatives; warrantee societies must back the loans granted by the banks; municipalities and other public bodies must simplify and hasten all administrative requirements; etc.

– Each TP must appoint the "institution in charge" (*soggetto responsabile*), which can be one of the public signatories.

– With regard to financial conditions, no more than ITL 100 000 million will be allocated by CIPE to any individual TP. Out of this, no more than 30 per cent can be invested in local public infrastructure, and this has to prove its immediate utility for the production projects also submitted. The public grants awarded for private productive initiatives have the same limits as those defined in Law 488/1992 (see above) and the percentage of own funds cannot be lower than 30 per cent of the project total outlay.

– A bank must be selected from a list compiled by the Treasury to examine the economic and financial aspects of every TP project.

The Department for Development and Cohesion Policies of the Treasury verifies whether or not all criteria and conditions put down by the CIPE are respected. The final decision has to be taken, within 45 days after conclusion of the inspection process, by the Director of the Participatory Planning Office, within the above-mentioned department. In case of approval, future transfers of public funds will be made through the Public Savings and Loans Bank (*Cassa Depositi e Prestiti*).

• Application

Every individual application for a TP needs to contain:

– all the activities to be carried out, with their time-schedule and methodologies, as well as the new accelerated terms for administrative-clearance procedures;

– the institutions responsible for the attainment of every project;

– eventual programme agreements;

– eventual "reunion of public services" (*conferenza di servizi*)[3] and local conventions considered necessary for the achievement of the pact;

– the specific commitment of each partner;

© OECD 2001

- the nomination of the partner empowered to carry out supplementary jurisdiction (*poteri sostitutivi*) in cases of inactivity, delay or ineffectiveness on the part of a public service;
- the procedures relating to conciliation or definition of conflicts that may arise among partners;
- the financial means required for the different types of activities, the sources of funding, the legislation applicable and the available risk capital;
- the agencies in charge of monitoring and evaluating the results, as well as their methods.

• The partners

There are three types of partners in each TP: *i*) the proponents, *ii*) the "other signatories", *iii*) the "institution in charge".

In order to ensure the normal running of the pact and its achievement, the "institution in charge" has to:

- represent, in a consensual way, the interests of all partners;
- make available finance to guarantee an advanced payment or partial funding through state, region or EU subsidies, including global grants;
- deploy all the technical and organisational resources necessary for the completion of the TP local plan;
- make sure that the monitoring and evaluation of the results be carried out;
- check that the partners' commitments are respected and take the necessary initiatives in case of ineffectiveness or delay;
- assess and guarantee the adequacy of new initiatives with the objectives of local development in view of which the TP was established;
- convene, whenever necessary, reunions of public services;
- submit a progress report to the Treasury (and to the regional government in autonomous regions) every six months.

For their part, private project promoters must undertake a series of commitments: to lay down own matching funds; to implement the project according to agreed conditions, budget and time-schedule; to make all investments within the parameters of the pact; to create a certain number of new jobs. With regard to the latter, the employer may recruit new workers for a three-month experimental placement, and if this proves positive, then a work contract for a minimum of five years is compulsory. Furthermore, premises and equipment, which were funded by a public grant, will have to be exclusively used for the purposes of the project during a fixed period of time: 10 years for buildings. Wages and other running

© OECD 2001

costs are not eligible and costs related to property cannot exceed 55 per cent of total investment.

Approved projects will receive a first instalment equivalent to 30 per cent of the total grant and the second instalment is paid when the promoter shows that 60 per cent of the total investment has already been spent. Between these two payments, the bank involved may agree to grant a bridging loan.

The "European" territorial pacts for employment

Between 1998 and 1999, 1.6 billion Euro were invested by the EU to support 89 TPs for employment, which were launched in 1997 all over Europe as a pilot scheme. The EU guidelines for labour market policies in 1998 and 1999 invited the member states to tap all potential sources of employment and to promote measures based on the opportunities offered by the creation of employment at the local level and through new activities connected to needs still unanswered by the existing labour market. For that purpose, the crucial role and the responsibility of regional and local partners, and also of the social partners, was to be recognised and supported.

The TPs supported by the EC are not based on a unique model, as they take into account the specific needs and the local context of each area concerned. There are, however, three main requirements: *i*) a bottom-up approach, where the initiative always originates from the local level; *ii*) a vast partnership, where each associated institution has its role clearly defined; and *iii*) a local integrated plan devised from innovative and co-ordinated projects. These pacts also refer, in the first place, to areas affected by high levels of unemployment.

Recently, the Ministry of Treasury, Budget and Economic Planning has produced a document (2000*c*) that attempts to assess the TPs' impact on the country. According to this official publication:

> *"The territorial pacts for employment represent for Italy an experience of extraordinary importance in terms of innovation and integrated approach in the practices of local development. (…) Contradictions and difficulties, but also hopes and enthusiasm (…) confirm that Italy is a country which, despite many gaps between strong and weak areas, manages to express an extraordinary capacity to set off and renew. Such energies (…) underline and strengthen the requirement for a real local development culture."*

After selection by the Italian government, 10 TPs became part of a specific Multi-regional Operational Programme, with the following investment: *a*) 280 million Euro (50% Italian funds and 50% EU funds) following the reprogramming of the Structural Funds allocated to Southern Italy; and *b*) additional Italian funding of 240 million Euro. This means a financial input by the Treasury of 380 million Euro for the "European" pacts that were promoted in this country since April 1997. The whole Programme was approved by the EC in December 1998.

© OECD 2001

Out of these 10 TPs, three operate in Sicily: Calatino Sud Simeto, Catania Zona Sud and Alto Belice-Corleonese.

The area contracts

This PN instrument was designed in 1996 for "crisis areas" selected by the Italian government. These are areas heavily affected by deep industrial decline, persistently revealing very high unemployment rates. In a way, ACs are an attempt to correct the heavy industry-based policies of the 1960s and 70s, which tried to solve the problems of Southern Italy by locating large production complexes owned by big state companies there (*i.e.*, the petrochemistry giant, ENI, in Gela, Sicily). These are now being broken down and replaced by much smaller and diversified enterprises, more compatible to the territorial context.

ACs are to be jointly promoted by representatives of workers and employers, who underwrite a formal specific agreement to that purpose. The main objective is to create new business initiatives, thus generating new employment in industry, agribusiness, services and tourism. The three crucial factors in the ACs are: industrial relations; acceleration of administrative procedures; and access to credit under more favourable conditions. The local agreement is to be operated by the promoters, state institutions, regional and local authorities and companies which have expressed a willingness to undertake an investment project, as well as a local agency (*società di promozione*) empowered to access and manage EU global grants.

An important feature of ACs is, in fact, the speeding-up mechanisms: the possibility of stepping outside current public administration and accountancy rules (still abiding to the principles of free competition and transparency) and also of introducing changes in town planning ordinances. A far-reaching breakthrough is the introduction of a "sole responsible authority" which is empowered to act *in absentia*, after other public agencies fail to take a decision within the prescribed time limits.

In Italy, 15 ACs have now been approved, while another 60 are undergoing negotiations.

Partnerships in Sicily

The Sicilian context

Italy has traditionally been haunted by the "two-nations syndrome": the well-advanced North and the backward Mediterranean South.

The South has been, over the decades, the crucial "national problem". And, if the particular social, economic and cultural context of Southern Italy can be con-

© OECD 2001

sidered as an "ailment" in terms of national development and cohesion, then the "bad remedies" applied for over 30 years certainly aggravated its frail condition. Cause and effect of rather centralised policies, defined and controlled from the top down, a widespread culture of "assistancism", of inertia and lack of entrepreneurship, became a distinctive trait of the Italian southern society.

Despite the dominant stereotype of the "*dolce fare niente*", from the early 1990s a radical change started to surface in Southern Italy: many SMEs emerged (in the region of Campania only, 50 000 are created every year) and a local fabric of private firms is becoming a reality. Some of these new companies reveal a high degree of excellence in their field and conform to national and international standards. Furthermore, what Italians call "social capital" is a very distinct asset in Southern Italy, where there is, in general, a very sound co-operative spirit among local productive units. Local production systems are already a rather positive factor of the industrial structure of the Mezzogiorno and may well prove to be a crucial element within the new instruments of planning in partnership.

The "old" central policies had, in fact, jeopardised social and cultural conditions for local development. It is easier today to find a more autonomous and consistent development process precisely in those areas where no traditional policies of the type *intervento straordinario* were ever implemented. Net transfers used as "instruments for development", and often awarded on purely discretionary grounds, have produced nothing but highly dependent communities or, at best, some growth but with no autonomous and sustainable development.

For strong historical reasons, Sicily represents the archetype of Southern Italy. Besides the general characteristics it shares with the other southern regions, the largest Mediterranean island was soon to add a few additional and very specific features of its own. A combination of absentee landowners and other economic tycoons – supported by well-armed and ruthless private armies – under an archaic, feudal institutional regime – matched by decades of merging overt activities and underground dealings, gave Sicily the notorious label of a lawless land where a Western-style democracy was still to be fully introduced.

Social and economic context

Sicily is an island where five million people live in an area of 25 740 km^2. Economically, it has not yet overcome its quasi-colonial status with regard to continental Italy: only five to six per cent of its olive oil production is bottled in Sicily. Much the same happens with wine, oranges, artichokes, pistachio and other local products, which are sold in bulk and later labelled and marketed by large Italian companies with no mention of their regional origin.

Besides being a very fertile ground for farming produce, Sicily hosts a few industrial "islets", such as the biggest factory producing jeans in Europe or the

© OECD 2001

huge petrochemical Gela complex – now practically disbanded. Tourism is a very important economic activity also, which recently revealed an upward trend.

With 1.3 million people as an active population (only 10% of them in the secondary sector), Sicily displays very low occupation rates: 23.8 per cent for the whole of the island, when the national average is 34.7 per cent, and in the regions of Valle de Aosta and Emilia Romagna it attains, respectively, 42.6 per cent and 43 per cent. Unemployment is much higher than the national average, reaching 24.3 per cent of the active labour force.

Obviously, in this region too, inappropriate policies on public investment and employment have left their negative imprint and became, in modern days, formidable obstacles to development. An illustration of this is the colossal industrial estate, by the seaside, at Termini Imerese, practically unoccupied since it was built and virtually derelict today. Another is the situation of some categories of the workforce, which represent an unbearable dead weight on public monies. The Sicilian regional authority has 23 000 employees, all remunerated at a level 150 per cent above the national standard. Here, the average cost of a civil servant per inhabitant is 15 times higher than the European norm. Another onerous item in the regional budget is the 10 000-strong army of forestry workers, highly protected by regional and local politicians, who work between 51 and 101 days a year but are entitled to all the benefits of any full-time worker.

Thirdly, there is the famous case of the "*articolisti*". In 1988, a national law made funds available for "socially useful work". The scheme produced poor results, however: thousands of young adults received ITL 500 000 a month for staying idle within administration offices. In 1992, the Italian government stopped this programme, but then the Sicilian authorities "regionalised" it and kept it on for 42 000 *articolisti* (today, they number 35 000, but earn ITL 800 000 monthly) in a situation that is renewed year after year.

The massive investments in vocational training, made partly by the European Social Fund and partly by the Italian State budget, have created yet another financial debacle. Six thousand trainers were soon given the permanent status of regional civil servants in a sector which annually engulfs hundreds of billions of lire yet shows such a low productivity and irrelevance that it is now known as the "black hole" of Sicilian regional funds.

The Sicilian regional government

The Sicilian region came into being in 1946-1947 to try to placate the militant post-war push towards independence led by the traditional powers and their near-professional militias. Since then, Sicily has been one of the five Italian autonomous regions. Within the region there are nine provinces – Palermo, Caltanissetta,

© OECD 2001

Trapani, Agrigento, Enna, Catania, Messina, Siracusa and Ragusa – which are composed of more than 300 municipalities, or *commune*.

The region has legal prerogatives over the provinces and the municipalities and has the legal capacity to act within the sectors of agriculture, industry, environment, cultural heritage, crafts, co-operatives, fisheries, tourism, vocational training, regional planning, etc.

According to the Sicilian regional constitution, only the regional parliament is elected by universal vote. It then elects the president of the region and the 15 ministers (*assessore*). This means that the president has little power and that the main decisions are left to the internal bargaining that takes place among the several political parties present in the regional assembly. The president is exposed to the frequent changes in inter-party alliances and can neither choose nor change the ministers, who are only accountable to the parliament.

As the election of the ministers reflects the balance among all the political forces at stake, the group of 15 regional ministers cannot be considered as a coherent executive cabinet under the leadership of the president. Moreover, the assembly, given its highly composite representation, is generally unable, and often unwilling, to oversee the work of each minister, who consequently has a vast and unchecked power within his sphere of responsibility, a constitutional formula which is responsible for a rather feudal system. This is why there is now strong pressure from some quarters to revise the regional constitution to allow the president to be directly elected by all voters and then to choose his own cabinet.

Some years ago, the same sort of reform was undertaken with regard to local authorities. Previously, a local council was elected by the citizens and it would then choose the mayor and the municipal *assessore*. Nowadays, the mayor is directly elected and appoints his/her own *assessore* (even from outside the members of the local council) and can change them at will. This move has given the mayors some real power and also a much greater accountability to the local population.

Within this renewed structure, municipal teams have now been able to rely on new managers and competent administrators from outside the caucuses of conventional politicians in an administration that lasts for four years. This breakthrough had a significant impact on the way Sicilian municipalities took up the new instruments of PN to promote local development.

Until very recently, the Sicilian region had shown no interest in matters of development or planning. Day-to-day management of measures and programmes, mostly initiated by central government, was given priority to the detriment of medium- and long-term programming. It is no surprise, therefore, that Sicily invariably presented the worst rates of attainment in national and European pro-

© OECD 2001

grammes, and this was most certainly the reason why the Treasury decided to bypass the regional authority when it launched the first generation of TPs.

Despite the fact that Sicily is an autonomous region and has a Directorate for Regional Planning, PN was introduced here through a national ruling, while the region played a rather marginal role in the whole process. There was, indeed, at that moment, a great urgency to act and to invest public and European funds and yet the regional authority had persistently shown a particular propensity to delay or block innovative schemes, as had happened since 1992 with the EU's LEADER programme.

Nevertheless, things now seem to be changing in Sicily. The Regional Law No. 5, of 30 March 1998, in its Art. 9, entitled "Urgent rules in matters of PN", states that: "*The region recognises and promotes all activities of* PN *which are considered as fundamental instruments for the co-ordination of public and private initiatives leading to development*". In this law, there is an explicit reference to a "*document on economic and financial planning to be elaborated by the regional authority as a global framework for regional planning, where objectives and priorities are to be set for all action programmes*". This document will later be the object of an Institutional Programme Agreement to be jointly signed by national government and the regional authority.

For the last two years, the regional authority in Sicily has, in fact, revealed a much greater willingness to work closer with local authorities and TPs' partners in matters of economic development. As early outcomes of this novel approach, the region's staff has produced two different programming documents: one referring to a regional network of local development agencies, which covers the period 1998-2000; and another for 2000-2002, which takes into account EU priorities (Agenda 2000). In order to prepare the broader Regional Operational Programme (as part of the EU programmes framework) for 2000-2006, the region has organised nine provincial negotiation platforms (*tavolo de concertazione*) in order to implement the principles of planning in partnership: drafting the programmes on the basis of locally defined needs and potentialities. Under this new approach, the role of the provinces in matters of local development also became much more important.

Another sign of a radical improvement in the Sicilian region is its recent involvement in the TPs. After the initial phase when it was completely bypassed, the region is now actively co-operating in the process. In September 1999, and for the first time in Italy, a regional instruction was issued in Sicily aiming to accelerate administrative procedures regarding the approval of projects included within instruments of PN. This new attitude followed a CIPE national instruction, which specified that the procedures regarding a TP should pass twice through the regional authority. 1) The TP promoters inform the region that they have initiated the process on their own initiative, and they may or may not invite the region to become one of the partners. 2) Once the Treasury has received the first proposal

© OECD 2001

to start a new TP, it then refers it to the region for advice with regard to its coherence within regional planning. Up to now, no TP has been rejected by the Sicilian regional authority on such grounds.

Planning in partnership: some examples

At the beginning of 2000 there were 10 TPs in Sicily: seven "Italian" (Caltanissetta, Simeto Etna, Enna, Madonie, Messina, Palermo and Siracusa) and three "European" (Calatino Sud Simeto, Catania Zona Sud and Alto Belice-Corleonese). After the deliberation of the CIPE on 15 February 2000, eight more TPs in Sicily were approved for public financing. Meanwhile, 22 more proposals have reached the Treasury. To these can be added numerous applications for specialised TPs on agriculture and environment. There is now, in fact, a proliferation of TPs in Sicily, which reveals the suitability of this instrument to the local context and the various interests of local actors.

A *territorial pact for development*: Caltanissetta

The province of Caltanissetta is divided into two zones: the northern and central areas, which are the sphere of influence of Caltanissetta; and the South, which centres around Gela. The TP's geographical scope corresponds to 16 municipalities in the North and Centre of the province. This covers around 1 200 km^2 with some 163 000 inhabitants.

The province of Caltanissetta has a strategic geographical position, being located in the centre of Sicily. Until the end of the 19th Century, the local economy was based on wheat and sheep and a few ancillary industrial activities. Then, the "economic miracle" struck with sulphur mining and, in a few years, Caltanissetta became a prosperous and enterprising territory.

As happens only too often in local economies relying on a single sector, the decline of mining brought about rapid widespread social and economic crisis. Today, Caltanissetta is one of the poorest provinces in Italy, with an annual income per capita of ITL 16.3 million[4] (compared with ITL 16.7 million for Sicily as a whole, and the national average of ITL 24 million). The rate of unemployment is much higher than average, varying – according to different sources – from 36.6 per cent (among the highest in Italy) to 25 per cent. As quoted in local documentation, unemployment rose sharply between 1993 and 1994: from 19.4 to 26.1 per cent. In the same year, the increase had been, respectively, from 19.8 to 22.1 per cent in Sicily, 17.5 to 19.2 per cent in the Mezzogiorno, and 10.2 to 11.3 per cent in Italy. At the time of drafting the TP and AC (for Gela), 62 320 people were registered at the employment centres of the province.

The local industrial context has a significant importance which does not allow Caltanissetta to be labelled as a merely rural territory: over 200 manufacturing

© OECD 2001

Figure 7. **Map of Sicily**



firms, some 50 food-producing small farms, four industrial estates and one financial consortium for industry.

• The process leading to the TP

In 1993, Caltanissetta went through a very critical period of its history, as did many other territories in Sicily and Southern Italy, but with worse effects. In fact, the stagnation of public investment by central government was followed by a deep depression in the building and petrochemical sectors, in agriculture and even in the whole Sicilian banking system. The risk of an overall closure of local businesses was real, with all its drastic effects on local employment and income. From 1990 to 1994, the ratio between local investment and savings had shown a steadily downwards curve: from 51.3 to 43.4 per cent. Some voices were raised to demand a new inflow of public subsidies and an increase in public works.

However, the provincial industrial association thought otherwise. Industrialists believed that, instead of "more of the same" (public investment-led growth), a new policy was now necessary. They believed they were facing a structural crisis

© OECD 2001

and, consequently, had to find new instruments, new strategies and, first of all, to get an agreement among local institutions on the "basic values of our society".

Numerous meetings were then organised within the province – with trade unions, other employers' associations, and some professional guilds – to prepare and define a "new social contract". And, by end-July 1993, such an agreement was approved by various social actors and named "Pact for the Development of the Province of Caltanissetta" (*Patto per lo Sviluppo della Provincia di Caltanissetta*).

The Pact contained a strong condemnation of the 20-year central policies for Southern Italy, which were mainly based on aid and, according to the authors, represented a "squandering of resources". It also stated that all local institutions were "tired of a policy based on power centralisation and on concessions given from above".

The absence of a regional policy was equally blamed, as the lack of specific measures only reinforced the city areas and aggravated impoverishment over the rest of Sicily, affecting the quality of life and ruining the economic prospects of both urban and rural areas. Forty-six per cent of Sicily's five million inhabitants are concentrated in only two of its nine provinces – Palermo and Catania – which consequently became highly congested and practically ungovernable.

However, this first attempt to plan territorial development "from below" had no success. It was premature, the old mechanisms were still too strong and no instruments were then available to sustain such a local, participatory approach.

Two years later though, in 1995, a Law was passed which created the TPs. The Caltanissetta institutions were only too eager to use the new development instruments and swiftly adjusted their previous pact according to the new regulations. Still, they had to wait for another three years to be able to overcome all the bureaucratic procedures. Finally, in 1998, they had their own local TP. In the words of its founders, "*We have now planned our economic development on the basis of our real needs and not, as it was the rule in the past, upon the ideal of attracting potential investors to set up a new venture in our territory*".

- The core strategy

For the "architects" of the TP, "*the true cultural revolution, which is necessary in order to overcome the current crisis, means to set in motion an operational framework and a process in which all institutional, economic and social elements will converge into a 'system', working together in an articulated way to attain shared goals. It means creating organisational models in which enterprise, finance, institutions, schools, training centres, trade unions, etc., will operate and co-operate.*"

Within this context, priority was given to industry, SMEs and crafts, as well as to agriculture and tourism. These productive sectors were to be supported,

© OECD 2001

directly or indirectly, by other measures: public infrastructure, financial incentives, cultural promotion and more expedient administrative decisions. co-operation between companies from Northern Italy and local firms was also prioritised, given the need to "import" organisational and technical know-how, *e.g.*, on textile manufacturing.

Seventy-four individual projects were received and, after joint working meetings, this number was reduced to 64. To these were added three "supportive initiatives to production"[5] and three public infrastructure projects. The whole amounted to a total investment of ITL 196 619 million: 81.4 per cent for production, 15.8 per cent for public works and 2.9 per cent for "ancillary services".

Public funds requested accounted for 71 per cent of total foreseen investment; 63 per cent with regard to private projects. Each business project, on average, required ITL 170 million (well below the ITL 500 million limit fixed by the CIPE decision of 12 July 1996 – but this was abolished on 21 July 1997). With regard to employment, these private projects involved 903 jobs, 483 of which were new and the remainder "maintained".

Projects covered business creation (65.1%), expansion (31.2%), modernisation (1.5%), re-conversion (1.2%). The private projects included, amongst others, deep frozen food production, building materials, containers for petrol and zinc roofing, men's socks, furniture, long wood beams, prefabricated outhouses, and wool sweaters to be labelled by a well-known national company in Treviso. The promoters were all local entrepreneurs.

- Some attainments

The first signs of an economic upsurge began in 1998, certainly due to the combined effects of investments under Law 488/1992 and the TP. The most important impact, in the opinion of the pact promoters, was that, from now on, the social partners – public and private, employers and employees, non-profit and commercial – would naturally sit around the same table to analyse the issues and look for consensual answers. There was also the miracle of witnessing 24 building licence procedures, which usually took two to three years, concluded within 60 days.[6] "*Perhaps this is even more important than the actual funding.*"

The 1998 CIPE approval – which made available public funds of nearly ITL 94 billion – mostly retained projects connected with manufacturing production, three in tourism (one hotel, two agri-tourism lodgings) and the necessary public infrastructure. Training projects were not accepted, and neither were those included in the other economic sectors. All agricultural projects were transferred to a specific pact for agriculture. Of the other projects – given the nearly three-year wait for a central decision – seven had given up and 11 were transferred to a different grant scheme. As a consequence, only 35 private production projects

© OECD 2001

remained (out of the original 64), 22 of which received their first instalment early in 2000.

Nearly ITL 65 billion has already been committed to existing projects. With regard to the remaining 29 billion, a new call for tenders will soon be organised for the province of Caltanissetta. The Caltanissetta S.c.p.a. – the pact's secretariat acting as a local development agency – has also pursued initiatives outside the TP. Through an active co-operation with the region, it has managed to attract supplementary funds from the Treasury[7] and from the Ministry of Public Works.[8]

A *territorial pact for employment*: Alto Belice-Corleonese

The Alto Belice-Corleonese pact is one of Italy's ten TPs for employment and one of the three in Sicily, under the EU pilot scheme. It covers 20 of the Palermo province's 92 municipalities, involving nearly 122 000 inhabitants and a geographical area of 1 400 square kilometres.

The TP concept was first discussed by local mayors (led by the mayor of Piana degli Albanesi) and trade unions in 1995. As a result, the municipalities decided to work together on a common development plan that was to become a "European" TP in April 1997. Signatories also include 12 professional associations, four trade unions and four other institutions, including the LEADER local action group.[9]

After the pre-selection of this area and this local partnership for the purposes of a TP, initial funding of 200 000 Euro was granted by the EU, to which the allied municipalities added 50 000 Euro. This sum was used to pay for the preparation of a local development action plan. A specialised firm assisted in the preparation of this technical document. The plan was later approved, which led to funding from the Multi-regional Operation Programme and the CIPE: 17 million Euro from the EU and 34 million Euro from the Italian state (the equivalent of, respectively, ITL 33 billion and ITL 66 billion, or nearly ITL 100 billion in total, similar to the amount an "Italian" TP receives).

Once the ITL 100 billion were confirmed, the TP partners decided on its distribution among the different measures agreed (see below). Calls for tenders were organised in May and September 1999. All grant applications were received by the bank responsible for assessing the proposals and selecting them in terms of the plan (and the criteria agreed by the partners) and the funds available. The approved projects received their first instalments in December 1999.

According to the plan agreed, in addition to the projects they can submit within this procedure, each municipality was entitled to receive assistance on a minimum of two "social projects", depending on the number of inhabitants. As a result of this scheme, each of the 20 municipalities received on average ITL 170 million to ITL 190 million, while Monreale (28 000 inhabitants) received ITL 300 million.

© OECD 2001

The plan includes six measures and has accepted 294 individual projects distributed as follows:

– development of farm-based food production: 62 projects;

– enhancement of natural and cultural resources for tourism promotion: 76;

– structures and services for environmental improvement: 3;

– development of crafts and SMEs: 70;

– support to non-profit activities: 49;

– promotion of human resources: 34.

Over 700 jobs are expected to be created through this plan.

• Internal organisation

The 20 mayors involved formed a steering committee of seven mayors (now increased to nine) and five representatives of the social partners (now reduced to the two most actives ones, the National Confederation of SMEs and the Italian Farmers Confederation, CIA). This group initiates proposals to be submitted to the "plenary" (involving all partners). The fact that the mayors belong to different political parties does not affect the process – in the last five years, more than half have changed but no major alterations were made to the pact. "Always trying to find a consensus" is the "golden rule" in this local partnership. Sometimes, at least 15 meetings are necessary to reach agreement on a specific issue. As a result, all involved in the steering committee have to meet two or three times a week during periods of intense decision-making and once a week under normal circumstances. The plenary takes place every other week.

All municipalities pay the same amount to the "pact society": ITL 10 million each in an equal share of the "social capital". This gives them all an equal says in decision-making and management. Social partners can also apply for funds but do not hold shares.

A local agency, constituted as a limited responsibility society – is in charge of the technical side of the pact. Once decisions are taken by the local partners, the agency, with its six staff members, carries out all tasks relating to the "*attainment, management, monitoring, communication and promotion of the activities of the pact* (…) *which means, every kind of initiative leading to the development and the social, economic and cultural promotion of the territory and of the population in the municipalities associated within the pact*" (article 4 of the Statute Law of the agency).

• Other impacts

Besides its inherent value as a vehicle for local investment and wealth creation, local development is also seen by all TP partners – public and private – as a

© OECD 2001

common purpose capable of overcoming traditional conflicts among municipalities, employers and employees and, finally, among all of these together and the central government. The municipalities are so eager to pursue this experience that they have decided to jointly finance the transitional period, between the end of the "European" TP and the beginning of the Community Support Framework (2000-2006) – which determines EU funding for initiatives like the TPs – in order not to let the momentum fade.

The pact also stimulates North-South co-operation. Similar to Caltanissetta, regular links are sought between local business and firms in Northern Italy. For instance, a company from Veneto will invest in Alto Belice – Corleonese, in the wine sector, thanks to the activity deployed by the TP.

Among other positive effects, the participation of private collective partners, mainly the Italian Farmers' Confederation and the National Confederation of SMEs, has been decisive regarding the technical assistance provided to local businesses for the preparation of applications. The latter was also very active in the creation of an innovative instrument of financial engineering: a guarantee fund that allows local firms to have access to cheaper bank loans.

The pact has also revitalised the vocational training sector. The general feeling among the TP promoters is that the vocational training available through official channels is neither useful nor appropriate to the needs of the local partners. This actually became one of its strategic issues. Unlike the "Italian" TPs, this type of pact can finance vocational training activities. It was possible to assess the local human resources, their qualifications, skills and expectations, and in parallel, to identify the needs of the local enterprises. On that basis, training, of a technical and even broader range, could be designed and organised.

The aim has been to set up training activities before, during and after each individual TP project. Quality certification, communication, ceramics, decoration, carpentry, tourism and culture, tourism promotion, urban enhancement, cold storage, dairy technology, co-operatives, old fabrics restoration were the subjects chosen in view of their relevance for the purposes of the TP. The pact also promoted training for the staff of the local municipalities: on access to EU programmes, on local development planning, on waste disposal.

In addition to the action plan, supplementary agreements were signed that had a positive influence on the success of the TP: an agreement on legality and security – with the aim of counteracting organised crime – to encourage internal and external investments, and an agreement to simplify administrative procedures. A pact for agriculture and fisheries, now covering 45 municipalities, has also been prepared. Rather than a real TP, this is more a list of applications for existing funds: at the end of the deadline set by the call for tenders in April 2000, 250 proposals had been submitted by private applicants and 29 by public associ-

© OECD 2001

ations. Out of these requests for funding, 80 per cent came from the 20 municipalities involved in the TP, which shows the extent to which they have already acquired the know-how to prepare and submit projects. A plan for urban renewal and sustainable development is yet another offshoot of this TP. The municipalities are also very active in a programme for infrastructures (PRUSST), co-ordinated by the Ministry of Public Works.

The pact appears to be a learning process. As one local actor said, "*It took us three years to start the* TP, *six months for the* PRUSST, *one month for the agricultural pact* (...) *We are learning fast. Many young mayors came into power after the electoral reform of* 1992, *and they had the courage to face and try to solve the real problems of our local citizens, not yielding to any 'hidden powers'... Under the circumstances, the* TPs *are already a great victory for Sicily, and for democracy in our island*".

An area contract: Gela

The district of Gela comprises four municipalities: Butera, Gela, Niscemi and Mazzarino. Gela constitutes its gravitational centre, especially since the establishment on its coast, some 35 years ago, of a gigantic industrial estate owned by ENI – the Italian petrochemical public corporation. The territory was not industrialised and, therefore, all later manufacturing activities became totally dependent on this big state emporium. In parallel, the city of Gela – population 100 000 – grew too fast and entirely out of any control. It has the largest share of illegal building in the whole of Italy.

Obviously the crisis that affected ENI since the early 1990s, the recent distrust in mega-structures and the need felt by the Italian government to drastically curtail public expenditure, all combined to have Gela designated, in April 1994, as a "crisis area". According to the official definition, a "crisis area" is a predominantly industrial zone affected by high rates of unemployment. And Gela, at the peak of the crisis, had 15 000 unemployed people, or nearly half its active population.

• The process

As a result of the work initially carried out by *Assindustria* (the industrial association) in the province of Caltanissetta, two clearly distinct situations emerged: one around the main city of Caltanissetta which turned into a TP (see above), and one concentrated on Gela and its satellite municipalities, for which the more adequate instrument was the AC, designed as an emergency measure.

Having found the right instrument, the industrial association, together with the trade unions, had to "*face the local political forces and try keeping the 'tavolo' (the forum that represents all local parners) united*". Despite all the obstacles, the contract was finally agreed by the Presidency of the Council of Ministers, the Commission for the Co-ordination of Employment Initiatives, the Treasury, Ministry of Labour and

© OECD 2001

Social Security, the regional government, the province of Caltanissetta, the four municipalities, the prefecture of Caltanissetta, the *Consorzio* ASI (Industrial Estates) of Gela, the main trade unions (national and provincial representatives), *Confindustria*, *Assindustria*, and 11 others, including *Gela Sviluppo* – the technical local agency. In this AC, the non-profit sector is not a partner, given its sole priority: re-industrialisation.

Firstly, a specific local agreement (*protocollo d'intesa*) was signed among the social partners (July 1996), in order to allow more flexible work conditions than those prescribed by nation-wide collective agreements. This led, in September 1997, to a formal application, jointly forwarded by *Assindustria* and the provincial trade unions for an AC to be implemented in the Gela area.

Later on, in May 1998, the main agreement was settled, in which the above public bodies and administrative services also participated. The main aim of this formal agreement is to take exceptional measures to reduce administrative delays regarding the private projects included in the AC. It will also clearly define the jurisdiction of each public institution and, within each one, the person in charge of every step of the procedure – all aimed at introducing more transparency and accountability.

Following this agreement, a set itinerary with a fixed time-schedule is established for every business project:

- the pre-assessment of each project (no longer than 30 days);
- all necessary advices and intermediate decisions by the concerned public services, under the supervision of the "sole responsible institution" (maximum of 20 days, after completion of the pre-assessment stage);
- after these 50 days, if the statutory procedures are not yet concluded, the "sole responsible institution" (in this AC, the prefect of Caltanissetta) convenes a reunion of public services – where attendance is compulsory – which has another 20 days to close the file. Private applicants may be present and answer the questions raised.

The reunion of public services in the Gela AC is composed by the president of the region, the president of the province of Caltanissetta, the mayors of the four municipalities involved and seven other high-ranking officials at the provincial level. If this reunion also fails to carry out the work on time, it is the prerogative of the "sole responsible institution" to become the "competent administration", *i.e.*, to replace the public service at fault by taking the necessary decisions to overtake all remaining administrative hurdles. In that, it is assisted by a technical bureau, composed of civil servants and staff from the AC signatories, which shall co-operate with *Gela Sviluppo*.

© OECD 2001

A third protocol, on security and legality, was also signed within the Gela AC in order to fight organised crime. Its objectives are: *a*) to intensify information and surveillance (*i.e.*, through special telephonic lines) with regard to sectors of private investment; *b*) to stimulate regular inspections on hygienic and security matters; *c*) to prevent speculation or usury. It involves among others the prefecture, police forces, companies, trade unions and municipalities.

- The core strategy

The action plan approved by both local partners and central public services is based on three main principles:

- support to the local labour market;
- reinforcement of infrastructure (*i.e.*, commercial harbour, irrigation systems) and provision of the necessary public services able to sustain production initiatives;
- local re-industrialisation by promoting and carrying out new business creation (eligible areas are manufacturing, mining, tourism and new technologies).

In the contract, signed in May 1998, eight industrialists undertook to carry out local projects, for a total of nearly ITL 19 billion (14.5 billion of which came from public grants), with an expected new workforce of 121. These initiatives only represented the launching of the action, which was expected to include several additional protocols.

There are general parameters regarding applications. However, given the local situation, "*whatever falls in the net, we call it fish* (…) *We are in no position to be choosy*". There is, nevertheless, a general rule with regard to the creation of new employment. Every individual "productive project" is required to create a minimum of five new jobs, based on work contracts, for a minimum of three years. And self-employment is not eligible under the AC.

Gela Sviluppo, the technical local agency, acts as a go-between to further relations among local business, public services and the accredited bank. It was created in April 1997 to promote new business initiatives within the Gela district and to provide technical assistance, as well as to control and monitor newly-created firms, according to the terms stated in the global grant application. The agency is active in training staff for the new enterprises, following a survey on their specific needs, with the support of the European Social Fund and the Ministry of Labour.

As for the TPs, the accredited bank (*soggetto convenzionato per l'istruttoria bancaria*) analyses all applications following the public calls for tenders. Two of these calls have already been organised within the Gela AC. Out of a list of 84 new economic initiatives – for a total of ITL 490 billion – the bank has accepted 19, which are now

© OECD 2001

being funded: 95 per cent towards manufacturing and five per cent to tourism, amounting to a total investment of ITL 106 billion. (While ITL 100 billion is the maximum total investment for TPs, the ACs' ceiling is 300 billion). It is expected that 406 jobs will be created, which fixes the cost of new employment in Gela at about ITL 250 million per worker.

- Some attainments

"*The main success is to gather everybody around the same table. Before, the region never participated in local meetings anywhere on the island.*" The credibility won by the initial activities led to a second additional protocol, in July 1999, which involved 126 new private proposals and one public infrastructure, amounting to ITL 1 100 billion. Decisions on these projects were expected during the first half of 2000. Fifteen training courses, with 215 participants, were organised by *Gela Sviluppo*, which intends in due time to become a genuine local development agency.

As one local actor said: "*We are certain to have contributed to the definition of a method which is able to face and to solve the problems of development in our territory, taking into account legality, transparency of procedures, equality of opportunities. We are also convinced that the method we have elaborated in the Gela district can be exported and implemented in other areas of Southern Italy (…) if we are to amend the wrong 'development strategies' of the 1960s*".

Co-ordinating the territorial pacts

There are two networks of local authorities in Italy. At the European level, there is a Council of Municipalities and Regions (CCRE), with several national and regional branches. In Sicily, the Italian Association, as part of the Council (*Associazione Italiana Consiglio Comuni e Regioni d'Europa*, AICCRE), acts through its regional federation. There is also ANCI (National Association of Italian Municipalities), at both national and regional levels, which only represents Italian municipalities, whereas AICCRE has regular transnational contacts and rallies regions, provinces and municipalities.

In June 1997, the AICCRE's Sicilian federation established a "regional observatory for territorial pacts", aiming to promote local development and the dissemination of TPs as instruments for bottom-up planning and territorial partnerships. Representatives from its own associates – mayors, councillors and municipal staff, some co-ordinators of Sicilian TPs (the more advanced ones) and regional representatives of social partners and other organisations of the civil society were invited to participate.

The observatory was set up on a double assumption: *a*) the potential shown by TPs, ACs and other instruments of PN to tackle local development in Sicily; and *b*) the realisation of a risk they incurred of being no more than a tool to obtain public funds, almost an offshoot of the "extraordinary operation for the South"

© OECD 2001

abolished by law in 1993. One intention from the beginning was to promote "zero-cost pacts", thus underlining the idea that a local partnership must emerge out of the willingness and capacity of local agencies to work together and to share duties and contributions, independently of any eventual external funds. The term "sustainable pacts" was important in this respect as it meant that local partnerships had to be organised so as to allow them to promote enduring local development rather than an *ad hoc* arrangement to comply to a specific, European or governmental programme that brings money to the area. AICCRE and the observatory therefore aim at turning pacts into permanent instruments of a development process that originates from below and is based on local negotiation and agreements.

Since its inception, the observatory has operated through voluntary participation. Its main tasks: to regularly collect information on TPs and to make proposals to the TPs themselves and to political and administrative circles. Given the lack of permanent resources, it has operated as mainly a "generator of ideas". It does this primarily through local seminars on local development issues, all attended by local authorities, social partners and other economic and social actors.

In February 1998, under the auspices of AICCRE, a co-ordinating committee of the TPs was elected by the "assembly of pact representatives": the director of *Assindustria* of Caltanissetta and a leading figure in the local TP became co-ordinator of the TPs of Sicily, assisted by six colleagues from the TPs of Siracusa, Catania, Bagheria, Golfo di Castellamare, Patto Empedocle and Ragusa. Under the auspices of the co-ordinating committee, all Sicilian pacts meet every two months. These activities have strengthened the profile of local partnerships in Sicily. In one of the seminars (Messina, January 1999), the region – which co-organised the event – undertook the task of co-ordinating a bottom-up planning process in view of preparing the regional plan for allocating the European Structural Funds during the period 2000-2006. The observatory and the co-ordinating committee regularly put forward proposals to both the region's Directorate for Regional Planning and to the Treasury in order to improve economic development practices.

Planning in partnership: first effects and future prospects

Initially, 12 "Italian" TPs (five in Sicily) were approved under the CNEL regulations in 1997. However, due to long delays in transferring co-ordination from the CNEL to the CIPE, the 10 "European" TPs (three in Sicily) were the first to start. Then, 61 more (of both types) followed and, after the nation-wide call for tenders in October 1999, an extra 32 were under review in 2000. And around 100 more are at the preparatory stages.

This is still a new process. Even the initial financial grants for the first 12 TPs only arrived during 1999. It is therefore still premature to undertake a comprehensive and meaningful evaluation of the TPs in Italy. Besides, no official assessment

© OECD 2001

tools have been elaborated for that purpose. Some indicators, however, have already been proposed: the number of new firms, the income increase in local firms and in the local population as a whole, the capacity for local products to reach wider markets, etc. In a more qualitative vein, the nature of the bottom-up approach, the degree of local participation and of innovation and integration have also been listed as possible tools of assessment.

Improving governance

According to the Ministry of Treasury (2000*c*), "*Italy has proved to be highly innovative, despite some difficulties still present today. And this was due to the perfection of the* TP *as drawn up by the* CNEL, *gradually amended through the various institutions of* PN *and later recognised by the* EU *as a local experimental development method, most useful when combating unemployment at regional and local levels.*"

The creation and the strengthening of partnerships are generally acknowledged as the most fundamental impact of the TPs. Both at a horizontal and a vertical level, that is, gathering all concerned local, private and public, institutions around the same table, and also imposing regular contact among the three levels of the Italian public administration. In fact, the way the TPs created a local momentum for change, both within the territory and in the relations between local, regional and national levels, was very important. "*For the first time, local people and agencies were told by the government, 'Organise yourselves and you will get funds'. This is a 'small revolution' here.*" In fact, a significant about-turn can be noticed in the general attitude of local authorities with regard to fund-raising. "*While, before, they would stress their 'misery'; now, they want to show the best there is in the territory, as a basis for the investment of public funds.*" A new wave of motivation was generated by the TPs: "*This experience has stimulated a great deal of new institutional energy and forced agencies at different levels and of a diverse nature to face the challenges of development and employment.*"

TPs have fostered an atmosphere of co-operation, whereas the small municipality has no capacity to use PN to the fullest. But a TP makes the municipalities join force and share resources, among themselves and with other partners. It is also interesting to note that, exceptionally, some TPs also accepted individuals as formal partners, and not only their representative institutions. For instance, in one Sicilian TP, 135 private entrepreneurs have joined in, as they wanted to directly participate in strategic options regarding local development.

These instruments generated a favourable attitude towards entrepreneurship locally and facilitated regular communication between enterprises and municipalities. The TPs raised the capacity of all local agencies involved and improved the situation of the small enterprises, which only a few years ago were perceived as "fragile fortresses under siege". Moreover, TPs and the other instruments of PN managed to reinforce co-operation among SMEs, thus allowing local production

© OECD 2001

systems to emerge in Southern Italy (as an attempt to disseminate the model of "industrial districts" so successfully adopted in some Italian Regions, like Emilia-Romagna or Tuscany).

In fact, TPs have managed to draw on two movements, traditionally successful in Italy: that of local development, combining economic viability and territorial organisation, on the one hand, and, that of industrial development, based on individual SMEs, the networking of local firms, and on territorial specialisation.

Among the most positive effects of TPs is the overcoming of parochialism, something that is seen as "a miracle" against the background of Sicilian history. In a similar vein, the acceleration of administrative decisions, a new spirit of entrepreneurship, "progress by our own hands" and "community mutual-aid" are often mentioned as benefits of TPs. The new readiness to inform and to communicate – seen as a pre-requisite for a fruitful co-operation – is equally considered as a novel feature in Sicilian political, administrative and commercial practices.

The impact of pacts on territorial governance in Sicily face some limitations, however. A negative aspect of the PN experience is the weak presence in the process of the regional government, which is responsible for a number of policies. Although it is generally agreed that local self-organisation is important for the success of the TPs' approach, stronger involvement by the region – through precise but decentralised regional planning instruments – would reinforce the role of TPs as a vehicle for sustainable and participatory implementation of local development practices in Sicily.

The multiplication of initiatives can also be considered as a limitation of PN. Questions are often raised regarding the possible overlapping of programmes in the same territory (*e.g.*, TP, TPE, AC, Programme Contracts, LEADER II, PRUSST, Urban Renewal, Environment TP and Agriculture TP). In Sicily, there are currently 18 TPs,[10] three ACs and 24 LEADER local action groups, not mentioning other local initiatives. How should they be co-ordinated?

Answers are being sought, within the regional government and among the local groups themselves. Setting up the observatory and the co-ordinating committee was a reaction to that problem, as was the plenary meeting among Sicilian TPs and LEADER groups, held in June 2000. The introduction of "integrated territorial projects" (see below) in the 2000-2006 regional programming may prove a possible solution for the present plethora of different and concurrent measures.

Another obstacle faced by Sicilian partnerships is the lack of training. TP staff should receive training that would contribute to the better implementation of individual projects and the enhancement of programming, management and mediation skills.

© OECD 2001

These deficiencies do not, however, diminish the outstanding importance of this instrument for the future of local development in Italy. One leading industrialist in Sicily said of TPs:

> *"We are fully aware that the pacts are not sufficient. With them, we may create in Southern Italy some thousands of jobs, when we need to create more than two million. And we know that a new policy for Southern Italy can only come out of a common effort by institutions and social partners, all determined to overcome the structural bottlenecks of our development. And these are mainly the need for security, modern infrastructure, reformed tax and labour policies.*
>
> *Naturally, despite the limitations of the TPs, it would be short-sighted to give them up in favour of a new global operation for the South. Because this instrument has generated a method of 'consensus building' from below, from the territory, which may well become the embryo of authentic 'federalism', i.e., a more decentralised management of the economy and social relations. The TPs and the ACs are probably the starting point of a new policy for Southern Italy, which will be much more practical and effective"* (Confindustria, 1998).

Some quantitative results

The Ministry of Treasury, Budget and Economic Planning published the results (2000*a*) of an initial analysis of 39 TPs all over Italy, focussing on their private business projects. These amounted to 1 870 enterprise initiatives for an eligible total investment of ITL 5 230 billion.

Small enterprises (up to 20 people) predominate: 69.1 per cent, compared with 20.6 per cent for medium-sized (20 to 50 people) and 10.3 per cent for the large ones. In Southern Italy, numbers are respectively 74.9, 17.7 and 7.4 per cent. Given the fact that in the whole of Italy, the small enterprise (SE) category represent 98 per cent of the total (95% with less than 10 employees), it is obvious that the medium (ME) and large (LE) enterprises are over represented in the TPs.

Out of the enterprises supported, in Italy overall, 60 per cent already existed and 40 per cent were new. However, in the South, figures were 49 per cent and 51 per cent respectively, which reveals how important the pacts are in encouraging entrepreneurship in less industrialised areas.

The 39 TPs examined generated 20 578 additional units of employment, out of which 4 680 were created in the South by small enterprises. The amount of investment required per additional worker varies a great deal from pact to pact and from enterprise to enterprise, with a national average of ITL 254 million.

With regard to the sectors supported, there is a clear predominance of manufacturing industries (51%), followed by tourism (17%), agricultural food products (14%) and services (9%). Within manufacturing, the majority refers to traditional

© OECD 2001

activities, such as metal products, machines and equipment, furniture, clothes and textiles, wood products.

The 10 "European" TPs in Italy reveal a different pattern and a wider range of activities: industry and SMEs (30% of total investment; tourism): 25 per cent; agriculture and local products: 15 per cent; "exemplary initiatives" (fighting criminality, enhancing local administration, tapping "new employment reserves", support to the third sector, or non profit activities, services to marginalised groups, improving life quality, etc.): 12 per cent; environment: 10 per cent; local financial engineering: 8 per cent; training, counselling and industrial relations: 5 per cent.

These 10 TPs cover areas where 2 284 700 people live and, according to initial estimates, their full implementation will create some 10 000 new jobs in Italy (Ministry of Treasury, Budget and Economic Planning, 2000*c*).

Estimates of the impact of TPs of both types in Sicily have been made at the University of Palermo.[11] The 217 private enterprise projects, about half of them already initiated, under the seven earlier Sicilian pacts (totalling ITL 670 billion, including public infrastructure) would generate nearly 3 400 new jobs. If these figures are extrapolated to the 18 Sicilian TPs, there will be some 500 enterprise initiatives for a total investment of 1 700 billion, generating 7 500 new units of employment.

Furthermore, under Law 488/1992, which is partly implemented within the framework of PN, 1 758 enterprise projects have so far been approved in Sicily, implying an investment of ITL 6 695 billion and an increase in employment of 18 908. The two programmes together add up to 2 250 new productive initiatives and 26 000 jobs. Given the fact that, out of the Sicilian active population of 1.3 million, only some 130 000 are employed within the manufacturing sector, the forecasts regarding the seven TPs under analysis point to an increase of manufacturing employment in Sicily of 13 per cent.

Decentralisation and regional responsiveness

Investing public funds according to a previously defined, widely publicised, thoroughly debated and negotiated plan is, in fact, a "small revolution" when compared with a system where decisions are taken on a piecemeal basis, under the discretionary power of those in command. In this sense, planning in partnership means reducing the political power of a few and sharing it. Its instruments are, naturally, bound to raise controversy and fierce resistance from some quarters. TPs are, therefore, on a collision course with the political forces that are, and intend to remain, autocratic and centralised. For some, TPs have taken decentralisation too far; for others, there is too much centralism still.

It was a lucky coincidence that, in Italy, the reform of local elections and the new instruments for PN arrived at practically the same time. And in Sicily, given

© OECD 2001

the historical circumstances, during the 1990s many young politicians managed to hold a position of power for the first time. They were only too eager to learn, innovate and co-operate among themselves and with other concerned local actors.

However, "*localism is not seen as the answer. Central institutions may be too remote from the local context, but local authorities have to decide under very stringent conditions, being prone to personal pressure and occasional fashions*". ("Nowadays, *every single municipality wants a golf-course* (…)".) The process has to be activated at local level, but the local authority should be nothing more than a partner among several equal partners, and the local partnership will have to negotiate with others within the province and the region. Bottom-up processes will have to be adjusted with "top-down" wider priorities and earmarked budgets.

In the name of subsidiarity, the Sicilian region has supported decentralisation from central government but has traditionally acted in a rather centralised way with regard to the local and provincial authorities. Even in 1998-1999, a regional development plan was drafted by the region and the university, with no contributions from the local authorities. Although very good, technically, this plan was actually rejected by the regional assembly and the ministers were also against it, refusing a programmed regional budget. Had this huge task involved all concerned levels and institutions from the bottom up, it would have been nearly impossible for regional politicians to later reject it. It seems that the lesson was learned, because the preparation of the 2000-2006 regional plan has involved local and provincial institutions.

Today in Sicily, in terms of political and administrative performance, a significant gap exists in the region – which is still to undergo a reform that will increase the accountability of its decision-makers – and the municipalities which, after the early 1990s reforms, answer directly to their voters. For instance, the situation of the 15 regional ministers – their entire autonomy and, in parallel, their inherent precariousness (with an average length of mandate of less than 12 months) is now regarded as a real bottleneck to the rationalisation of the existing development instruments.

It is the general understanding among TPs' leading figures that, from now on, the "*region should stop managing and should start planning*". And, for that to happen, Law 9/1986 has to be implemented: it gives wide prerogatives to the provinces on management, and this is seen as a key factor in provoking deep change in regional institutions and public administration, leading to further decentralisation and closer control by the citizens. Some steps in this direction have already been taken: for 2000-2006, the nine Sicilian provinces will receive 50 per cent of the approved funds for regional planning.

The concept of "asymmetrical decentralisation" is now being debated in different quarters in Italy. And this means awarding different degrees of autonomy, at

© OECD 2001

regional, provincial or local level, according to a previously demonstrated capacity to manage and invest European and state funds for local development. This could indeed become an important concept to modulate degrees of subsidiarity in future instruments.

The role of local authorities

Are TPs instruments of local development or are they still forms of public hegemony – at national, regional or local levels – over the social and economic spheres of local communities?

Some would say that the demand for TPs does not usually originate with the potential beneficiaries – private enterprise – but in the local authorities, and also that the TPs remain under the control of the public sector. TPs have indeed mainly empowered the Italian municipalities, while actually improving local administration. But some local actors say that trying to exert public control (even if only local) over a TP is a "strategic error", and that the municipality must be a partner but not necessarily the leading figure, otherwise TPs will lose their real nature. According to the regulations, the partnership that supports any TP has to contain, at least, 51 per cent of public bodies.

It is often argued that the role of public institutions within TPs should merely aim to reduce and simplify administrative procedures. Criticisms against "biblical time lags" abound and, in fact, TPs are now acknowledged for their effectiveness in accelerating administrative acts. A good local partnership, through agreements and training, may be able to minimise some administrative lingering. Delays of two to three years to authorise a new business are indeed a difficult hurdle when trying to promote local development.

Within some TPs, very important measures were taken under the leadership of municipalities to overcome such a drawback. Firstly, an agreement is signed whereby 60 days is the time-limit for any administrative act. In Calatino Sud Simeto, this agreement was signed by the president of the region. If procedures take longer, then the president himself decides on the issue, thus replacing the public service at stake (acting, therefore, as a *responsabile unico*). Secondly, "one-stop shops" (*sportello unico*) – catering for new enterprise candidates – are to be opened in municipalities involved in TPs and will be operated by the local development agency (a situation which will also guarantee its economic viability, as services provided are directly paid by the municipalities).

Nevertheless, a local mayor, with insight and enthusiasm, can do much more for local development than just speeding up the red tape. Until a right balance is found, more mobilisation work within civil society would be conducive to the increasing expression of a structured local demand for development. Also, the

© OECD 2001

role of the technical local development agency may prove useful in overcoming the difficulty posed by this "public *vs.* private dilemma". These agencies, based on "permanent" well-qualified staff and coping with the daily tasks of preparing and running a TP, as well as assisting the preparation of project proposals, are often a key to the success of local development. However, under the "Italian" TP regulations, running costs of such agencies are not eligible for funding. Therefore, some partnerships had to "invent" their own sources of finance. For instance, in one Sicilian TP (Le Madonie), the concerned municipalities contribute ITL 1 500 per resident, while private entrepreneurs pay a commission of one per cent on the public grant they are awarded; other stakeholders just have to acquire their parts (one of them, the owner of a touristic farmhouse, pays "in kind", providing free accommodation to the local community's official guests).

Too narrow focus?

TPs in general, and in particular the Italian breed, are often branded as being too focused on business development to be recognised as instruments of integrated local development. *"A TP is, at first, little more than a list of concrete projects looking for funds and, later, a pack of money to share out."*

It has to be accepted that the philosophy behind the "Italian" TPs has more to do with raising the productive capacity of disadvantaged areas than with the drafting of an integrated local action plan. It is part of a supply-driven policy and, therefore, it favours private enterprise and the production of goods and commercial services. Even the infrastructural investment has to be put at the service of the local productive projects and does not have to be an answer to a need felt collectively.

This is why national priorities were reduced to a concise list of productive activities and most "Italian" TPs were forced to delete vast sectors of their local plan, such as vocational training, development of human resources, support to the non profit-making sector, mobilisation work or cultural development. Nevertheless, some TPs, mostly those which were set up under European regulations, managed to support social economy initiatives: non-profit organisations, as well as firms created and run by handicapped people. Among other supportive projects, information and assistance centres for voluntary agencies and specific placement services for disadvantaged people are underway in a few TPs.

Also, the dominant role given to the accredited bank was seen by some analysts as leading to an assessment of projects from an exclusive commercial and financial angle, with no concern for local development issues at large. However, the evidence so far does not support the idea that a commercial bias always prevails in the TP selection process.

© OECD 2001

The training issue

The exclusion of training from the TP action plan concerns those involved locally. There is a strong need for relevant, flexible training, which is not ensured by any other instrument. And this, despite the huge amounts of money received by the regional government precisely for training. As a business representative said: *"This is a big problem in Sicily. Training is a 'black hole' here. New enterprises created by TPs need training and receive no money for that. It was a strategic error by the region to base fund allocations for training on a once-a-year call for tenders. In fact, if I need to train 10 workers for two months, in my enterprise, I am not going to wait 12 months to be able to apply, and then another eight to receive an answer… that is most probably negative."*

The substantial funds (nearly ITL 900 billion) made available for training in Sicily could be more productive if a significant amount was allocated in accordance with locally-defined needs, the framework of a TP action plan and under the decentralised management of each area-based partnership. A specific annual quota for short training courses, organised by individual enterprises, according to their immediate needs, and a related fund to which they can apply at any time, is perceived as a necessity by new businesses emerging from the current TPs.

Specific training on local development (programming, organisation, procedures, etc.) could also be carried out for the benefit of all – public and private – TP partners. Training in common could build new skills and reinforce the local partnership in fostering a co-operative attitude among representatives from different institutions. A first step was recently taken in that direction, but only with regard to municipalities, following an agreement between the region and the association of municipalities whereby a quota of regional funds for vocational training is earmarked for courses catering for municipal staff.

Towards integrated territorial plans

Sicily now has the most important regional development plan of its history, the Regional Operational Programme, funded partly by the Italian government and the EU. The average regional budget amounts to ITL 24 000 billion a year (with which little more can be done besides paying the salaries of the 23 000 civil servants and debt servicing to the banks). Now Sicily will receive 20 000 billion for development initiatives over the years 2000-2006.

Previously, the application of the EU Structural Funds was done through sectoral measures. This time, there is an instrument for integrated development. The new plan was produced according to a scheme designed by the Treasury. Each Italian region was invited to develop its own structure. And, for the first time, as is widely acknowledged, the region carried out its share of the work

© OECD 2001

In recent official declarations, there is a clear ambition to bring forward the concept of integrated territorial plan (*progetto integrato territoriale*, PIT), which could soon become the instrument for furthering progress of local development in Italy. In two ministerial documents – "Guidelines for the Region" (*Orientamenti per le Regioni*, January 2000) and "Guidelines for the Development Plan of Southern Italy" (*Orientamenti per il Piano di Sviluppo del Mezzogiorno*, Spring 1999), PITs are defined as "*sets of intersectorial initiatives, closely interrelated and coherent, which converge towards a common objective: the development of a given territory*". And two main features are defined: *a*) the integrative nature of the project; and *b*) the reference to a given territory, not only seen as a beneficiary locality but rather as the necessary context for developing and pooling untapped resources.

The partnership approach adopted by the region to prepare the 2000-2006 planning document, where all municipalities and provinces and many other local actors became actively involved, will certainly open the way to a different, more co-ordinated and democratic, methodology for implementing PN in Sicily. According to the AICCRE regional observatory,[12] "*the* PITs *may and shall be co-ordinated at the regional level, but they cannot be built from the centre, and should instead emerge from the grassroots, from the territories and their political capacity to pool together knowledge, skills, resources and local governance*. A PIT *should be based on a comprensorio, a territory that is close to the* French *notion of* 'pays', *which is the ideal unit for local development: bigger than a municipality, smaller than a province*".

The PITs will have ITL 5.5 billion from 2000 to 2006 (out of the total amount of 20 000 billion for Sicilian regional planning). How and by whom will these funds be budgeted and invested? The answer to these questions will tell whether, through the new PITs, local development will, in the near future, be strengthened or undermined in Sicily.

If the territorial integrated plans are to be built from below and co-ordinated within a decentralised regional planning framework that will not forget the strategic role of the provinces, they may really become an effective instrument to further development and democracy in this island. In this way, they will follow along the path already forged by the territorial pacts.

© OECD 2001

Notes

1. Formal deliberations by the CIPE were most prominent in defining and furthering the concept of PN. On 20 November 1995, 31 March 1997 and 9 July 1998 respectively, the issues dealt with were the co-ordination of public investments within PN, the overall regulation of the instruments of PN and the allocation of financial resources. The CNEL is still regarded as the initiator of this new movement and the "guardian" of its authenticity. Following a CIPE deliberation of 12 July 1996, the CNEL was given the task of promoting, monitoring and certifying the first generation of territorial pacts.
2. The 1997 CIPE deliberation modified some restrictive rules included in a previous (1996) CIPE deliberation.
3. This reunion of public services is convened when the normal time lags for administrative acts have been exceeded and some local project is delayed for that reason. Here the concerned services get together and try to solve all existing difficulties.
4. ITL 1 000 = 0.52 Euro (1 Euro = ITL 1 936).
5. These were *i*) a training course to qualify young adults as local development workers, *ii*) a training course on management, and *iii*) a training on communication skills for staff in local authorities, in order to establish "Kalatnet" – a telematics network among municipalities.
6. Thanks no doubt to the reunion of public services, convened by Caltanissetta S.c.p.a., with representatives gathered from the local authorities, the Civil Engineering Office, the Cultural Heritage Board, the province, the banking system, among others.
7. Under the "POP Sicily 1994-1999, Measure 1.4 b – Local Development". As a result, in Caltanissetta, 74 enterprises (42 for manufacturing and 32 for services) received ITL 21.4 billion, while an extra 4 billion were invested in public infrastructure.
8. Under the PRUSST Programme.
9. Since 1992, there has been a LEADER local programme, financed by the European Agricultural Fund and managed by a partnership named *Terre del Sosio*. The LEADER approach (wide participation by the population and most local stakeholders, an integrated multi-sectoral range of activities without an exclusive focus on manufacturing, for instance) was since adopted and significantly influenced further events.
10. After eight new ones were approved in February 2000.
11. Professor Alberto Tulumello (also involved in the AICCRE regional observatory).
12. Prof. Alberto Tulumello, seminar on PN in Palermo, 16 March 2000.

© OECD 2001

Chapter 9

The Role of Partnerships in Economic Development and Labour Markets in the United States

by **Randall W. Eberts and George A. Erickcek,**
W.E. Upjohn Institute for Employment Research, United States

Introduction

Local partnerships play an important role in the delivery of workforce and economic development activities in the United States. Partnerships include both public and private organisations and increasingly depend on local business people for leadership. The strong role of the private sector reflects the predominance throughout the country's history of grassroots organisations in addressing local issues and in delivering services. Today, economic development activities are carried out primarily at the local level by non-profit organisations, with help and guidance from state agencies, but minimal involvement from the federal government. Workforce development efforts, on the other hand, have enjoyed a much stronger partnership with the federal government. Since the inception of the major employment programmes that grew out of the economic crisis of the 1930s, state and local efforts have benefited from the federal government's leadership, technical expertise and superior taxing powers.

During the last decade, interest in strengthening the role of local organisations in providing activities in both these areas has increased. The underlying premise is that local governments are better able to assess and respond to the specific needs of their area. In addition, they are considered to be in a better position to co-ordinate services from the various programmes that are intended to help people within their jurisdictions.

With regard to workforce development activities, Congress recently passed two major pieces of legislation that gave state and local governments significantly more responsibility in the delivery of social services. Several states, in turn, have granted local jurisdictions, particularly counties, an increased role and, in some

© OECD 2001

cases, greater autonomy in providing and co-ordinating services. With encouragement and, in some instances, mandates from the federal government, states and counties have forged partnerships with non-government organisations (NGOs) to deliver services. Most recently, these local partners have included private businesses, which provide leadership and oversight for the local service organisations and occasionally provide services. Local economic development partnerships have been strengthened, not by the encouragement of the federal government, but because of pressure from businesses. Concerned about the inability to find qualified workers in a tight labour market and the need to enhance their local supply chains, local businesses have taken a more active role in partnering with local governments to develop the workforce and to enhance the local economy.

This chapter provides an overview of the role of partnerships in delivering workforce and economic-development services in the United States. It is based on a survey of partnership cases in the Midwest, which possess characteristics that provide favourable comparisons with many European countries. Even after significant restructuring during the past two decades, the Midwest economy is still more dependent upon manufacturing than most other regions in the country. The restructuring resulted in considerable displacement of workers, an emphasis on worker re-training, and an intense effort by states and localities to promote economic development in their area. Consequently, the Midwest has fostered innovative approaches to workforce development and economic development initiatives and serves as a laboratory to examine the nature and effectiveness of local partnership organisations in meeting these needs.

Economic and employment situation

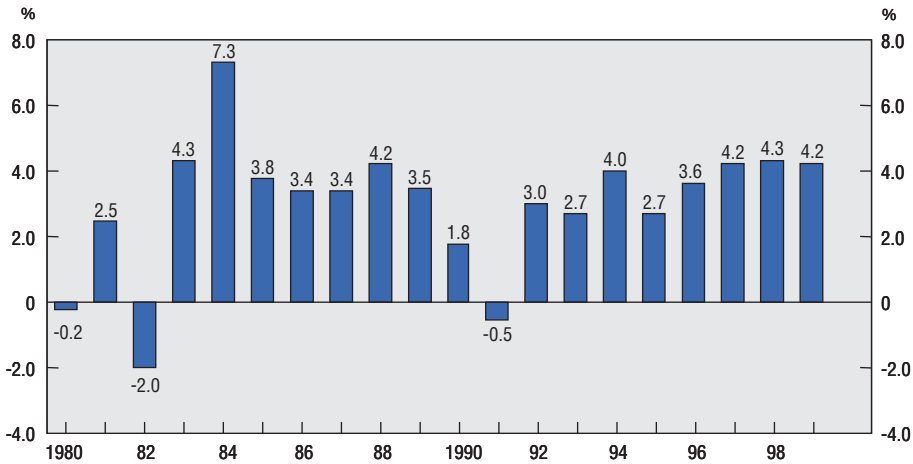
During the 1990s, the United States enjoyed its longest economic expansion ever. Currently, the unemployment rate hovers around four per cent; output growth has consistently exceeded forecasters' expectations during the past five years, reaching a 5.2 per cent annual rate during the second quarter of 2000; and productivity growth remains stable and above historical trends. Annual growth of the gross domestic product (GDP) has been above four per cent for the past three years. Moreover, except for a slight 0.5 per cent decline recorded in 1991, growth in the GDP has been positive for the past 16 years (Figure 8).

In 1999, employers hired 2.9 million workers, a 2.3 per cent increase over the previous year. This high demand for workers kept the national unemployment rate below 4.5 per cent during the entire year. From June 1993 to June 2000, the nation's employers have added, on average, 260 000 workers per month.

The nation's businesses, facing highly competitive global and domestic markets, have spent billions of dollars year after year on new capital equipment, especially computers and related equipment. This expenditure, coupled with the

© OECD 2001

Figure 8. **Real gross domestic product, United States**
(Average annual growth rates)



strict discipline of the global marketplace, has contributed to both the nation's strong productivity growth and to lower production costs which have, in turn, created an environment of stable prices.

As shown in Table 11, the Midwest shared for the most part in the robust national economy. Unemployment rates among the various areas surveyed ranged from 2.7 per cent to 5.7, and rates in most of the cities, except Chicago, were at or below the national rates.

Table 11. **Characteristics of the areas surveyed in the Midwest**

City	Population (1998)	Unemployment Rate (1998)	Population living in poverty, 1995 (%)
Battle Creek	53 496	4.6	14.1 (Calhoun county)
Chicago	2 802 079	5.7	14.7 (Cook county)
Cleveland	495 817	4.5	14.3 (Cuyahoga county)
Grand Rapids	185 437	4.1	9.6 (Kent county)
Kalamazoo	76 241	2.7	11.3 (Kalamazoo county)
Lansing	127 825	4.1	13.9 (Ingham county)

© OECD 2001

General characteristics of workforce and economic development activities

Several important dimensions characterise local partnerships concerned with workforce development and economic development in the United States. First, a distinct separation exists between activities related to workforce development and those related to economic development. Traditionally, these activities have been pursued by different levels of government and by different non-government entities. However, in recent years, as employers have become increasingly frustrated in their search for qualified workers in the tight US labour market, organisations responsible for economic development have turned their efforts to increasing the pool of trained workers. These efforts have been pursued primarily through businesses forging closer working relationships with workforce development agencies, as opposed to relying solely on their own efforts to train workers.

Second, most workforce development p rogrammes targeted at dislocated workers and the economically disadvantaged are funded by federal and state governments.[1] Active labour market programmes (*e.g.*, job training, job search assistance, labour market exchange) and income support programmes (*e.g.*, unemployment compensation) are administered and funded by the government. In most cases, the services are provided by state and local government agencies.

However, the newly enacted Workforce Investment Act allows for the privatisation of some services, and state and local governments are beginning to contract with private sector, mostly non-profit, organisations. Charitable foundations also help to support workforce development services, by sponsoring small programmes. Many of these initi atives are experimental in nature, and most are implemented and tested in a limited number of areas on a relatively small number of people. Some of these schemes yield important information that has been used to initiate new government-sponsored programmes or to improve existing programmes. In some cases, local non-profit organisations partner with local offices of government workforce programmes to help improve the co-ordination of services and to deal with problems that government programmes are not designed to address. Local charitable organisations and churches also play important roles in meeting the needs of the unemployed, particularly those who need food and other special assistance.

Third, most government-sponsored workforce development programmes are marked by a strong federal-state-local partnership arrangement. This federal approach to providing social services was established when the first employment programmes were implemented nearly 70 years ago. The new welfare reform initiative, Personal Responsibility and Work Opportunity Act of 1996, and the first major reform in the nation's job training system in 15 years, the Workforce Invest-

© OECD 2001

ment Act of 1998, have followed the same design but with even more emphasis on the devolution of authority to state and local government organisations.

Fourth, economic development activities are primarily the responsibility of state and local governments, with only limited assistance from the federal government. The federal government has chosen not to promote the economic development of one region over another, except in the case of severe poverty in specific areas, particularly inner cities. In recent years, federal funding initiatives have offered resources to a few urban areas to address chronically high unemployment and deteriorating economic infrastructure. Therefore, the vast majority of economic development efforts are conducted by state and local government agencies and by public-private ventures.

Workforce development

Brief history of government-sponsored programmes

Government-sponsored workforce development activities have focused primarily on the needs of the unemployed and the economically disadvantaged. The first broad-based labour programmes in the United States were initiated in response to the high level of joblessness during the Great Depression of the 1930s. The Wagner-Peyser Act of 1933 established the US Employment Service, and the Social Security Act of 1935 put in place the unemployment insurance system. While the federal government enacted both programmes, each one was based on a strong federal-state-local partnership in the delivery of services.

The partnership arrangements among the different levels of government ostensibly grew out of two deep-rooted aspects of the institutional heritage of the United States. The first is the strong leadership role played by states in initiating programmes to serve the needs of their citizens. The second is the federal system of government which, for the administration of many social programmes, has evolved into strong partnerships among federal, state, and local governmental entities. For example, prior to the enactment of the Wagner-Peyser Act by the US Congress, many states provided labour market exchange services through local employment offices. The Wagner-Peyser programme used federal funds raised through the employer payroll tax to transform the patchwork of existing state offices into a more co-ordinated nation-wide system with more consistent operating procedures and types of services (O'Leary and Straits, 2000). Today, the Employment Service is a federal-state partnership that provides free labour market exchange and re-employment assistance services in 1 800 offices in 54 states and territories (Balducchi, Johnson and Gritz, 1997).

The unemployment insurance (UI) system shared a similar beginning, and arguably it established an even stronger federal-state partnership. Prior to its

© OECD 2001

enactment in 1935, at least 17 states had considered establishing an unemployment compensation system. Only one state, Wisconsin, actually enacted such a programme before the federal legislation went into effect. Many states, however, were reluctant to provide income support to displaced workers. They feared that employers in their state would be at a disadvantage to those in states without such a programme, because of the taxes needed to finance the system.

Since only one state had actually established an unemployment compensation system, Congress, when fashioning the Social Security Act, was presented with the opportunity to establish a wholly national system. However, after considerable deliberation, they chose a federal-state partnership. The system prescribed distinct federal and state roles and obligations. It gave states the discretion to set compensation levels and to experiment with system improvements, but imposed separate limits for the federal and state components of the payroll tax. It also established financial incentives for states to comply with approved nation-wide UI programmes. Legal suits immediately followed the programme's inception, challenging the constitutionality of the UI system on the grounds that it usurped states' rights and forced them to act in compliance with federal regulations. Nonetheless, the UI system has survived and serves as a model for other federal-state partnerships (O'Leary and Wandner, 1997).

In many respects, the evolution of publicly supported job-training programmes in the United States is a lesson in the advantages and disadvantages of a centralised versus decentralised administration of social services. The Federal Manpower Development Training Act (MDTA) of 1962, the first nation-wide publicly provided training programme, was based on the primary belief that the lack of marketable job skills barred the economically disadvantaged from employment. Consequently, MDTA offered a full range of services to the economically disadvantaged, including remedial education, occupational skill training, work experience, and counselling.

Several problems arose with the programme. It was a piecemeal approach managed primarily at the federal level and left little opportunity or incentive for partnering with non-profit/non-governmental organisations. Federal administrators established programmes and policies for separate categories of clients that were to be implemented at the local level in the belief that no one programme could meet the divergent needs of the economically disadvantaged. Moreover, federal administrators held the view that there were gross inefficiencies in administrative capacity at the local level. Therefore, they prepared strict guidelines for the local implementation of the various programmes. Unfortunately, *"it was not unusual to find communities with similar programmes located within a few city blocks of one another, targeting services to technically distinct but frequently overlapping groups"* (O'Leary and Straits, 2000).

© OECD 2001

The resulting problems of the MDTA led the federal government to consolidate all categorical programmes and then to decentralise their workforce programmes to the local level. Decentralisation meant the transfer of programme management from the federal level to the state and local level (Levitan and Gallo, 1988). De-categorisation meant that federal appropriations were no longer earmarked for specific programmes.

The Comprehensive Employment Training Act (CETA), established in the 1970s, offered several improvements to the delivery of workforce development services. It introduced the concept of local advisory councils to ensure that local public interest would guide programme planning. CETA regulations required that councils include constituencies such as education and labour along with members of the business community. The effectiveness of these advisory councils differed across the country. Some were merely "rubber stamps" while others played an active role in on-site monitoring and local policy development.

Even with the establishment of advisory councils, CETA was criticised for operating inefficiently in many communities. In particular, classroom-skill training often did not provide the kind of training desired by local employers. Instead, clients selected the type of training they wanted regardless of the occupational demands of the area's business community, and they often selected occupations with limited "career ladders" offering little opportunity for career advancement. In addition, the public service's employment programmes in CETA proved to be expensive and were used, in some instances, to subsidise the local provision of government services.

To address several of these problems, the Job Training Partnership Act (JTPA) was enacted in 1982. It made several improvements to CETA while following the same philosophy of federal-state partnerships. First, it eliminated the placement of displaced and economically disadvantaged individuals into public-sector employment, focusing instead on placing them in un-subsidised private-sector employment. Second, it focused training programmes on the development of skills that local employers demanded. Third, it increased private-sector participation on the advisory councils to ensure that the needs and concerns of local businesses were being heard.

Current federally funded programmes

During the latter half of the 1990s, public assistance to low-income households and government-funded workforce development programmes underwent major reform. Now, the focus was on moving welfare recipients off public assistance and into jobs and on giving states more discretion to find ways to accomplish this goal. The reforms also attempted to integrate employment-related

© OECD 2001

services more closely by establishing one-stop centres in which all major services are provided at the same location.

These reforms were advanced in two pieces of legislation. The Personal Responsibility and Work Opportunity Act of 1996 provides states with federal block grants to fund income support for low-income households but requires that the head of the household finds work within a specified time period. This shift in philosophy away from pure income support and the development of long-term skills training and toward a work-first approach was also incorporated in the workforce development reform legislation. The Workforce Investment Act (WIA) of 1998 emphasised job-search assistance and job-readiness training over specific job-skills training with the goal of increasing employment, retention, and the earnings of job participants. In short, WIA is based on the belief that the best training is experience on the job and that there are a sufficient number of jobs for even low-skill workers. In exceptional cases, training is still offered when a mismatch in workers' skills and employers' needs exists. WIA also gives state governors almost full discretion in determining how their state will achieve this requirement.

The Workforce Investment Act came at a time when the American economy was stronger than it had been in a generation. Unemployment rates had reached a four-decade low, and many employers were finding it increasingly difficult to fill vacancies. Although opportunities for workers of nearly any skill level to find a job were unprecedented at the time, the demand for highly skilled jobs was nearly three times the rate of other jobs. Millions of workers with little or no skills required assistance to upgrade their abilities in order to avoid being trapped in low-wage, dead-end jobs. At the same time, employers needed to fill vacancies with qualified workers as quickly as possible to avoid costly capacity constraints. The WIA was an attempt to provide a system that serves the needs of low-skill workers and employers alike.

As with JTPA, a business-led advisory council, referred to as the workforce investment board (WIB) under WIA, supervises the delivery of services at the local level. One of the major requirements of WIA is for the local workforce development board to establish one-stop centres that provide core services to all job seekers regardless of income or employment status. Under previous programmes, job seekers were required to trek to their local employment service office for information on current job openings and to obtain job search skills. From there, they were required to find the offices of the JTPA service delivery agencies in order to obtain skill training, job placement, and information on job openings. Services were duplicated, and job seekers were required to go from place to place.

© OECD 2001

The one-stop approach provides many of these services at a single location, including:

- a preliminary assessment of individuals' skill levels, aptitudes, abilities, and support service needs;
- information on available employment-related services including training opportunities;
- help in filing unemployment insurance claims and evaluation for job training and education programmes;
- job search, placement assistance, and career counselling;
- up-to-date labour market information.

The law prohibits the local administrative agency from providing services, so the local WIBs, as the administrative agents, select operators of the centres through a competitive process. Under this arrangement, the WIBs contract with numerous non-profit organisations and other government agencies to provide these services. The law requires that each local one-stop centre should comprise numerous partners. These partners include:

- Adult, dislocated workers, and youth activities.
- Employment Service.
- Adult Education.
- Post-secondary Vocational education.
- Vocational rehabilitation.
- Welfare to Work.
- Title V of the Older American Act.
- Trade Adjustment Assistance.
- NAFTA Transitional Adjustment Assistance.
- Veterans Employment and Training Programmes.
- Community Services Block Grant.
- Employment and training programmes administered by the US Department of Housing and Urban Development.
- Unemployment Insurance.

These partners are required to provide services in a way that is consistent with their authorising legislation, such as Wagner-Peyser, while striving to co-operate with the other co-located programmes. The local area may also include other appropriate federal, state, or local programmes, as well as private sector initiatives as partners in the one-stop system. WIA requires that all states implement

© OECD 2001

their one-stop operating systems by July 1, 2000. Most states have complied at the time this study was carried out, but some were still in the developmental stage.

The requirement under WIA that local workforce investment boards contract with local providers to deliver services creates a relatively tight network of partner organisations. To formalise the relationship between a WIB, as the one-stop operator, and its partners, both parties enter into a memorandum of understanding (MOU). This establishes an agreement between the two entities concerning the agreed-upon roles and responsibilities of the sub-contractor as a one-stop partner in the implementation of the provisions under WIA. The agreement is formed to ensure the effective and efficient delivery of workforce services to prevent duplication, and to co-ordinate resources in the local workforce development area.

The agreement also establishes joint processes and procedures that will enable partners to integrate the current service delivery system. The MOU lays out the principles of the one-stop centres that the partners are required to adhere to; it specifies the services that the partner is obligated to provide; and it delineates the financial arrangements, legal compliance, and the period of performance, typically two years. Signatories from each organisation sign the agreement with the understanding that it can be amended upon mutual consent.

In some states, partners can be members of the WIB's governing board, but in Michigan they cannot, to prevent possible conflicts of interest. Boards are comprised of local business people and civic leaders. Business people comprise the majority of board members, which is in keeping with the intent of WIA that local boards be led by businesses so as to be responsive to their hiring needs.

WIA also establishes individual training accounts (ITAs) as a means of funding the delivery of training services. ITAs are similar to vouchers. Individuals who are eligible for training under WIA can choose the training programme they prefer and WIA will pay a portion if not all of the tuition. A qualified training institution must meet specific requirements under WIA and post information about placement rates and programme evaluations. These institutions include for-profit organisations as well as traditional non-profit and public training and educational institutions.

State and local workforce development organisations

Three types of organisations involved in workforce development are presented in this chapter:

1. Government bodies responsible for administering services:
   - Michigan Department of Career Development (Lansing);
   - Mayor's Office of Workforce Development (Chicago);

© OECD 2001

- Kalamazoo-St. Joseph Workforce Investment Board (Kalamazoo).

2. Public partner organisations providing services:
   - Education for Employment (Kalamazoo);
   - Michigan Technical Education Center/Kalamazoo Valley Community College (Kalamazoo);
   - Regional Manufacturing Technical Center/Kellogg Community College (Battle Creek).
3. Private non-profit partner organisations providing services:
   - Chicagoland Business Partners (Chicago);
   - Center for Employment Training (Cleveland).

The government bodies administer federal and state programmes at the state and local levels. The Michigan Department of Career Development is the state agency in Michigan that is responsible for administering federal and state workforce development programmes. This agency does not provide the services directly, but devolves this responsibility to about two dozen local WIBs in the state, such as the one in Kalamazoo. The state agency oversees the operation of WIBs to ensure that they and their sub-contractors comply with the requirements of WIA and the other federal and state programmes.

The Kalamazoo-St. Joseph Workforce Investment Board, also referred to as Michigan Works, administers 10 employment programmes, including welfare-to-work, school-to-work, dislocated worker training schemes, and the employment service.[2] More than 43 000 people drawn from a two-county area with a population of slightly over 300 000 have participated in at least one of the programmes. The partners include a regional educational services agency, two private non-profit service organisations, and two local colleges. Two of its partners are Education for Employment and Michigan Technical Education Center/Kalamazoo Valley Community College. The partners are all under contract to provide specific services and in most cases to achieve various pre-determined performance outcomes.

The Michigan Works office's annual budget for 1999 was US$4.2 million[3] and came from the following sources: 50 per cent from the US Department of Health and Human Resources, 24 per cent from the State of Michigan, 20 per cent from the US Department of Labor, five per cent from the US Department of Education and one per cent local. The programme is staffed by 86 full-time, 18 part-time and 31 volunteers. Funds to operate the Michigan Works office are derived principally from the funds of the various programmes it administers. It also receives some funds from the state to specifically implement the one-stop centres.

© OECD 2001

Figure 9. **Map of the United States: the Midwest Region**



In Chicago, the five one-stop centres, located throughout the city, are run by a partnership between the city colleges of Chicago, the Illinois Department of Human Services, the Illinois Department of Employment Security and the Mayor's Office of Workforce Development (MOWD). These centres are part of the Illinois Employment and Training Center state-wide network and work with employers, community organisations and other governmental agencies to provide job placement assistance, job training and other employment services. MOWD employs 240 workers with an annual budget of US$118 million, which is funded by the city of Chicago (16%), the state of Illinois (75%), and the US Department of Labor (9%).

One of the major problems facing MOWD is the selection of members to serve on its board. In large cities with many constituency groups, such as Chicago, it can

© OECD 2001

be difficult to select a board that represents all the concerns in the community. Much attention has been given to proper representation on MOWD's board, since the ability of the agency's leadership to work with the major stakeholders of the community and the large number of partners is key to the programme's success. It is recognised that political manoeuvring and in-fighting could undermine this effort. However, the strong desire by many constituents, including businesses, to serve on the MOWD board contrasts with the opposite problem faced by some boards in attracting qualified members.

As mentioned earlier, WIBs typically partner with several local agencies to provide services, such as the Michigan Technical Education Center at Kalamazoo Valley Community College (M-TEC). The purpose of M-TEC is to solve the training challenges of businesses in south-west Michigan using creative, competency-based, cost-effective solutions. Opened in the late-2000, the M-TEC facility aims to offer a CAD/CAM lab, a resource centre, manufacturing laboratories and classrooms. Other services include needs assessment for firms, skill assessments of a firm's current workforce, and the design and development of custom-training programmes. Many of the training programmes are fee-based, and the centre is expected to be largely self-supporting.

A similar scheme, the Regional Manufacturing Technology Center, is operated by Kellogg Community College in partnership with the Calhoun County WIB, which borders the Kalamazoo workforce development area to the east. Its mission is to meet the training needs of the local manufacturing workforce by providing high-quality instruction in the most effective and efficient way possible. It offers open entry, open-exit modularised instruction in the manufacturing skilled trades, nine skilled trade programmes, and customised training at the centre or on-site. Local businesses fund 31 per cent of the US$1.25 million programme, which has a staff of seven full-time and 19 part-time instructors. The remaining 69 per cent are funded by the state of Michigan (36%) and local government (33%). In addition, several manufacturers donate equipment and/or materials. One of the unique features of the centre is that it is located in the heart of one of the state's more successful industrial parks, making it extremely accessible to on-site employers. That proximity underscores the close relationship that many WIBs have with businesses, and it illustrates the merging of workforce development and economic development activities.

Another programme administered by the Kalamazoo-St. Joseph WIB, the Economic Development Job Training (EDJT) initiative, is a further example of how workforce development activities are important tools for local economic development. This programme is a division of the Michigan Economic Development Corporation, which is the state's chief economic development agency. As described in more detail in the section on economic development, the corporation addresses the business retention and expansion needs of Michigan businesses. While this

© OECD 2001

venture is administered and funded by an economic development agency, its primary focus is worker training – a workforce development activity. To be eligible for training grants, businesses agree to create jobs or retain jobs that would be lost in such areas as manufacturing, research and development, warehousing and distribution, relocation of world headquarters and exporting of goods and services outside of Michigan. Most training is for high-skill jobs and typically encompasses skills that are specific to a company's needs.

One of the expected advantages of a decentralised organisation with numerous partners is the ability to nurture innovative approaches to delivering employment services. An example of such a programme in the Cleveland area is the Center for Employment Training (CET), a non-profit organisation specialising in training individuals, primarily from low-income households, for well-paying jobs. The facility is located in an economically distressed neighbourhood with a high unemployment rate. CET partners closely with the county and city governments, receiving more than 90 per cent of its funding from these two sources. It depends heavily on a technical advisory committee of business representatives to ensure that the training they provide is what local employers need.

CET provides training in other regions of the country as well, most notably the Silicon Valley area of California. Rigorous evaluations of CET in that state have shown the programme to be successful for the following reasons:

- Potential workers are screened for local employers, thus making CET an integral part of the recruitment networks of employers.
- On-the-job counselling is offered to participants who have completed the training and are working but may be facing serious personal problems.
- Active industrial advisory boards and technical advisory committees ensure the programme's curriculum is up-to-date and of high quality, assist in fund raising, and help in job development efforts.
- Strong ties are developed and maintained with local employers.

Research has shown that CET trainees enjoy greater job-placement rates, retain their jobs longer, and enjoy substantial gains in earnings. In other words, CET works on both the supply and the demand side of the labour market. Its approach to the latter explicitly recognises the importance of inserting itself into precisely those networks that companies already value (Melendez and Harrison, 1998). However, some researchers question whether or not the CET programme is transferable because the original programme in San Jose, California, took advantage of existing employment networks in the area's strong Hispanic community. The question remains whether or not such strong community ties are available in other regions that do not have large Hispanic populations, such as the Cleveland neighbourhood.

© OECD 2001

Public education

Workforce training is a key element of workforce development. As described in the previous section, states and some local governments have established dedicated training centres to upgrade the skills of displaced workers or to enhance the skills of incumbent workers. Community colleges, in particular, have taken the lead in providing specialised training for workers in the areas they serve. However, these efforts are dwarfed by the traditional educational system of elementary and secondary schools (K-12 grades), community colleges, and four-year colleges and universities.

Considerable attention has been given to public K-12 schools in recent years. There is a general consensus that public schools have not served the needs of students with special needs or who come from economically disadvantaged households. Employers complain that high-school graduates are not prepared for work, either because they lack basic reading, writing or math skills or because they do not have the job-readiness skills to move easily from school into the workplace.

While businesses have complained about this lack of job readiness, they have been slow to become involved in any large-scale effort to improve the situation. However, partnerships between businesses and K-12 public schools have been established in several communities. One such programme is Kalamazoo's Education for Employment (EFE). Administered by the intermediate school district, EFE offers a bridge between school and productive careers by helping to develop the appropriate skills, knowledge and attitudes that are essential for becoming a productive member of the workforce. The hallmark of the programme is the internships with local businesses in several key local industries. High school juniors and seniors split their time between traditional classroom training and on-the-job training. Internships are available not only for those who aspire to a trade job but also for those who plan to pursue professions such as medical technicians and even physicians. In addition to EFE, the Kalamazoo area intermediate school district is working with area employers to ensure that high school students are being taught the necessary workplace know-how skills required by employers for their entry-level workers.

Economic development

Conceptual foundation

Economic development efforts in the United States are carried out primarily by state and local organisations. Unlike some countries, the US does not pursue a national industrial policy. Rather, as former Secretary of Labor John Dunlop once remarked, the United States pursues 5 000 industrial policies, as each state and local municipality pursues policies to promote their own economic development.[4]

© OECD 2001

The federal government provides some support for these local efforts, but the support is limited and is targeted primarily at economically distressed areas. Focused on meeting the needs of employers, economic development efforts have traditionally addressed infrastructure and tax issues.[5] In recent years, marketing and attraction efforts have shared the stage with retention and small-business development initiatives. Moreover, efforts to support an area's economic-based industrial clusters have taken centre stage in many communities.

With local economic development organisations devoting considerable effort to attract businesses to their areas, economic development efforts in the US have been label led by some as costly competition between the states that results in no net benefit to the country. It is feared that the employment gains in the winning states are totally offset by the employment losses in the losing states. Moreover, some argue that government incentives can, in fact, promote poor site-location decisions if they persuade firms to locate at less than the optimal location.

During the late-1980s and through the 1990s, the economic development literature turned its focus away from the more traditional cost-cutting approach of attracting businesses (low taxes, subsidised loans, infrastructure grants) to a value-added approach (increase productivity, encourage innovation and entrepreneurship). Eisinger (1988) distinguished the two approaches by labelling the more traditional policies as supply side and the new value-added approach as demand side. He and others argue that value-added economic development policies are not subject to the zero-sum argument because the resulting advancements in productivity or innovation enlarge the broader economy.

One way in which this new approach has been conceptualised and implemented is through regional cluster analysis. Michael Porter, an early pioneer of cluster analysis, argues strongly that economic developers should concentrate their efforts on enhancing the competitiveness of their local industrial clusters. Porter defines a cluster as a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalties and complementarities (Porter, 2000). The geographical boundaries of clusters are difficult to define since they vary in size from a state (Michigan and the auto industry) to a metropolitan area (Grand Rapids and the office furniture industry) but should include the major companies in the cluster along with several of their major suppliers. According to Porter (1990), the health of an area's economy depends upon the strengths of its clusters which, in turn, relies on four components: 1) demand conditions for the cluster, 2) quality of suppliers, 3) a supportive infrastructure, and 4) competition among rivals that is based more on quality and innovation than on price.

The emphasis on cluster analysis reinforces the need for local partnerships. One of the basic tenets of the cluster approach is to bring business, government

© OECD 2001

and labour together to discuss common concerns and to elicit concerted efforts to address these problems. Successful cluster initiatives have a number of common characteristics. To be effective, initiatives must be industry driven, demonstrate a bias toward action, and involve the major firms in the cluster as well as associated institutions. In order to keep the cluster's members engaged, the initiative must maintain its focus on removing obstacles and easing constraints on cluster upgrading.

Role of the federal government

The federal government has typically backed away from supporting economic development efforts because of its possible "zero-sum" outcomes. The federal government does not see its role as assisting one region at the expense of another. In fact, the federal government has restricted its role to very specialised functions, such as providing technical and planning assistance to economically distressed areas, funding public infrastructure investment in economically distressed areas, providing technical assistance for businesses through universities and private service providers, and promoting export trade.

This role is consistent with the acceptance that market failures in the delivery of public goods and significant inequity in the distribution of income necessitate economic development efforts in economically distressed areas. Bartik (1994), Hill (1998) and Thornburgh (1998) agree that the federal government should: 1) achieve macroeconomic stability, 2) provide timely and accurate economic statistics, 3) provide incentives for states and local economic development activities to concentrate on economically disadvantaged communities, 4) encourage and fund evaluations of existing state and local programmes, and 5) assist productivity growth through technology extension services and customised job training programmes.

To learn about some of these functions, two of the 12 regional banks of the Federal Reserve System, one in Chicago and the other in Cleveland, were surveyed. These two banks, individually and as members of the Federal Reserve System, provide some of the functions listed above. As the nation's central bank, the Federal Reserve System seeks to maintain price stability that will encourage and promote sustainable economic growth. Federal Reserve Banks (FRBs) also monitor economic trends and publish numerous regular and special reports on the economic trends in their districts. Both banks have a community affairs function that supports community re-investment, fair lending, and area economic development activities. In addition, FRBs, particularly in Cleveland and Chicago, act as catalysts, conveners, and consultants to identify best practices, build partnerships, and provide training and technical assistance to community development practitioners. The Federal Reserve System is technically not a federal agency. Each of the

© OECD 2001

12 regional banks is governed by its own board of directors, with oversight by the Board of Governors in Washington, DC. The Board of Governors also has its own governing body and is not part of the executive branch of the federal government, as are other federal agencies.

The Economic Development Administration (EDA) of the US Department of Commerce is the primary federal agency that assists the nation's economically distressed areas. Its basic principle is that economically distressed areas must be empowered to develop and implement their own economic development effort; it cannot be issued by an out-of-the-area government entity. The EDA maintains a variety of programmes to assist economically distressed areas through direct funding, local technical assistance, public infrastructure development, and economic and trade-adjustment programmes. The latter assist communities in adjusting to severe and sudden economic dislocation, such as plant or military base closings.

Another federal government economic development programme promotes productivity growth through technology extension services. The National Institute of Standards and Technology (NIST) assists industries to develop the technology needed to improve product quality, to modernise manufacturing processes, to ensure product reliability and to facilitate rapid commercialisation of products based on new scientific discoveries. In carrying out this goal, NIST funds a national network of more than 75 local manufacturing extension partnerships (MEP). Their primary goal is to assist small-to-medium size manufacturers in improving their production processes, management and financial systems, and product development. MEPs link manufacturers with business and production specialists and also serve as information centre.

Another agency delivering services in this field is the Michigan Manufacturing Technology Center (MMTC). MMTC offers assistance in: performance benchmarking, business systems / information technology, costing systems, customer management, energy assistance, environmental services, and health and safety initiatives. MMTC holds quarterly meetings with local manufacturers and is geared towards meeting the needs of small and mid-sized firms for information on technology issues. Many of its services are fee-based and the services are provided by a contracted third party.

Two volunteer business councils work with MMTC on issues germane to their industry cluster: the Grand Rapids Right Place Program's Office Furniture Industry Council and the Manufacturing Council. These councils represent an application of the cluster-focused economic development approach. The Office Furniture Industry Council was formed in 1992 to serve as a forum for peer networking and continuous improvement in the industry. Its mission is to ensure growth by creating value and eliminating waste in the customer-supplier relationship. Its achieve-

© OECD 2001

ments include: setting industry standards for supplier quality, colour evaluation, and EDI/Electronic Commerce; exchanging best-practice processes and technologies; and supporting ISO/QS 9000 Certification among its members and their suppliers. A list of the council's current and future projects includes part submission conventions for office furniture suppliers, standardised supplier performance-rating systems, minority/women-owned business enterprises and an internet-based information clearinghouse for the industry.

The mission of the Manufacturing Council, founded in 1989, is to "*promote, facilitate and enable implementation of 'world class manufacturing' principles and practices among manufacturers*" in the Grand Rapids area. The council's strategy is three-pronged: 1) create a forum where manufacturers can talk among themselves and identify common concerns; 2) work to improve the area's manufacturing workforce; and 3) articulate and prioritise the needs of manufacturers. An evaluation of MEPs found that "*participation in the manufacturing extension is associated with between* 3.4 *and* 16 *per cent higher labour productivity growth between* 1987 *and* 1992" (Jarmin, 1999).

State economic development efforts

States are responsible for a large share of the economic development efforts. Michael Porter, in his study of regional competition (1990), concludes that a government can promote the well-being of its industrial base in several ways. It can: 1) provide business with an educated workforce, an appropriate physical infrastructure, and accurate and timely economic information; 2) establish rules and incentives governing competition that will encourage productivity growth; 3) develop and implement an economic action programme or change process that mobilises government, business, institutions, and citizens; and 4) facilitate clusters.

As the state of Michigan's chief economic development agency, the Michigan Economic Development Corporation (MEDC) focuses on the last two points listed above. MEDC's status and organisational structure is somewhat unique among state economic development agencies, which is worth noting. It is a quasi-public organisation that has a private-sector board of directors that controls public dollars. Therefore, instead of elected officials overseeing publicly funded projects, business leaders, as members of the board of MEDC, control the dispersal of government dollars. MEDC has a staff of 250 full-time individuals and a budget of US$340 million. It receives its funding from the general fund of the Michigan State government and from a separate, state revenue-funded Michigan Strategic Fund.

MEDC partners with local economic development agencies to mobilise resources, including contributing state funds to local projects. It plays a large role in providing technical assistance, political clout and public funds to attract businesses from outside the state and to retain existing businesses. To achieve this, it

© OECD 2001

can offer businesses grants to train their employees, making a small contribution to the overall education of the workforce. For example, MEDC funds job-training facilities across the state, including the Michigan Technical Training Center in Kalamazoo and the Regional Manufacturing Technology Center in Battle Creek.

MEDC can also extend tax credits and provide industrial revenue bonds that have a lower interest rate than other loans because they are exempt from federal taxes. A recent example of MEDC partnering with a local community is its joint effort with Southwest Michigan First, a local private non-profit economic development organisation for Kalamazoo County. To attract a retail distribution centre that promised to employ upwards of 1 000 workers, MEDC approved a US$4.5 million tax credit, offered a US$500 000 grant to train the company's employees, and provided US$2.5 million in infrastructure development assistance.

One of MEDC's most unique activities is the deployment of account managers throughout the state. Their primary responsibility is to be the regional eyes and ears for MEDC. Account managers are required to interview periodically the CEO or other top-ranking officers of every major private employer in their assigned region. Moreover, they work on a regular basis with the local economic development organisations in their region in monitoring the region's economic activity. If and when an account manager finds a firm that is considering shutting down, relocating, or expanding its regional facility, then it is his or her job to offer all the available services provided by MEDC. Indeed, a good account manager can change the negative attitude held by some businesses toward government.

Local economic development organisations

Nearly all local areas engage in some form of economic development activities, even cities with populations as small as 10 000 people. In most areas, local governments take responsibility for several aspects of economic development, such as zoning regulations, infrastructure development and business retention. In addition, many communities have established private non-profit organisations to promote their area. These take the lead in business attraction and retention and partner with local governments and other private entities to carry out these functions.

Local government entities include Battle Creek Unlimited (BCU), the Grand Valley Metropolitan Council (GVMC) in Grand Rapids, and the Chicago Partnership for Economic Development. Both Battle Creek Unlimited and the Chicago Partnership offer a single point of contact for businesses interested in obtaining assistance in locating or staying in the area. BCU actually administers an industrial park, owned by the city of Battle Creek, and devotes most of its economic development efforts towards developing the park and seeing to the needs of businesses within the park. BCU activities are funded primarily through a portion of

© OECD 2001

the property taxes generated at the park. It offers business loans, tax incentives, ready-to-build sites in an attractive environment, a commercial-size airport, and a one-stop shop that handles permits and other government regulations for its business customers.

Led by a board of directors, which is dominated by business representatives and chaired by the city's mayor, the Chicago Partnership is a not-for-profit, private-public corporation charged with "*mobilising and leading the city's public and private economic development efforts*". One half of its budget is funded by the city of Chicago while the business community picks up the remaining share. The partnership serves as the clearing-house for all economic development activities in the city and is the single point of contact for businesses interested in obtaining assistance. GVMC is an association of local governments including cities and townships in the Grand Rapids urban area. Its primary focus is on land-use planning and transportation. One of its strengths has been its ability to consolidate all of the area's infrastructure needs into one comprehensive plan that is then presented to state and federal authorities for funding

Private organisations surveyed included the Civic Committee Inner-City Business Development Initiative in Chicago, the Right Place Program of Grand Rapids, and WIRE-Net in Cleveland. These organisations have strong business support and involvement in pursuing economic development efforts. They try to recruit new businesses to locate in their region and to retain existing businesses. Funding for these efforts come from a variety of sources, including local businesses, foundations and federal, state, and local governments. As private organisations, they have greater latitude to court businesses than a government agency might have, because they are not subject to open-meeting requirements and thus can meet discreetly with potential clients and because they are not subject to public restrictions on the use of public monies. However, because their funding is voluntary and not mandated by government action, they are expected to show significant results or risk losing their franchise.

The Right Place Program is a private, non-profit organisation focused on promoting economic growth in the Grand Rapids urban area, primarily Kent county. In addition to providing the standard set of economic development services (*e.g.*, information on industrial sites, tax abatements, state-wide business incentives and information about the community itself), the Right Place Program has partnered with other organisations to offer several unique programmes. One such initiative is with the city of Grand Rapids to redevelop abandoned industrial land in the inner city. It is somewhat unusual for a private organisation to carry out an effort of this kind, since urban redevelopment is a risky venture with uncertain payoffs. Instead, many private economic development bodies prefer to develop the more attractive land that is available in an area, which is typically outside the inner city.

© OECD 2001

The Inner-City Business Development Committee of the Commercial Club of Chicago is another attempt by a not-for-profit economic development organisation to stimulate and encourage employment growth in the inner city. The committee, comprising the senior executives in the Chicago business community, attempts to promote the formation and expansion of small businesses in inner-city neighbourhoods. A key strategy in assisting these businesses is the development of business relations with the area's larger companies that form the Civic Committee. The end goal is that by increasing the level of business volume at these firms, employment opportunities will arise in inner-city neighbourhoods.

WIRE-Net, the Westside Industrial Retention and Expansion Network, was incorporated in 1988 by neighbourhood residents, businesses and workers on Cleveland's west side. It was formed to create a community development strategy, which would promote further growth and retain existing small- and medium-sized businesses by providing programmes and services to meet their needs. WIRE-Net's 12 full-time staff focus on workforce development, industrial real estate development and specific business issues. Currently, 150 companies on Cleveland's west side are members of WIRE-Net. The programme's annual budget of US$1.4 million comes from government, charitable foundations, and membership dues.

Colleges and universities

For the most part, colleges and universities pursue their core mission of providing advanced education and conducting cutting-edge research. However, in some cases, they have partnered with local governments and community organisations to help promote local economic growth. The most visible manifestation of this partnership is the development of business-research parks developed in part by universities. They offer attractive, campus-like business locations with easy access to the universities' many professional programmes. Some of these parks are meant to serve as incubators for the university's faculty and students who have the desire to "spin-off" their research into a business opportunity. Evaluations of existing university-related research and business parks offer mixed results. While some of the earlier ones have become world renowned, others stand fallow. A recent study suggests that for university-related research and business parks to have a high probability of success, the area should also: 1) house a strong industrial base that has a large research and development sector, 2) invest in good air transportation, 3) maintain a well-developed network of business services, and 4) nurture civic leadership (Luger and Goldstein, 1990).

Finally, in addition to providing professional, business, and scientific capabilities, universities also assist community development efforts. These activities draw upon the expertise of the university's urban planning, economic develop-

© OECD 2001

ment, and community development departments. For instance, Michigan State University's Center for Urban Affairs and the Community Economic Development Program partner with local economic development organisations to provide them with training and research assistance.

The impact of local partnerships

A strong network of partners characterises both workforce development and economic development organisations in the United States. These partnerships have been formed within and between both public and private organisations. However, they have not crossed the line between workforce development activities and economic development activities to any great extent, and thus the two functions have not been integrated. Workforce development organisations appear to have a more formalised partnership arrangement, which has been established and fostered by federal programmes that have emphasised such networks particularly among federal, state, and local government agencies. The new legislation recently passed to reform many of the federal employment programmes further re-enforces partnerships with more authority given to state and local governments and greater opportunities for private sector organisations to partner with government agencies.

Economic development efforts have been less formalised, since there are few federal economic development programmes and thus little leadership from the federal government. However, the lack of top-down guidance has opened the way for local entities, both public and private, to step in and provide innovative approaches to enhancing their local economies. Nevertheless, the resulting partnerships are as much a product of cantankerous political in-fighting and inter-agency turf wars as they are a product of planned co-ordination of functions and responsibilities among organisations. Despite some glaring inefficiencies that result, it is reasonable to conclude that such a system has injected considerable flexibility within organisations that carry out workforce development activities and economic development activities.

Partnerships in the Midwest have four recognisable strengths:

– T*he active involvement of the business community*. Businesses accept a leadership role in directing and designing many of the programmes. Not only do they take on leadership responsibilities in funding and working with the various non-profit organisations studied, they also play active and important advisory roles on governmental efforts.

– E*mployment programmes are market driven*. The active involvement of the business community is especially seen in the design of training programmes. Training is offered in only those fields where an unmet demand exists. Equally important, business representatives play a vital role in ensuring

© OECD 2001

that both the training curriculum and the equipment being used will adequately prepare the programme's graduates for employment.

– T*he ability to respond locally to address local issues*. Local control over training and economic development programmes leads to increased flexibility and a greater variety of programmes. While many of the programmes surveyed had similar components, each had a unique approach based, in part, on the strengths of the community and its organisations. Moreover, local decision-makers are by definition stakeholders in the community and, hence, are more concerned about the success of their programmes and their impact on their community. Partnerships are composed of empowered residents who live and work in the local area.

– E*fforts are pragmatic and innovative*. Pragmatism should be expected given that many programmes are local responses to local issues. If one successfully mapped out all of the training programmes being offered in even the smallest surveyed community, it is almost certain that the end product would show a highly unco-ordinated, duplicated and confusing delivery system. However, many of the programmes would still be innovative, and most would show a pragmatic approach to the problems they set out to address. Another indication of how pragmatic programmes are is the fact that most are designed to meet the needs of existing companies and industries.

The partnership arrangements examined have also a number of weaknesses, including:

– G*overnment resources and activities are often ignored or bypassed*. Millions of dollars of public funds are spent on elementary and secondary education, and yet, many of the programme-makers view the public schools not as an opportunity but as a major obstacle to work around. Instead of working more closely with public schools to improve their lagging performance, businesses are more willing to duplicate the effort and spend millions of additional dollars on training workers who dropped out of school. This is not limited to public schools; in several communities, non-profit organisations decide to ignore public economic development efforts, as well.

– L*ack of community or citizenry involvement*. The creation of programmes in the public and non-profit sectors is aimed at meeting the needs of the area's business community. Involvement of ordinary people is kept to a minimum. One troubling outcome of this is that if private and public resources dry up, none of these programmes will have strong support from the people they are designed to assist. Another problem is that the partnerships may not include all the stakeholders that are affected by services they deliver. The emphasis on business involvement may be seen as crowding out groups that represent low-income and economically disadvantaged segments of

© OECD 2001

the population. Furthermore, the emphasis on work may ignore those people who have more significant barriers to employment.

– P*rogrammes are market dependent.* If and when the unemployment rate starts to rise, it is unclear if the business community will maintain its level of involvement in these programmes. Businesses typically act in their own self-interest as they take on leadership roles in the provision of workforce development programmes. When the current tight labour market eases, it is likely that some of the business involvement will wane.

The ability to enhance the existing strengths and weaknesses depends to a large extent upon the state and local political landscape and the strength of an area's civic and community assets. However, significant barriers may stand in the way of partnerships in reaching their full potential.

– Federal/state/city administrating agencies may be unwilling to grant true authority to local organisations, restricting their ability to respond to changes in local conditions. Funding agencies are typically reluctant to grant complete autonomy to those who receive their support, primarily due to the public sector's requirement of accountability.

– Job-training providers and local economic developers are unable to work together because of their narrow focus. Job-training providers tend to focus on the needs of their clients, while often ignoring the needs of employers. Economic development professionals, on the other hand, are focused solely on addressing the needs of the area's existing and potential employers and often neglect the needs of local employees or the needs of less-advantaged population groups.

– The politicisation of the delivery programmes creates an environment where solid evaluations are unlikely. It becomes very difficult for any organisation to remain flexible and responsive to its changing environment when proper evaluations of its programmes are discouraged due to the political or self-interest concerns of the programme's administrators.

– Service providers may be “too close” to their customers, and hence, are unable to allocate resources properly. If the partnership is too closely connected to a neighbourhood, an area employer, an employers' association, or a specific project, it is possible that it will allocate resources in a biased and inefficient manner.

Conclusions

Lessons have been drawn from the survey of partnerships in the Midwest on four issues: 1) the efficiency of partnerships; 2) the efficiency of service delivery; 3) the local management of programmes; and 4) the proper roles of federal, state

© OECD 2001

and local governments in the provision of workforce and economic development services.

The efficiency of partnerships

Two efficiency conditions have been identified for the management of federal and state employment and economic development strategies by partnerships. First, the importance of active business involvement is a key component in a partnership's ability to efficiently manage federal and state employment policies. Businesses, through their membership on WIBs and involvement in other organisations, identify occupations and industries experiencing labour shortages and skill deficiencies and recommend appropriate training programmes and other employment services to address these needs. Second, the existing political environment of the local area plays a critical role. The ability of the partnerships in resolving conflicts between governmental units, community organisations and political parties determines, in large part, its success. Developing an atmosphere of co-operation where none existed before is one of the strongest challenges facing civic entrepreneurship. Such effort requires a high degree of trust and common vision among the partners.

Service delivery

There is no one mechanism that will ensure the efficient delivery of local employment or economic development services. While the active participation of major stakeholders is a necessary condition, it is not sufficient. Guidelines on the composition of advisory boards and on procedures to establish linkages between the service provider and employers are useful, but can serve only as a starting point. At least three conditions are associated with successful programmes in the Midwest. First, there needs to be a strong commitment from the business community, stimulated in large part by economic necessities, such as finding employees or lowering costs. Second, effective civic entrepreneurs are needed to pull together the major stakeholders and keep them together. Finally, the successful partnership creates an environment where partners feel that they have ownership in the process and that their voices matter. If too many of a programme's mechanisms are mandated by the federal or state government, it becomes more difficult for local partners to gain the necessary sense of ownership in the process that is needed to foster innovative and co-operative solutions to problems. At the same time, it must be acknowledged that the leadership from the federal government in establishing a strong federal/state/local partnership is instrumental in engineering the partnership arrangements among local workforce development organisations. The lack of such leadership in economic development activities most likely accounts for the wide variety of arrangements across states and localities.

© OECD 2001

Guidelines for local management

The local business community plays a critical role in employment and economic development partnerships in the United States. In fact, in some instances, it was found that the business community simply bypasses governmental efforts, if they think that they are unresponsive or cumbersome. While it is in the public interest to establish general guidelines such as targeting assistance at individuals and communities that are experiencing economic hardships, if state and federal governments mandate too many guidelines, reporting requirements and procedures, it is possible that the business community will not actively participate. A possible fruitful approach would be for the federal and state authorities to: 1) clearly state the objectives of federal or state-funded employment or economic development programmes; 2) grant local partnerships greater latitude in establishing and implementing the strategies to achieve these objectives; and 3) fund third-party programme evaluations.

Proper roles of federal, state, and local governments in the provision of workforce and economic development services

In the United States, the federal government has been a major player in workforce development, while state and local governments and non-profit organisations have traditionally conducted economic development activities. It seems reasonable for federal and state agencies to limit their involvement to posting broad outcome goals, supporting evaluation studies, providing staff training, and funding the programme while leaving the administration and provision of services to partnerships facilitated by local government. The tasks of local government are very challenging. First, the potential success of locally directed partnerships depends on having a supporting community political decision-making environment. Effective local governments facilitate, co-ordinate and support business – and community – driven partnerships, while remaining the fiscal agency for the organisation. When local governments fail in these duties, it is possible for the business and community leaders to go it alone, which can mean that the general community loses as federal and state monies are mis-allocated.

The federal government has played only a supportive role in economic development initiatives due to political considerations and the perception that local economic development is a "zero sum" game that has little to no net impact on the nation's economy. Today, many state and local economic development organisations are exploring ways to build on their area's unique economic base instead of simply attracting any employers into the area, regardless of how they contribute to the local economy. Furthermore, intense global competition is also pushing state and local governments to refocus their resources on assisting base-economic firms in becoming more productive since they account for a substantial share of its

© OECD 2001

tax base. Many local governments have identified their key industrial clusters and are working towards creating a more productive environment in which they can prosper. As state and local economic development focus on improving the competitiveness of their existing industries, the whole economy can benefit, which is more than can be expected if state and local governments spend their funds on enticing firms to relocate from one community to the next.

As state and local economic development effort focus more and more on improving the competitiveness of their regions, economic development loses some of its zero-sum qualities and there is more reason for the federal government to re-enter the game. Federal support of nation-wide industry modernisation programmes and the development of regional industrial cluster initiatives seems reasonable. Finally, the federal government is in the best position to fund evaluation programmes of local and state economic development initiatives.

To conclude, the effective pursuit of workforce and economic development efforts at the state and local levels tests the depth and strength of a community's civil assets. The ability to link businesses, governments and other stakeholders into effective partnerships depends upon an area's "civic entrepreneurs". Such individuals must come from government, business and the broader community and be willing to work together through partnerships to address their local issues. Therefore, the challenge facing most local areas is the ability to foster such leadership and to encourage and support their active involvement in the delivery of these services.

© OECD 2001

Notes

1. The vast number of community colleges, colleges and universities are also important contributors to workforce development. These institutions are funded in part through local and state taxes, and federal grants. However, much of the support for higher education comes through tuition paid by students or their families and through alumni giving.
2. The Kalamazoo-St. Joseph Workforce Development Board is unique in that it is an administrative agent that is a division of an independent, non-profit private foundation. The administrative arms of most boards are government entities. In 1970, the county designated the Institute as its agent to administer these programmes, and this function has been housed in the Employment Management Services Division of the Institute ever since that time. The other divisions of the Institute conduct employment-related research, give out grants to researchers, and publish books.
3. 1 US$ = 1.18 Euro (1 Euro = 0.844 US$) (exchange rate on 29.6.2001).
4. Paraphrased from a private conversation with Prof. Dunlop during his visit to the Federal Reserve Bank of Cleveland in the late 1980s.
5. An exception to the statement that the federal government provides limited support to economic development is the distribution of federal funds for highways and other infrastructure investment. The federal government provides states and local governments with upwards of US$20 billion each year to expand and improve their highway systems. States and local governments have a good deal of discretion on how these funds are to be used. The federal government also spends an additional US$20 billion for air, transit, rail, and water transportation. A good portion of this money also goes to states and local governments (US Department of Transportation, 1999).

© OECD 2001

Chapter 10

Partnerships in Austria: Enhancing Regional Co-operation in a Decentralised Policy Framework

by **Mike Campbell,**
Policy Research Institute, Leeds Metropolitan University, United Kingdom

Employment and partnership development

The employment situation

The overall labour market situation in Austria is strong, relative to other countries of the European Union and the OECD. Austria has the second-lowest unemployment rate in the EU and also the second-highest employment rate. Long-term unemployment is also relatively low (Table 12).

Table 12. **Employment and unemployment, Austria and EU, 1998**

	Austria	EU
Employment rate (%)	69.9	60.5
Unemployment rate (%)	4.4	10.7
Proportion of unemployed for more than one year (%)	28.5	49.0

Source: European Commission (1999*a*).

In 1998, economic growth ran at three per cent, the fastest since 1991, and above the Euro-zone average. According to the 1999 National Action Plan (NAP) for employment, the government expects employment to rise by a further 100 000 and unemployment to fall to 3.5 per cent by 2002.

The labour market has generally adapted effectively to the geographical opening up of the economy to the emerging Central and Eastern European states since 1990 and to EU membership since 1995. Both events highlighted the necessity for major structural adjustments, in the former case because of intensified

© OECD 2001

competition and trade and in the latter because of preparations for the single currency and European legislation. Moreover, the labour market has adapted to a 30 per cent growth in the labour force in the last two decades, though as a result of this strong labour force growth, employment growth rates exceed reductions in unemployment.

Notwithstanding the overall positive labour market position, significant problems remain (ÖROK, 1998). First, the women's participation in employment is relatively weak. Unemployment rates are higher amongst women than men; women are unemployed for longer than men; and women's part-time employment rates are low compared to other EU countries. Second, employment rates for older workers are amongst the lowest in the OECD, with only 24 per cent of 55-64 year-olds in the labour force. Third, and most significantly, there are substantial geographical variations in employment growth and unemployment. There are a number of aspects to these spatial variations.

First of all, in terms of urban areas, there is a north-south slope in conditions with Linz, Salzburg and Vienna experiencing strong growth and Graz, together with the Klagenfurt-Villach area lagging. However, some parts of the cities experiencing strong job growth, notably Vienna, have significant employment and unemployment problems, especially in relation to foreign workers who constitute nearly one-tenth of the national labour force.

Second, a number of districts with a history of "monostructural" economies, often dominated by a small number of large enterprises, are under considerable pressure, notably in Upper Styria but also in Southern Burgenland and Vorarlberg (which, though traditionally experiencing low unemployment, has witnessed a significant increase in recent years). The highest levels of unemployment in the country, at the regional level of the *Länder* (federated states), are in the southern states of Carinthia (Kärnten) and Styria (Steiermark). Indeed, the highest district level rates of unemployment are found in parts of Styria.

Third, a number of rural districts, mainly in the south and east, have poor employment opportunities and experience youth-out migration. It is worth noting here that Austria has the most "tourist intensive" economy in the OECD, with tourism accounting for 7.5 per cent of GDP. In many rural areas, it is much higher than this, yet they are experiencing a declining number of overnight stays, for example, in the Tyrol and the traditional spa resorts, a condition that is contributing to rural employment problems.

Fourth, accession to the EU, on the one hand, and opening up to Eastern Europe, on the other, imply processes of adaptation and structural change. These new conditions favour the technology and export-oriented companies in western and southern Austria. Those in the east, which previously concentrated on the domestic market, are now turning to export and joint venture agreements.

© OECD 2001

Figure 10. **Map of Austria**



Increasing efforts towards integration in Europe are not only leading to increases in exports and new patterns of co-operation, but also to the associated extensive changes in geographical location. The differences in development and the standard of living between Western and Eastern Europe provide favourable pre-conditions for a new inter-regional and international division of labour. Those parts of eastern and southern Austria where the economic structure is characterised by sectors and enterprises with relatively low-qualified workers and low wages are likely to be particularly affected. Many of these are older workers and foreigners.

Developing partnerships for local employment policy: the national perspective

The federal government has set out its labour market policy goals in its NAP for Employment (Ministry of Labour, Health and Social Affairs/Ministry of Economic Affairs, 1999): to increase employment, reduce unemployment, extend equal opportunities, develop a flexible training and employment system, enhance structural adaptation, promote a (new) culture of self-reliance and develop potential new sources of employment.

© OECD 2001

It is in this context that there is an increasing emphasis on local partnerships. While Austria has, in many ways, a tradition of local development (OECD, 1995), membership of the EU since 1995 has further stimulated this approach. European Structural Fund operations and the European Employment Strategy, through its guidelines process, and the development of annual NAPs, have encouraged local development still further, specifically in relation to employment issues. It is important to note however that, historically, both within Austria and in relation to the Structural Funds, the focus has been on re-structuring and re-conversion, within which employment is, of course, an important issue, as reflected by a number of decentralised initiatives, but where it is not the sole or dominant focus.

The 1999 Austrian NAP states that the plan and its targets "*can only be attained by a comprehensive and co-ordinated employment strategy. Employment policy can only be successful if supported by the social partners, the* Länder *and the municipalities. To take account of regional features, there is a need for territorial employment pacts*".

These territorial employment pacts (TEPs), initially orchestrated by the EU as a means of developing a strategic, partnership-based approach to local employment development, are now seen as a key component of national employment policy, linking national policy more effectively to actions at the L*and* and local levels. Thus local partnerships combine a history of local approaches to development in Austria with a partnership-based approach and a new specific focus on employment issues.

In Austria, as in many countries, responsibilities for labour market policy and economic development are separated, with labour market policy under the jurisdiction of the federal Ministry of Labour and Social Affairs. The Ministry establishes objectives while responsibility for their effective pursuit, through the design and implementation of policies, is that of the public employment service (A*rbeitsmarktservice*, AMS). The AMS, following its formation as an independent agency in 1994, has adopted a decentralised structure with significant autonomy in policy design at the L*and* level. Nonetheless, employment is a federal responsibility.

Responsibilities for economic development are shared. The L*and* governments prepare economic strategies, economic development spatial policy programmes and what are effectively sub-regional (at the level of districts or groups of districts) development plans, in co-operation with regional development organisations. The chancellery co-ordinates policies at federal and L*and* levels, with help from ÖROK (Ö*sterreichischen* R*aumordnungskonferenz*, or Austrian Conference on Regional Planning), a platform for co-operation, grouping together representatives from government authorities at all levels and social partners.

Thus, the relations across levels of government between economic development and employment policy operate in parallel rather than in tandem, particu-

© OECD 2001

larly as at local level there is no geographical congruence between the two. Table 13 summarises this relationship between policy functions and geographical levels.

Table 13. **Authorities and bodies responsible for economic development and labour market policy in Austria, by implementation level**

Level	Economic development	Labour market policy
National (federal)	Federal chancellery, Austrian Conference on Regional Planning (ÖROK)	Ministry of Labour, Health and Social Affairs, Labour Market Service (AMS)
Regional (*Land*)	*Land* governments	AMS
Sub-regional (district and groups of district)	Regional development organisations	AMS
Local (communal)	Municipalities	None

Source: Ministry of Labour, Health and Social Affairs.

The Ministry of Labour, Health and Social Affairs has set out its objectives for TEPs:

1. Regional and local actors are to analyse the specific labour market situation and decide their strategy to combat unemployment.
2. The AMS' labour supply measures are to be linked with the labour demand of regional, economic and structural policies.
3. Additional jobs for the unemployed are to be created.
4. The effectiveness of grants and subsidies is to be increased.
5. Equal opportunities for women and men is to be mainstreamed.
6. Sustainable pact structures are to be built and innovative local/regional measures and projects facilitated.

The Ministry concludes that, "*Within a* TEP, *all policies that have a crucial impact on employment and job creation should be discussed, co-ordinated and agreed*". A clear task is, therefore, to integrate employment policy and possibly economic development policy at a decentralised level. Pacts would need to draw together the "parallel lines" of employment policy and regional economic development. Through the pacts, the federal level has an instrument to tune its interventions at L*and* (or other area) level with economic development policies and the creation of new jobs in the social sphere decided upon at that level. The L*and* government can also extend its field of competence to employment issues.

The NAP has also been integrated into the AMS targets, which are to be directed through their L*and* and district level operations. The AMS, following its

© OECD 2001

formation as an independent agency in 1994, has been designed to decentralise decision-making and increase the participation of the social partners in employment policy as well as to make it more responsive and flexible. Labour market policy goals are laid down by the Ministry, but in the spirit of management by objectives, it is up to the AMS at federal and L*and* level to meet the quantitative targets set through the strategies it develops and measures it enacts. (See in Annex the 1999 federal targets, incorporating the relevant NAP targets).

F*orces behind local partnership development*

Three dominant forces stimulate the creation of local partnerships in Austria. The NAP itself is critical. The federal government believes that the achievement of the policy objectives and targets in the NAP is only possible through co-operation at the L*and* level, as seen above.

The second major force is the opportunity provided by the decentralisation (in 1994) of the public employment service, which has offices at the L*and* and district levels. The L*and* offices now have more responsibility and more flexibility in policy and action terms and thus have more capacity to respond to the specific needs of individual regions.

The third key force is the experience of the EU Structural Funds. Since membership of the EU in 1995, many L*änder* and districts in Austria have participated in EU programmes (*e.g.*, Objectives 1, 2, and 5b programmes, as well as an extensive array of European initiatives, including LEADER, Retex and Interreg). They are geographically-based and require co-operation across a range of economic development and labour market fields. They also require local partnerships to be established in order to develop, monitor and review the programmes. Most of their programmes are geographically defined at a level between that of a district and a L*and*. The principle of matched funding and the integrated approach to local development in Structural Fund operations has encouraged the AMS and L*and* governments to link their activities more closely. Thus, partnership development began to develop prior to the establishment of TEPs. In 1997, the European Commission launched its TEP initiative, which was designed to encourage a more strategic and partnership-based approach to local employment development. Four Austrian areas successfully bid to become TEPs, a status which brings with it technical assistance funding to help develop and run the pacts.

Other factors have been important in developing local partnerships. The role of the Ministry of Labour, Health and Social Affairs has been crucial in helping the other areas of the country to set up their own local partnerships. In 1998, it suggested to L*and* governments, which did not have EU-supported TEPs, that they establish a local partnership in order to help implement the NAP, and it offered the funds necessary to manage a small secretariat.

© OECD 2001

The chancellery has also been important. Through the FER programme (Support Programme for Endogenous Regional Development), which is now co-funded through EU Structural Funds, they encourage regional economic development through a range of measures which increasingly and largely take the form of consultancy, and through regional development organisations which design development strategies at district level. These bodies have been set up by the chancellery to manage EU programmes, and are tasked with the further professionalisation of economic development at the district or sub-regional level. The chancellery favours the partnership approach as it believes that the development and use of appropriately qualified and experienced people is vital to development success.

The policy statement of the Ministry of Labour, Health and Social Affairs on "*Territorial Employment Pacts and Local Employment Initiatives*" (1998),[1] which provides a strong impetus to local partnership work, promotes co-operation with these regional development organisations. It states that new forms of joint operation are to be developed to ensure successful NAP implementation, which will be charged with developing employment policy and strategy and packaging and agreeing effective actions. The statement proposes that existing supply side measures of the AMS are to be integrated with the demand side of regional business promotion and structural promotion, and that regional development organisations can be utilised in implementing the partnership. "*It is essential that partnerships integrate the bodies for regional development and count on their participation.*" Regional development organisations manage one of the local partnerships surveyed in this study (in Tyrol).

Austrian partnerships

Today, local partnerships exist or are being initiated in all of the nine *Länder*, supported either by the European Structural Funds or the Ministry of Labour, Health and Social Affairs, with other partners (*e.g.*, *Land* governments, AMS). Their structures, aims and scope vary greatly. While the main objectives are often to fight long-term unemployment, some partnerships place more emphasis on economic development or vocational training. Most are established at *Land* level, and some operate at a lower level (*e.g.*, a group of districts).

Partners normally include the AMS at *Land* level; the *Land* government; two employer organisations: the Chamber of Commerce and the Federation of Industries; and two organisations representing workers: the Congress of Trade Unions and the Chamber of Labour. Other partners may include the Chamber of Agriculture, non-government organisations (NGOs) such as Caritas, and the association of municipalities.

© OECD 2001

This chapter is primarily based on a study of four local partnerships: two TEPs resulting from the initiative of the European Commission (in the *Länder* of Tyrol and Vorarlberg), one TEP created with the assistance of the Ministry of Labour, Health and Social Affairs (in the *Land* of Carinthia), and one enterprise-based partnership dedicated to vocational training (Berndorf). While the partnerships in Carinthia and Vorarlberg have been set up at the *Land* level, the other two cover smaller areas in Tyrol, three districts out of a possibility of eight in the sub-region Tiroler Oberland und Außerfern, and Berndorf, the city and surrounding villages, in the district of Baden (*Land* of Lower Austria, or Niederösterreich).

Table 14. **Context of the partnerships surveyed in Austria, 1998**

	Geographical unit	Area (km^2)	Population (inhabitants)[1]	Population density (inhabitants/km^2)	Unemployment rate (%)
Vorarlberg	*Land* of Vorarlberg	2 601	344 752	131	5.8
Tyrol	Districts of Imst, Landeck and Reutte	4 650	126 202	25	8.7 (Imst) 10.1 (Landeck) 6.1 (Reutte)
Carinthia	*Land* of Carinthia	9 534	563 645	58	8.8
Berndorf	City of Berndorf and surrounding villages	18[3]	8 395[3]	478[3]	6.9[4]

1. Year: 1997.
2. Registered (to unemployment insurance) unemployment.
3. City of Berndorf.
4. District of Berndorf.

Source: Ministry of Labour, Health and Social Affairs.

The partnerships surveyed exhibit a wide range of management practices. Regarding the structure of partnerships, in general there are two levels: a strategic one to make decisions and an operational one to carry out concrete work. At strategic level in Vorarlberg and Tyrol, a distinction is made between those who make the decisions and those who are informed and consulted.

In the Carinthia partnership, there is no decision-making body as the leading partners (AMS and *Land* government) have agreed to leave all decisions to the committees entitled to decide within each organisation. The steering group has the advisory capacity of making recommendations, generating new ideas and submitting them for decision.

The criteria for selecting who belongs to the decision-making body vary. In Tyrol, the steering committee is limited to partners who contribute financially,

© OECD 2001

whereas, in Vorarlberg, the decision-making body also includes partners who do not contribute financially to the running costs of the pact. Unanimity is required to make decisions. This requirement is presented as a useful process to secure the firm commitment of partners but it can also be seen to mean that mutual trust between partners still needs to be strengthened. In Carinthia, the steering body allows equal voting rights irrespective of whether partners contribute financially or not. Decision-making appears to be more informal in Berndorf.

Secretariats of local partnerships are dedicated non-profit organisations (Vorarlberg), consultancy firms (Carinthia) or with some involvement from the private sector (Berndorf). In Tyrol, the manager of the regional development organisation of each of the three districts involved works part-time for the local partnership.

Performance assessment

Beyond social partnership

The need in Austria for structures such as TEPs to achieve employment and economic development may be somewhat surprising at first glance. The country is a federal state with elected bodies at country, L*and* and municipal levels, ensuring decentralised political decision-making, representation and involvement at all three levels.

Moreover, social partnership is well-established in Austria. There has been a long tradition of social dialogue at national and L*and* levels. In particular, since 1994, social partners have been called upon to play a major role in steering the AMS. In the partnership structures at each level, the employers are represented by the Chamber of Commerce and the Federation of Industries, while workers are represented by the Chambers of Labour and the Congress of Trade Unions.

At ministerial level, the overall policy, identification of target groups and numbers are established. At federal level, the AMS then drafts the guidelines for all measures and instruments and agrees budgets for each AMS region (L*and*). At L*and* level, the AMS adapts the requirements to the necessities of the region and decides on the projects to be undertaken, over a certain minimum size. At the district level, the AMS administers the measures, decides on smaller level projects, acts as a recruitment broker and pays benefits to the unemployed. Each individual has an "action" plan, which may lead them to access one or more of the available measures.

Owing to the federal structure of the state and the long tradition of social partnership, Austria might be considered to be well-equipped to promote an integrated approach to development and co-operation between actors, to adapt

© OECD 2001

national policies to local conditions and to respond to local needs. In this context, the need for setting up local partnership structures in order to perform such tasks could be considered to be limited. Yet, TEPs have been or are being established in all *Länder*.

The added value of such local partnerships in stimulating co-operation and exchanging information is that participation can go beyond the existing social partners to others of relevance to labour market and economic development actions. In particular, the *Land* government, which has prime responsibility for economic development, is an ideal partner that bridges demand and supply measures, thus linking employment and economic development more firmly together. The government is also important in relation to stimulating actions on new sources of jobs, as it is responsible for areas of social provision earmarked for potential jobs growth. Such engagement also enhances democratic legitimacy at the level of *Land*-based partnerships and may help ensure that actions are tailored to the specific needs of the *Land*.

Furthermore, in a broader partnership, there is the possibility of endeavouring to engage other groups excluded from the traditional social partners, as the OECD suggested in its 1995 Austrian study. Some of the weaker labour market actors, for example, the disabled, women and, especially, the unemployed themselves, may be able to be represented in such partnerships. Moreover, voluntary, community and other citizens' organisations can have a role to play, especially in local innovation (OECD, 1999*a*). TEPs have broadened the partnership to make it more "universal" and participatory. This can be particularly important when working on the new sources of employment policy fields, together with labour market measures and local development. They have also been a way of extending the partnership system to the local level in some cases, consistent with OECD recommendations (OECD, 1995).

Objectives

In most cases, before an action programme is defined or individual projects are launched, a needs analysis is performed by the TEP. The scope of the analysis varies according to the ambitions of the partnership. If the partnership wants to promote long-term integrated development, the survey encompasses strengths and weaknesses in many different fields and at different levels. The partnership cuts across these sector analyses and visions, identifies gaps and fixes its own cross-sector objectives.

Some partnerships are more ambitious than others, so variations in objectives and experience need to be recognised when assessing the overall performance of the partnerships. Some are more focused on strategic development

© OECD 2001

while others are more operational or even project-driven. Some are focused on a wide policy agenda, while others focus on particular target groups and measures.

For example, the TEP of Vorarlberg has examined existing services in the labour market field and has chosen to provide something additional, which gives the partnership a distinctive but focused agenda – tackling long-term unemployment through "insertion" companies. This has the advantage of "filling a gap" and of not placing the pact in direct competition with existing services. However there is a disadvantage: it limits the ambition of the pact regarding cross-sector co-ordination and integration. This raises the question of the added value of pacts at L*and* level, as both the pact and the AMS at L*and* level are steered by a committee where social partners are represented. Some of the tasks that the pact in Vorarlberg is achieving could technically be undertaken by the AMS, although they could not have been carried out, under the current conditions, without the support given to the pact by the L*and* government.

Co-operation

A substantial achievement of the local partnerships in Austria has been a considerable increase in inter-agency co-operation. It is one of the major tasks of local partnerships to improve information flows between organisations and to foster co-operation so that actions are more cohesive, gaps are filled, overlaps reduced and, overall, a more seamless and clear service provided to users. Partners learn from each other and know-how is developed and transferred.

In Vorarlberg, the 12 projects networked by the TEP are mainly in the same field, insertion enterprise, so the potential for learning and know-how transfer is considerable. Thanks to the pact, NGOs implementing insertion enterprises are better informed of initiatives taken by other organisations, which leads to more co-operation. However, in Vorarlberg, each partner promoting a project remains free to co-operate or not for each single project it implements (*e.g.*, Recycling of Clothes, a project of Caritas in which the NGO decided to establish co-operation with municipalities and local companies). The promoter of a project remains responsible for securing the necessary funds and for managing his/her own project.

This development of networking is important, too, as a basis for future, more extensive relations, wider co-operation and more strategic orientation, as individuals and organisations build inter-personal relationships, see the benefit of co-operation and recognise the importance of capacity building through these and other means. For example, in Vorarlberg, methods to enhance the efficiency of project management on a collective basis are being developed, including a seminar on quality management for all the participating parties. This also encourages scale economies in know-how provision and development. It does appear to have

© OECD 2001

been the case in some areas, however, that agencies have not always shared the results of their research, or their strategies, with other key partners. Some partnerships were not always aware of the existence of research undertaken by partners or the existence of strategy documents, for example, those produced by the spatial planning departments of the L*and* or those produced at the L*and* level by the AMS.

In Tyrol, the partnership is clearly seen by the partners as an "umbrella" organisation which co-ordinates the work of all those organisations engaged in economic development. co-operation here extends beyond individual measures to the harmonisation of proposals and the development of an agreed consensus approach. Indeed, another form of scale economy is exhibited in Tyrol in relation to co-ordination benefits: information and research. Critical to effective policy, programme and project design at the local level is a sound understanding of local needs in relation to the scope and focus of the actions taken. Both the needs of the target groups and market research, for example, will be valuable in tailoring actions effectively and assessing commercial or wider viability. A large-scale survey on the demand for household services and the analysis needed for the implementation of an EU programme (Objective 5b) were easier to fund, and the results more effectively shared, because a partnership existed.

In Carinthia, the partnership has only recently been established, yet benefits are already flowing due to greater co-operation. The organisations involved are becoming more familiar with each other's sphere of activities and with the personnel involved. Time spent together is helping to build trust, a crucial component of long-term partnership success. At a strategic level, the partners are seeking a better alignment of policies.

Representation and involvement

Representation and involvement of relevant partners are enhanced through the partnership process, at the same time providing at least the potential for more effective policy, programme and project integration. The key development in the partnerships, at least in relation to those operating at the L*and* level, is the increasing involvement of the L*and* government in labour market actions, traditionally a policy field of the AMS. This is true in Carinthia in particular. It is important to recognise that while the social partners are members of AMS boards, the L*and* government is not. So, in the former case, the social partners will now be connecting more to economic development policy, as the L*and* government participates and there is a drive to link demand with supply. In the latter case, the L*and* is now able to contribute to labour market policy and actions, bringing its experience of demand-side measures and its spatial strategic planning perspective. Inevitably, this also will bring in the concerns of the municipalities as the next level of govern-

© OECD 2001

ment down from the L*and*. The AMS, however, is not organised below the level of the district, an area which, especially in rural areas, may well cover a relatively large number of municipalities. Linking demand and supply measures at a level below L*and* level is an issue not yet fully resolved.

A significant advantage is also the enhanced discretion of partners as a result of working in partnership. Partnership appears to encourage the AMS to be more flexible in its implementation rules with a shift further towards management by objectives rather than programme delivery. This is a big benefit of partnerships yet it will only be successfully achieved if the partnership is balanced and strategic in orientation. Otherwise, there is a risk that partners will try to take advantage of the partnership to target actions to their own specific interests and will see the financially dominant partners (*e.g.*, the AMS) as funding organisations.

Partnerships do not usurp the authority of the individual partners. For example, in Tyrol and Carinthia, the TEP *proposes* actions to the partners. The budgets remain with the partners and their lines of accountability remain as before across the levels of governance.

An important issue not yet fully resolved is that existing partners may feel threatened as participation increases through, for example, the introduction of new partners. Their sphere of responsibility, their power, their autonomy and their pattern of accountability to a higher level may be perceived to be, or actually will be, altered. In particular, organisations such as the AMS, that are accountable to the federal level, for example, in relation to targets, may feel "stretched" or may even feel divided responsibilities, between the local and federal levels, when working in partnership.

One potentially valuable group of partners does not appear to be involved in the local partnerships. Education and training institutes are largely absent in TEPs. While some institutes are indeed operated by the social partners, and are thus indirectly represented, their absence in relation to labour market policy is far from ideal, especially as it is now widely accepted that skill formation is so crucial to enhancing labour market performance and economic competitiveness (see, for example, OECD, 1998*d*). Moreover, skills measures are central to the following policies: the European Employment Strategy, which through its pillars and guidelines process provides the framework for the NAPs; the operation of the Structural Fund*s* (especially the social fund in the new 2000-2006 Programme for Objectives 1, 2 and 3); and to Austria's NAP itself.

Two other issues associated with representation and involvement are important to note. First, partnerships may well make more explicit rather than less, or enable the articulation of tensions in policy design. For example, the Chamber of Commerce has mixed feelings concerning some aspects of the TEPs. On the one hand, they recognise the value of activating labour market measures to fight, and

© OECD 2001

if possible avoid, long-term unemployment. On the other, they fear some active measures and, in particular, often see intermediate labour market (ILM) initiatives (*e.g.*, insertion companies) as potentially distorting competition with private sector enterprises. Not only do NGOs receive financial support to run the programmes but they are also exempt from having to pay a certain percentage of wage costs as a tax to the municipality. Unless the pact has clearly identified as a major objective the creation of new activities likely to be managed, at least in the medium term, by private enterprises (as in Tyrol), representatives from the private sector do not appear to have played a key role in pacts. In Vorarlberg, the Chamber of Commerce is a dormant partner; in Carinthia, it promotes a project that is not part of the pact's action programme. In both partnerships, the active involvement of employer organisations and individual companies is mainly sought in favour of individual projects rather than, more globally, in favour of the pact's overall action programme. In such cases, the key to success may be to work through tensions and differences in perspective in a desire to seek a common purpose. It may be dangerous to seek to avoid areas of tension, not to address them and to focus solely on areas of more easily attained consensus. This is to turn one's back on a central purpose and benefit of partnerships – the real construction of agreement and the actual resolution of tensions. If this is not sought, whole policy areas may be avoided and action may focus on less important, but more consensual, actions.

A second issue is to seek to ensure that the partnership not only has the key stakeholders represented but that they actively participate, contribute and are committed to it. In the early days of partnership, for example, in Carinthia, it is not surprising that some partners are particularly dominant and committed, primarily the AMS and the L*and* government. However, there is a need to build commitment in order to secure the appropriate range of partners. A danger is that partner "domination" may affect the partnership focus and orientation – more as a result of the leading role played by some partners and their own orientation rather than arising from the explicit and objective needs of the area they serve. This is not to question the motives or capacity of the leading partners who, after all, have been partly responsible for establishing or developing the partnership and the actual and potential advantages that ensue. It is just that their focus, concerns, knowledge, and commitment may not always be "holistic" enough to secure the range of actions that would be possible with wider participation and commitment.

Leading partners differ across the various partnerships. Partners who have played a major role in setting up the partnership also tend to have a dominant position in the structures and the management of the partnership and their major concerns and fields of activity seem to be well taken into account when the work programme is designed. They are also often the actors who choose to attend the meetings most regularly and who actively contribute to presentations and discussions. There may be a risk that objectives are defined too much according to the

© OECD 2001

prime concerns of such leading partners at the cost of local needs assessed in an objective way. For example, in Vorarlberg, among the leading partners, there are organisations active in intermediate labour market initiatives whose focus is the fight against long-term unemployment and re-insertion into the labour market.

Strategy, integrated approach and the long term

In developing their work programme, some local partnerships attempt to establish longer-term perspectives, cross-sectoral integration and know-how in strategy development. Wider scope in programming is likely to have an effect on the range of activities performed, and on the results obtained.

Several examples illustrate the development of cross-sectoral integration and the development of a wider, more comprehensive approach to development in Austria:

- through implementing cross-sector projects: a project carried out by the Tyrol partnership, Environment and Economy, has had positive repercussions on the economy, social cohesion, citizenship, environment, employment, education and better awareness of environmental issues;
- because co-operation undertaken in one field of activity induces co-operation in other spheres: in Berndorf, co-operation in training has led to co-operation in research and development, environment protection, human resource management;
- through the cross sectoral nature of agencies involved, as in Carinthia and Tyrol, multi-facetted programmes and projects are launched.

In Tyrol, project-based co-operation between key partners, and in particular between the AMS and the L*and* government, has become programme-based. In the past, the AMS at L*and* level had to ask for co-funding from the L*and* government for each individual project. Through approving the action programme for the pact, the L*and* also accepts the terms specified in the programme and no further negotiation with individual departments is required.

Longer-term planning and implementation for more sustainable results is also noticeable in Tyrol, where consultations on strategic development have been held between the L*and* government, the TEP and the regional development organisations at district level. Close vertical co-operation has enabled the creation of consistent objectives across levels of implementation and enhanced the opportunity to benefit from the expertise of each partner. As a result, the development strategy integrates labour market issues, innovation, technology and marketing.

There is also some evidence of strategic development in Carinthia. In both areas, however, it is less clear to what extent the AMS has been involved in the strategic process. In the latter case, TEP activities are integrated into both the L*and*

© OECD 2001

economic development strategy and the AMS employment policy. Co-operation in both cases extends beyond individual measures to the harmonisation of proposals and the development of an agreed, consensus approach.

Adapting to local needs

A crucial advantage of local partnerships is that they adapt national policies and programmes to meet local needs. This involves changing, developing or sometimes establishing measures that fit the particular requirements, distinctive characteristics and defined needs of the area. Such innovations require a sound understanding of the area's priorities and labour market needs, a willingness by local actors to change their practices and a commitment by agencies at a higher level to build the potential for adaptation into their design.

There is evidence that this adaptation is taking place in Austria. In Vorarlberg, the ILM projects that have been developed respond to local needs in the community (in terms of products and services), as well as to the needs of individuals who are disadvantaged in the labour market. In the Berndorf partnership, through grouping the needs for training from different companies, original standard training programmes have been customised so that they are better tailored to actual needs. In Tyrol, local actors involved in designing the action programme for the pact have been invited to participate in the working groups set up in order to prepare the development strategy for the L*and*, to implement a range of different projects to respond to local needs and to carry out a survey on local unsatisfied needs for services to people.

Innovative local projects can even become a source of inspiration for national programmes (*e.g.*, the ABF project in Vorarlberg and the Aktion 8000 programme at national level). Indeed, the assumed neutrality of a local partnership can facilitate such innovation. When a new idea is submitted, it is carried by the partnership as such and not by a particular individual or organisation. This "anonymous" origin can generate less resistance than if it is seen to emanate from the particular interests of one organisation. Innovation is not limited to designing new products and services. It also applies to the internal structure and management of enterprises: improved access to new markets is part of the work programme of the Tyrol partnership and further training is being promoted for workers in Berndorf.

Innovation also applies to the areas as a whole, as the following examples illustrate:

- Promotion of co-operation between companies in Tyrol.
- Introduction of new forms of work organisation by facilitating more flexibility in working time and combining different periods of seasonal work in order to secure permanent employment throughout the year: a project being developed by the Tyrol partnership.

© OECD 2001

– Avoidance of unfair competition between the private sector and intermediate labour market projects through: co-operating with the private sector to deliver services (Caritas' projects to recycle clothes in Vorarlberg, where clothes are collected by a private firm); sharing the market with private companies (Caritas' projects to recycle furniture, where Caritas picks up only parts of furniture people want to give away); making clear to the private sector that they can access the same public grants if they operate labour market measures similar to those implemented by NGOs (ABF, Vorarlberg); and offering products and services in niches where there are no private companies (a project in Tyrol).

Capacity building

An important benefit of partnerships is that they draw in organisations and individuals who can contribute to more effective action at the local level. In this way, local capacity is built, particularly if the partners commit to the wider objectives of the partnership and are prepared to learn from each other's experiences.

At the project level, there is evidence of considerable local involvement, participation and commitment (*e.g.*, a village renewal project in Tyrol, in the village of Tarrenz). "Cultures" are being guided away from resignation that they can achieve little, or that the problems are too difficult to resolve, towards enthusiasm and confidence that things can change for the better, through more concerted, collective, agreed action.

Furthermore, the exchange of experiences and the organisational learning that is developing bodes well for the future. For example, in Vorarlberg, Caritas' ILM projects provide participants with personal development services (follow-up by social workers, training) from which other ILM NGOs can learn. Business organisations organise and chair meetings on quality management. In Berndorf, the AMS organises meetings between two separate networks of enterprises that both implement joint projects.

Another example is the way that pilot actions and models for other areas have been developed by using experience acquired in some areas. In the Environment and Economy project in Tyrol, a pilot project was started in one of the three districts covered by the partnership, and when the evaluation proved to be positive, the project was extended to the other two districts. The pact in Tyrol is itself a pilot action, and based on the results achieved, the L*and* will decide whether or not to extend it to the whole L*and* (one pact for the whole L*and* or several pacts in order to cover the whole L*and*), from its current focus on three of the eight districts.

© OECD 2001

With regard to external evaluation, in Vorarlberg, the 12 NGOs involved in the partnership have accepted to undergo external evaluation by an independent organisation selected from five bids which the pact received following a tendering procedure. The aim is for NGOs to improve their efficiency. The results will also be useful to the projects themselves for self-evaluation and public relations. A workshop on innovation and organisation held in 1999 provided an opportunity for NGOs and private companies to discuss the results obtained.

Consulting and economic development organisations

A distinctive characteristic of the Austrian system is the extensive involvement of consultants and other organisations as agents of regional development. These are valuable organisations, which are able to provide technical assistance at the local level, that is to say, all levels beneath that of the L*and*, where capacity is limited. They are able to work flexibly but are also well connected to the agencies involved in regional economic development and labour market policy. They are of three main types. First, a number of organisations interfacing with the AMS are able to contribute primarily to employment policy (*e.g.*, ÖSB, IFA). Second, several organisations connect to the chancellery and contribute primarily to regional economic development (*e.g.*, ÖAR). Most of these consultative organisations have offices at the L*and* level – and are networked at federal level by an umbrella organisation. Third, a number of regional development organisations have been set up at district level. These organisations manage certain EU Structural Fund operations available in their area (Objectives 1, 2 or 5b programmes). They may also design local economic development strategies based on municipalities' objectives. Regional development organisations may be critical to success. In Tyrol, where they form the backbone of the TEP, they provide a link between the objectives of the municipalities and those of the L*and* government. A greater consistency of objectives which results may contribute in the design of a more integrated, long-term development strategy, as seen above. Greater co-ordination also assists in developing and sharing good practice and building networks.

The existence and importance of consultancy and regional development organisations reflect not only the relevance of their work, but two structural elements in the Austrian system. First, capacity for strategic development at the local level is often limited. The vast majority of municipalities are very small, with few staff, and they have modest employment and regional development agendas. The AMS district offices concentrate on the implementation of labour market policies. These apart, there is no existing body to carry through policy at a level below that of the L*and*. These consultancy and regional development organisations help fill this vacuum. Second, they emphasise the need for managerial and technical expertise in order to design and deliver policy effectively.

© OECD 2001

Jobs and development

It is important to close this section on the performance of partnerships by drawing attention to the fact that, ultimately, an important benefit of local partnerships is the additional jobs and economic development activity that would not have been created without their existence. As a result of the work of partnerships, more jobs should have been created and more unemployed and other disadvantaged groups integrated into the labour market than would otherwise be the case. This is the ultimate test for partnerships and, though difficult to assess, evaluation research should be undertaken in an attempt to capture and disseminate further evidence of the added value of partnerships.

Two examples of the direct effect of partnership activity on jobs come from Vorarlberg and Tyrol, where jobs are being created directly for unemployed people through intermediate labour market initiatives or integration enterprises. The provision of domestic services, garden furniture, clothes, electrical goods and furniture recycling, and environmental and energy improvements not only meet local needs and begin to create a new "market", they also create direct employment and work experience for those who would not otherwise be employed.

In Vorarlberg, management seminars and the professionalisation of voluntary workers and, in Tyrol, stimulation of business start-ups through market research studies and actions to stimulate the demand for services are other examples of partnerships' direct effects on employment.

Enhancing the effectiveness of partnerships

Integration?

One of the most important benefits of local partnerships is the ability to develop an integrated approach to local development: a long-term area-based development strategy is elaborated in the first place, then implications for the different fields of policy and actions at local level are derived which, in turn, translate into specific projects. Such development strategy might include components such as support to existing indigenous enterprises, inward investment, infrastructure and land use, skills (education and training) and the labour market.

Significant efforts have been devoted to longer-term planning within an integrated approach in Tyrol, and some evidence of success in this regard has been gathered (see the previous section). However, activities consist mainly of a series of projects which "fill the gap" between regional and local needs and the activities of the AMS. Activities are focused on four areas: regional value added (assistance in the marketing of localities and the support of local shops); young people, apprenticeships and career guidance; innovative models to tackle seasonal unemployment; and the development of household services to integrate women and

© OECD 2001

young people in particular into the labour market through ILM initiatives. These activities, taken together, do not constitute an integrated, holistic approach to labour market policy and economic development.

In Carinthia, the focus is on unemployment through developing primarily four sets of measures: the non-profit subsidy, social firms, new labour foundation models, and childcare projects. Again, these are pursued in the frame of the regional strategy but do not amount to an integrated, cohesive or comprehensive approach.

Some partnerships, as in Vorarlberg, have put a strong emphasis on long-term unemployment. Objectives of the partnership in Vorarlberg over the next two years are to provide 200 temporary employment opportunities for the long-term unemployed and to reduce long-term unemployment in the area by 20 per cent. Yet long-term unemployment is not the sole or most crucial employment issue in the area. Seasonal employment, part-time employment opportunities for women, adapting to change, skills development, labour market flexibility, could all be considered to be more or as relevant.

The focus on long-term unemployment may be inappropriate in some areas, given the short-term nature of the bulk of unemployment and the effect of seasonal activities. For instance, in Tyrol, only seven per cent of the unemployed are long-term. That focus may be due to several factors: programme-driven funding streams aimed at this target group; partners having a particular interest or expertise in these areas of work; projects seen to be particularly successful.

Greater congruence may be required between the objectives set at the federal level for local partnerships (*e.g.*, NAP implementation) and those envisaged and actioned by the local partnerships themselves. Partnerships should consider how they could make a wider, more systematic contribution to economic development and labour market issues, and the federal government should consider the establishment of terms of reference or a set of guidelines within which partnerships could be established and developed.

Managing the partnerships

In the partnerships, it is important to ensure that all the key stakeholders are represented and that an effort is made to ensure their effective involvement and participation. Currently, actual participation and the degree of involvement vary significantly across the partnerships. In Carinthia, for example, formal participation is high but several partners have limited concrete involvement. In Vorarlberg, meanwhile, the range of participation itself is limited. Parties should have clear roles and responsibilities in relation to the partnership agenda. In Carinthia, it is not yet clear to many partners what their roles and responsibilities are, or could be, in the partnership or in implementing the partnership's plans.

© OECD 2001

In relation to the implementation of its strategy, the partnership needs to have sufficient policy and project discretion so as to discharge its responsibilities and meet local needs effectively. This will require a flexible approach from agencies where such power resides at a higher geographical level than that at which the partnership is constituted. For example, it will require flexibility on behalf of the AMS when partnerships are at district or group of district levels. Flexibility on the composition of the board is also needed in order to reflect the priorities of the partnership.

The terms of reference, framework or guidelines for partnerships should provide guidance on their membership, the means whereby their active participation can be stimulated and sustained, and partner roles and responsibilities.

Levels and the scale of partnership

Employment policy and measures are implemented by the AMS at L*and* level (nine offices) and district level (110 offices). Political representation exists at the L*and* level (L*and* governments) and at municipal level (more than 2 300 municipalities). In the 99 districts (B*ezirken*) in between, there is no political representation, with only administrative tasks being carried out at that level.

What is the most appropriate of these levels for establishing and developing partnerships for employment and economic development policy: L*and*, groups of districts, district, municipality? Below are some criteria which may assist in taking a view on the appropriate level, together with the possible level, that the criteria implies (Table 15).

It can be seen from Table 15 that there is no "unique fix". However, a number of the criteria do effectively rule out municipalities. First, in general they make

Table 15. **Geographical relevance of selected criteria, Austria**

Criteria

Criteria	Implied level(s)
Political representation	L*and* or municipality
Involvement of social partners	L*and* or district
Administrative structure	L*and* or district
Identity	L*and* or municipality
Labour market coherence	Group of districts or L*and*
Economic homogeneity	Group of districts, district, municipality
Fiscal resources	L*and*
EU programme coverage	Groups of districts
Economic development	L*and*, groups of districts or district
Existing arrangements for TEPs	L*and* or group of districts

Source: M. Campbell.

© OECD 2001

little sense in labour market terms – in terms of travel to work patterns or a "critical mass" of numbers employed/unemployed to whom measures could be addressed. Overhead costs (per beneficiary) of management at this level would also be very high. Second, the resource and expertise available is very limited. Of the more than 2 300 municipalities, more than 2 100 (or 90%) have populations of less than 5 000. Only 24 (around 1%), have a population of more than 50 000. Together they employ only 79 000 people, an average of little more than three per municipality. The district level is also likely to be too small in labour market terms, despite the fact that the AMS is organised at this level for operational purposes. Economic homogeneity can be found at district level, but also at higher sub-regional levels.

This leaves the L*and* level and the sub-regional level between L*änder* and districts and which effectively constitutes groups of districts. As we now know, most current arrangements for partnerships are at the L*and* level (*e.g.*, Vorarlberg or Carinthia). This level has several advantages. There is strong political representation, clear identity, the social partners are relatively well organised, resource and expertise availability is considerable, and the case is strong in economic development terms (in terms of both scale and the level at which it is formulated). Its potential weaknesses relate to the limited capacity to engage a wider range of partners beyond the traditional social partners and the L*and* government and its lack of meaning in labour market terms. It is too large to provide an effective means of identifying local (labour market) needs and in no sense does it constitute a local labour market either from individuals or employer perspectives.

The level of groups of districts has several advantages, most notably that it can be defined in appropriate labour market terms, that EU programmes are often organised along similar lines and that evidence suggests that where current arrangements are undertaken at this level as in Tyrol, they work well. Moreover, social partners may be more flexible at this level as it is not one at which they are operate in protecting rigidly the interests of their members. However, there is no political or administrative structure or resource at this level, a sense of identity may be weak (although not in the group of districts covered by the pact in Tyrol), and it may well make little sense for some economic development activity, most notably inward investment. Thirty-five groups of districts in Austria, each covering up to six districts, have been designed by the EU, mainly for statistical and programme implementation purposes.

Further consideration should be given to the most appropriate level at which partnerships should be established. Sub-regional levels seem to be more propitious to the development of an integrated approach to development and labour market. However, a number of issues, such as the position in resource and policy terms and the choice between strategic or operational roles, also need to be taken into account, as will be seen below.

© OECD 2001

Managing across the levels

In a federal state where the social partners (the government, employer and worker organisations) are well organised and have clear roles, the relationships vertically across geographical levels but within the sector are likely to be sound. However, relations between the sectors, horizontally beneath the federal level may require attention unless specifically addressed, as in the AMS structure. Moreover, with different ministries being responsible for different relevant areas of policy and with different agencies at L*and* level being responsible for different areas of policy, relations may well require positive fostering. This is especially so where the level at which it may be most appropriate to engage in partnership work has either a relatively weak position in resource or policy terms or may not even exist as is the case, for example, at the sub-regional level (districts and groups of districts).

While the regional development and management organisations play a critical role at this level, they only cover areas eligible for certain programmes of the EU Structural Funds (Objectives 1, 2 and 5b). These relations can be fostered, however, in an appropriate policy environment. For example, Structural Fund operations in Tyrol have clearly helped to establish good links between the "three district" level of TEP operation and the L*and* level, in an "upward" direction, and to the individual district/municipality level, in a "downward" direction. A difficulty remains outside the three districts, as there is no TEP or other partnerships elsewhere in Tyrol covering the remaining five districts. However, co-operation on specific projects has been established with other districts of the L*and*, and it is possible that the TEP could spread as the benefits of working in partnership are realised and promulgated.

It may be desirable to establish measures to encourage building relationships between the partners should partnerships be formed at the sub-regional, group of district level.

Strategic and operational partnerships

The central tension and choice in determining the appropriate level and scale for partnerships is probably between: 1) a nexus of needs assessment, local knowledge, networks and a strong sense of community ownership and involvement, which points to many and relatively small partnerships; and 2) a strategy, resource and labour market/economic development nexus which points to fewer and relatively larger partnerships. Moreover, if co-ordination between economic development *per se* and employment policy is to be facilitated, it is hard to imagine how this could be achieved below the L*and* level given existing competencies, the scale at which many economic development activities need to be undertaken and the existing spatial planning arrangements where the L*and* governments have

© OECD 2001

responsibility for drawing up the L*and* development plan. It is also the case that, at the L*and* level, the AMS is charged with "co-ordinating the work of the AMS with that of the L*and*".

It may be that a strategic approach to economic development and employment policy can best be developed at L*and* level (although it may be more difficult to develop an integrated approach at this level), with operational programmes (actions) being managed by a partnership at the level of groups of districts. Operational partnerships could be developed at sub-regional level, though our discussion does also raise the much wider issue of whether the current geographical and organisational structure of both governance and that of the AMS is appropriate to contemporary needs in these fields.

Currently the Vorarlberg TEP (which operates at L*and* level) is very much operationally focused with a very limited strategic perspective and no integration with other elements of what might constitute an integrated, cohesive employment and economic development approach for the L*and*. In Carinthia, the TEP (again operating at the L*and* level) operates largely at a strategic level though its proposed operational activities are more narrowly constrained. In Tyrol, the TEP appears to have a strategic approach and, since it is located at the sub-regional level, it also operates projects at local (*i.e.*, municipal) or district level.

Consideration could be given to the establishment of strategic partnerships at the L*and* level to co-ordinate employment and economic development policy, and of operational partnerships at sub-regional (group of districts) level designed to deliver policies through programmes and projects. Close connections could be established between the two with the former providing the policy framework for the latter, which would have substantial operational/budgetary discretion to take actions in accordance with local needs. Alternatively, a looser arrangement would be one which established co-operative links between strategic bodies at the L*and* level and partnerships at the sub-regional level.

S*kills, employment and economic development*

The focus of much local partnership activity is on labour market disadvantage, enhancing employability and improving access to employment. However, even when a more comprehensive approach to labour market policy is developed or when it is more closely tied to economic development policy, there appears to be a surprising lack of focus on education and skills development (except in the Berndorf partnership, devoted to these issues). The key educational and training institutions are not usually represented in the partnerships. Few projects appear to focus on the adaptation of skills to economic and technological change, on basic skills, on transferable skills, on information and communication technology skills, on enterprise skills or on management development. These are often key areas in

© OECD 2001

government policy in OECD countries, in EU Structural Fund programmes and in the NAPs of EU countries. Moreover, recent studies have clearly demonstrated the vital importance of education, training, skills and qualifications to individual, business and economic success (OECD, 1994, 1996*d* and 1998*d*). It would appear to be a valuable development of existing practice if, particularly vocationally oriented, institutions were involved in the partnerships and if skills issues were given a higher profile. It would certainly also connect well to effective implementation of the NAP at local, regional and L*and* levels, as the Austrian NAP, in common with those in other EU member states, places much emphasis on skills development and the importance of the local level.

More explicit connections could also usefully be made between economic development, labour market and skills issues in local partnerships in order to develop a more integrated approach. This would require a more strategic approach, the explicit co-ordination of economic development and labour market actions, and a focus on the employability and adaptability of the workforce, employed and non-employed.

T*he role of municipalities*

Municipalities have an important statutory role to play in the spatial planning system. They are the only democratic territorial authority below the level of L*and*. They also provide a strong sense of identity, community and "voice" for people and business, perhaps particularly so in rural areas. It is important therefore to secure their involvement, or at least commitment, to partnership formation and development. This is currently unevenly developed. However, it will also be important in developing partnerships to encourage municipalities to be more "open" in their perspective, by adopting a wider view of partnership benefits.

Currently, it is perhaps the case that some municipalities have a vested interest in jobs and unemployment issues in their particular area, which sometimes prevents them from adopting a wider perspective. Such interests also provide perhaps excessive encouragement in the belief that they "all" need to be represented on partnership bodies at district or regional level. This arises, in part at least, from the specific financial benefits that accrue directly at municipal level. First, local tax income is partly a function of the numbers of people employed in the area (though the equivalent of 0.3 per cent of the wage bill in terms of revenue). Second, they will also be keen to avoid long-term unemployment because they are responsible, together with L*and* governments, for paying "third level" social assistance, once entitlement of unemployed to unemployment insurance and assistance is expired. It may be useful for financial incentives to become more congruent with partnership arrangements, so that the focus and responsibilities of the partnerships reflect local needs.

© OECD 2001

Sustaining partnerships

If partnerships are to be encouraged, developed and sustained it will be desirable to undertake a series of actions to secure their ability to be efficient and effective. Most are funded, either through the EU or the federal government, on a short-term basis and, in many ways, operate as pilot actions.[2] A number of actions could be considered which would help to sustain them.

The government could establish partnerships as a nation-wide component of a territorial system for labour market policy and economic development, and provide a management framework for them in terms of strategy, targets, performance review and evaluation. A range of capacity building measures would also enhance the capability of partners and partnerships, for example, the development of a network of partnerships to exchange know-how and the establishment of a permanent secretariat to advise and oversee their development. Furthermore, regional development organisations could be directly involved in the partnerships, and the consulting organisations could be further encouraged to transfer their know-how to the partnerships. Partnerships could also develop the participation of other groups outside the traditional social partners, in particular NGOs.

There is a considerable commitment to, and dynamic in, the development of local employment partnerships in Austria. The future can build on both the strengths of recent experience and the lessons we can learn from the various ways that the different partnerships have operated in recent years.

Notes

1. The document also refers to the close co-operation between the Ministry and the LEED Programme of the OECD, which provides information and advice on local economic and employment development. Ministry officers confirmed that this co-operation had played a significant role in the development of a national policy on territorial pacts.
2. TEPs have been integrated in the Austrian programming of the EU Structural Funds for the period 2000-2006.

© OECD 2001

Annex

1999 AMS Targets

Overarching target dimensions	Strategic foci	Targets	Indicators
Equality of opportunity	Preventing exclusion from the employment market[2]	– Preventing long-term unemployment[2] – Integrating long-term unemployed into the labour market[2] – Stabilising the occupational rehabilitation of disabled persons registered as unemployed at the 1997 level[2]	– Entries into LTU (> one year)[2] – Exits from LTU (< one year) into employment (absolute)[2] – Annual average numbers in vocational rehabilitation measures[2]
	Promoting structural change in the labour market[1]	– Improving the labour market opportunities of women through qualification[1]	– Transitions by women to employment following training[1] – of which: from training measures lasting longer than three months[1]
	Optimising labour market matching[2]	– Maintaining the "market share" of the AMS on the job market[2] – Improving the utilisation of the domestic employment potential[1]	– Absolute number of recorded vacancies[2] – Successful nation-wide placements in the tourist industry (PST and ADG)[1]
	Optimising the provision of administrative services[2]	– Prompt approval of financial benefits[2]	– Backlog of completed but unpaid applications by the 20th of the following month[2]
	Preventing youth unemployment[1]	– Integrating young people and registered training-seekers into the labour market and vocational training, respectively[1]	– Entries by young people under 25 years into LTU (> six months) including training-seekers as of the sixth month of availability[1]

1. AMS annual targets.
2. Targets from the National Action Plan.

Source: European Commission (1999*b*).

© OECD 2001

Chapter 11

Broadening Social Dialogue: the Experience of the Flemish Region of Belgium

by **Sarah Craig,**
Centre for Social and Educational Research, Dublin Institute of Technology, Ireland

Overview of the Flemish context

Flanders is one of the regions of the federal state of Belgium. The essence of the Belgian state structure is embodied in the first article of the Constitution, which states: "B*elgium is a federal state made up of Communities and Regions*". The country opted for a system of dual federalism in 1988, which means that the federal government is limited in its ability to interfere in community or regional affairs.

In Flanders, the Dutch-speaking community and the Flemish region are governed by an elected parliament and executive. The federal state retains powers covering defence, justice and social security. The regions supervise the local provinces and municipalities as well as areas such as environment, housing, employment, economics, agriculture and energy.

In the country as a whole, a period of economic growth, redistributional policies and institutional consultation between 1945 and the 1970s gave way to increased unemployment, declining state revenues and austerity politics in the 1980s and 1990s. However, considerable economic growth and a period of recovery have improved the Belgian economy in the mid-1990s – Flanders has the second highest GDP per head, preceded by the Brussels region.

Features of the Flemish Labour Market

Table 16 below presents data on the population in Flanders as well as the labour force activity rate, employment rate and unemployment for the region. The total population of Flanders in 1999 was just over 5.9 million people. The unemployment rate is low at 5.5 per cent and the employment rate of 58.9 is ranked fourth lowest in the EU. The proportion of the population aged

© OECD 2001

Table 16. **Labour force, employment and unemployment in Flanders, 1999**

	Working age (15-64) population (thousand)	Labour market participation rate (%)	Employment rate (%)	Unemployment rate (%)
Males	1 993	74.6	71.3	4.4
Females	1 940	57.5	53.6	6.7
Total	3 933	66.2	62.6	5.4

Source: National authorities, Eurostat Labour Force Survey, WAV (2000).

between 15 and 64 years available for employment is 63.5 per cent, slightly lower than the European average (67%).

A number of features distinguish the labour market in Flanders. First, there is a high level of unemployment among certain groups of the population. The rate of unemployment among young people is around 20 per cent; 11.5 per cent for females, compared with 5 per cent for males. Immigrant populations also have relatively high rates of unemployment.

A second feature is the ageing population structures. In Flanders, one million people are in the 50-64 years age group with only 728 000 in the 15-24 years age group. This low level of availability of the population is becoming increasingly problematic. There is a range of labour market opportunities but few job seekers to fill them. In Belgium as a whole, the employment rate of men aged 55-64 years fell from 48 per cent in 1983 to 34 per cent in 1995, the lowest rate, along with Finland, in the OECD countries (OECD, 1997). In the 1990s, the authorities tried to rise the early retirement age gradually.

Another feature of the Flemish labour market is the high degree of differentiation of the employment situation. The unemployment level in regions such as Kortrijk and Vilvoorde is approximately 6 per cent while it is over 10 per cent in areas such as Limburg. Since 1995, there has been an increasing decline in the official number of registered unemployed in Flanders by 3.5 per cent between 1995 and 1996, by 7 per cent between 1996 and 1997 and by approximately 11 per cent between 1997 and 1998. This means that in 1998, there were on average 26 000 unemployed job-seekers fewer than in the previous year (WAV, 2000).

There has been a clear increase in the demand for workers in recent years. This is apparent from the increasing number of vacancies notified to the public employment service (VDAB – *Vlaamse Dienst voor Arbeidsbemiddeling en Beroepsopleiding*, or Flemish Office of Employment and Vocational Training) year after year.

In 1998, the VDAB dealt with almost 140,000 job vacancies – an increase of approximately 50 per cent since 1994. Moreover, Flemish labour supply also meets the demand in other regions of Belgium, in particular the Brussels Region.

© OECD 2001

The comparison of the number of workers and jobs partly reflects this situation. In 1998, about 2.36 million people were working in the Flanders region – the number of jobs was estimated at 2.4 million (WAV, 2000).

Flemish policy development

There are four levels of elected government in the Flanders region:

- The Belgian federal government has responsibility for monetary policy, fiscal policy, trade, company legislation, defence, justice, social security, internal security and foreign affairs.
- The parliament of Flanders, elected every five years, holds legislative power for the region. It also appoints the ministers of the government of Flanders, headed by the Minister-President, which oversees regional and community matters. Regional powers relate to the territory and its administration: economics, infrastructure, agriculture, environment and employment. Community matters are those which primarily concern the inhabitants of the Flemish region and the Dutch-speaking population of the Brussels region: education, welfare, public health and culture.
- The 308 municipalities, spread over five provinces, are involved at various degrees in both Flemish and national issues, mainly with regard to service delivery. Municipal and provincial elections take place every six years.

With regard to labour market and employment policy in Flanders, responsibilities are divided as follows:

- federal level (parliament and government, with the social partners): employment insurance, labour standards and working conditions;
- regional level (Flemish parliament and government, with the social partners): active labour market policy, training and guidance, education, economic development;
- provincial and municipal levels (elected and executive councils at both levels): involvement, but no exclusive competency, in social and economic issues.

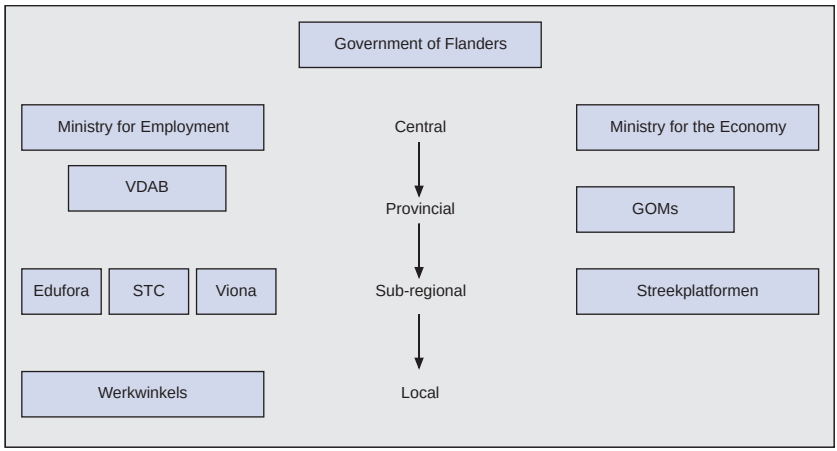
The Flemish Ministry for Employment (a part of the Ministry for the Flemish Community – EWVL) is responsible at regional level for employment and training matters. The Ministry consists of four divisions: Employment, Migration, European Affairs and Inspection; and three units involving the social partners: Edufora (training), VIONA (research) and STC (sub-regional employment committees, studied in this chapter).

In essence, the Minister for Employment sets policy objectives which are executed by the Ministry for Employment through the VDAB, the STCs, which

© OECD 2001

co-ordinate labour market measures at sub-regional level, and by the *Werkwinkels*, one-stop agencies for services delivered by the VDAB and the local authorities at local level (Figure 11).

Figure 11. **Flemish organisations in economic and employment development**



VDAB has a central role in matching labour supply and demand and in providing training to ensure that the labour supply has the suitable qualifications for existing employment. There are 14 sub-regional VDAB offices and a number of local agencies in Flanders. Consistent with the decision made to open the placement field to the private sector, the government's Coalition Agreement (1999-2004) has identified a different role for the VDAB in the future from one of central placement service provider to one of co-ordinator of the services provided. In pursuing its aim of ensuring labour market efficiency, the VDAB is encouraged to co-operate with the private sector and support its initiatives. The services provided by the VDAB should complement those of other partners in order to answer the needs of all groups in the labour market, including the disadvantaged ones.

The Minister for the Economy has responsibility for economic development policy. He is also responsible for the work of the regional development agencies or GOMs (*Gewestelijke Ontwikkelingsmaatschappij*), one in each of the five provinces, and at sub-regional level for the *Streekplatformen* (partnerships involved in local development, studied in this chapter).

© OECD 2001

In addition to those bodies under the responsibility of the Flemish government, a number of organisations operate at local level. Municipalities have checkpoints for unemployment insurance benefit recipients to have their cards stamped. Through OCMW (*Openbaar Centrum voor Maatschappelijk Welzijn*, or Public Centre for Social Welfare) offices, they also administer social assistance (Minimex) on behalf of the federal government. At the request of the federal government, local municipalities establish local employment agencies for the social economy (PWA – *Plaatselijk Werkgelegenheidsagentschap*), to provide the long-term unemployed on welfare assistance with the opportunity to gain work experience in social economy initiatives.

Other local initiatives have developed a focus on the social integration aspects of labour market policy. For example, in Ghent, the LWB (*Lokaal Werkgelegenheidsbureau*, or Local Employment Bureau) implements, through the local municipality, strategic plans aimed at the reintegration of the long-term unemployed and at increasing labour market participation. The LWB offers specific services such as training, job experience and counselling.

The EU plays a significant role in the economic and employment development of the region. Through the European Social Fund (ESF) notably, it contributes to training and re-integration activities for the unemployed. The EU's involvement has emphasised the need to take account of regional differentiation in policy development (VEV, 1999), an approach that now permeates most of the Flemish government's employment directives.

The role of the social partners

Flanders has had a long tradition of social dialogue. In Belgium, there is a highly developed system of co-operation between the social partners. For example, vocational training, which is regarded as an important element of labour policy, is subject to national collective agreements covering a period of two years. While national collective bargaining takes place at the federal level, training and employment policy has been delegated to the regional level. At the Flemish level, the VDAB is co-managed by the social partners and the government.

At an individual sector level, joint committees have been established within which collective bargaining takes place. In principle, joint committees cover the sector as a whole. In large sectors such as food, metals and the chemical industry, there may be sub-sector joint committees. Trade unions are powerful in the Flemish context, a result of their large membership, favourable legal status, financial resources and their close links with the political parties.

The Flanders Social and Economic Council (SERV – *Sociaal-Economische Raad van Vlaanderen*) is the consultative body of the Flemish social partners. Social partner consultation in Flanders differs from that at the federal level. In Belgium, the two

© OECD 2001

areas of wages and collective agreements, macroeconomics and competitiveness are the responsibility of two separate organisations but in Flanders, SERV is responsible for both of these. SERV also provides the secretariat for VESOC (*Vlaams Economisch en Sociaal Overlegcomité*) – the Flemish Economic and Social Consultative Committee – which is a forum for social partners and the Flemish government to come together. The committee has a broader brief than consultation – it also plays a role in policy formation.

The aim of sustainable employment formed the basis of a global vision between employer organisations and trade unions in Flanders concerning steps needed to expand employment in Flanders in the 1998-2000 Framework Agreement between Flemish Social Partners on Employment (1997). This was the first time that the social partners in Flanders, without government involvement, reached such an agreement between themselves (VEV, 1999).

The social partners see a role for themselves in local and sub-regional development issues. For example, one of SERV's roles is to promote the regional development of socially and economically underdeveloped areas in Flanders. They provide representation on a tripartite basis to sub-regional structures such as the *Streekplatformen* and the STCs, which are studied in this report, and play an important role in territorial employment pacts as well as local initiatives on job creation. They are also involved in bodies co-ordinating training and education activities (EDUFORA) and conducting labour market analysis (VIONA).

Context for the development of local partnerships

In June 1999, a new coalition government came to office. The new government displays a move away from the predominantly Christian Democratic Party to a much broader-based coalition incorporating interests such as the Green Party and the socialist, liberal and Flemish nationalist parties. The Coalition Agreement referred to earlier sets out the programme of work for the government for the next five years. The Agreement identified, among its priorities, the importance of integrated service delivery and a "customer-friendly" approach (Government of Flanders, 1999). In this regard, the Agreement identifies the one-stop shop approach as an integrated point of contact for individuals in each municipality where services can be accessed by people.

The Coalition Agreement also gives a commitment to the principle of subsidiarity and to democratic legitimacy. This means that policy decisions are taken at the most functional level and with as much contact as possible with local people. The municipalities have been identified as having a central place in this, a policy in keeping with that of previous governments. The Agreement also identifies a need for consultation with a range of partners and dialogue between government and the local community.

© OECD 2001

This policy on democratic legitimacy and sub-regional development has underpinned the development of local partnership organisations in Flanders. The Agreement states: "*For the three directly elected levels of government* (*Flanders, provinces, local administrations*), *some clarity should be established* (…). *In the context of an area-oriented approach, space will be reserved for local and sub-regional concerns and requirements*" (Government of Flanders, 1999).

Following on from the Coalition Agreement, each ministry has developed its own policy document, which sets out key strategic goals. Labour market policy goals are centred around the target of increasing the employment participation rate for the region from 63.5 per cent to 65 per cent. This will require an annual increase of 30 000 jobs over five years. The main areas of concern include sustainability, social profit, individual autonomy and division of labour.

To achieve these goals, the Ministry for Employment will address the development of the social economy, corporate governance, equal opportunities, training and life-long learning, and integrated basic services for all in a one-stop shop approach. This integrated service approach is driven by the stipulation of EU funding programmes (Objective 3 of ESF) which demand greater involvement of local government and more responsibility at sub-regional level.

In the implementation of these policy goals, there is an increased emphasis on decentralisation towards a sub-regional level and the development of social partnerships, notwithstanding the fact that there has been a long tradition of social dialogue and partnership in Flanders.

High-risk groups on which policy should concentrate, as identified in the Agreement, include women, young people and immigrants. The creation of jobs for these groups is more difficult to realise than it is to implement ordinary economic development. It has been recognised centrally that targeted measures are needed to deliver on these goals. To make these measures successful, collaboration and co-operation, particularly among the main agencies responsible for labour market policy, are regarded by government as central to the initiatives being developed. Focus has also been placed on working with companies to encourage them to take on long-term unemployed people. The STCs in particular have been assigned a role in this regard.

In addition to the formal policy context, over the past few years, the Flemish government has recognised the need for greater co-ordination of the range of policies that impact directly or indirectly on the labour market. The expansion in the number of bodies involved in the policy arena has resulted in greater efforts to avoid duplication and overlap, fragmentation of government funds and lack of coverage in some areas (WAV, 2000). This had led to a greater emphasis on sub-regional and local development initiatives that are aimed at bringing the policy process "closer to the client" (both unemployed people and employers). In this

© OECD 2001

regard, the one-stop shops fine tune the services of the VDAB and the local authorities and create a more integrated service. In view of better integration between sub-regional organisations such as the STCs and the S*treekplatformen*, one approach has been the development of "houses of the district" (*streekhuizen*) which are designed to bring together the staff of these organisations in the same location within the region they serve.

In Flanders a number of key features have contributed to the development of local partnerships. These are:

- The long tradition of social dialogue mentioned previously and the key role played by the social partners in decision-making is now being encouraged at sub-regional and local levels.
- A specific recognition by government of the value in achieving the objectives outlined in its employment policy through sub-regional and local development. The emphasis on regionalisation is underlining much of the eligibility for EU funding. To date, there have been good results in integrated regional social and economic policy (particularly in EU Objective 2 areas, such as Turnhout and Limburg).
- The decentralised public employment service which operates across the Flanders region. VDAB has local and sub-regional offices in the Flanders area. Their local presence has ensured their involvement in several of the local partnership initiatives that are underway.

The impact of these and other factors on the development of partnerships is discussed in more detail in the following section.

Sub-regional developments and local partnerships in Flanders

Economic policy in Flanders is focused for the most part on improving economic growth, income building and employment growth. Recent policy trends have shown a shift from:

- a policy of industrial reconversion to one of creating the conditions for strong economic growth;
- a focus on disadvantaged or poorly developed areas to one of a broader focus on all areas;
- a centralist direction to a bottom-up consultative approach.

As part of this regional approach, a number of sub-regional developments have taken place.

© OECD 2001

Origins of local partnership organisations

In the context of the new policy trends identified above, a number of local partnership initiatives have been established. These are outlined below.

Streekplatformen (district platforms)

In 1994, the *Streekplatformen* (or district platforms) were established at a sub-regional level to work on the economic development of their region. The main tasks of the platforms were to:

- undertake an analysis of strengths and weaknesses, opportunities and threats (SWOT);
- design a "vision" and plan for the area;
- identify and undertake a number of leverage projects.

The role and function of the platforms were not in delivery but in identification of key priorities for other delivery agents to act upon. As a consequence, funding for activities and programmes has not been allocated directly to them.

Today, district platforms deal with a broad array of policy and government domains focused on a particular geographical region, including spatial planning, infrastructure, education, environmental issues and tourism. The primary focus of the platforms' work is the economic development of the regions they serve. However, they also have a remit in social and environmental development. With regard to labour market policy, the platforms play a role in developing enterprise and competitive growth as well as an integrated approach to employment development by working on both the supply and demand sides of labour.

The platforms act as think-tanks aimed at designing a strategy for the regions they serve. They consist of the "living forces" of a region which, in turn, can exert influence on their partner organisations to ensure change. Membership of the platform implies that the individual must prove an added value to the region and to the platform itself. Members of a platform must reach a consensus – only project proposals supported by all members are taken into account by the Flemish administration. The consensus approach is designed to create co-operation and a common agenda within the sub-region. In some areas, the platform was set up mainly in response to a particular local need. For example, the platform Midden-Limburg was established to find ways "*to escape the downward spiral following mine closures*" (LEDA, 1998*b*).

Membership consists of the main organisations with responsibility for economic development issues (GOM, social partners, chambers of commerce and Ministry for the Economy). The municipalities, which make up the area of responsibility covered by the platform, are also represented. This membership is on a

© OECD 2001

Figure 12. **Map of Belgium: the Flemish Region *(Vlaams Gewest)***



voluntary basis. The links between the partners represented on the platforms are sometimes loosely defined by comparison with other, more formalised partnership arrangements in the European context.

The primary movers in the set-up of the platforms vary. In some cases (in Ghent, for example), the local chamber of commerce took the initiative; in others, the local municipality was the key partner. District platforms receive 49 per cent of their operating costs from the Flemish government to a maximum of two million BEF[1] per year. It is anticipated that this funding will be made available over a three-year period in the future. The area of responsibility covered by each platform was also, to a large extent, determined by the partners themselves rather than prescribed by the Flemish government. The only role for the Flemish administration is to assess whether the territory has "critical mass". Currently, there are 17 platforms active in Flanders, and, on average, the territory of a platform is smaller than that of an STC.

© OECD 2001

Sub-regional employment committees (STCs)

A sub-regional partnership arrangement which occupies an important position in Flanders is the Sub-regional Employment Committees (STCs – *Subregionaal Tewerkstellingscomité*) set up in the early 1970s as advisory committees of the public employment service (VDAB).

The STCs are tripartite non-profit-making bodies tasked with undertaking a regional analysis of the labour market, identifying main problems and priorities and acting on these as well as giving advice to the VDAB about the policies to implement. The STCs also have a co-ordinating function at sub-regional level and it is anticipated that they will help to identify employment action in the regions they serve.

The STCs have, for many years, had little influence on the supply side of the labour market at sub-regional level, particularly with regard to the re-integration of the long-term unemployed. However, as part of their new remit, STCs will also address the demand side of the labour market and will act as an interface between the two.

On the basis of an agreement between the Flemish government and the social partners in 1997, it was agreed to re-work the functions of the STCs. In 1998, the government undertook a review of sub-regional labour market policy and it was agreed to strengthen the STCs' role and to broaden the scope of their remit. Their renewed functions should allow STCs to respond to the specific demands of the local and sub-regional labour market. While, traditionally, STCs' plans have only considered the registered unemployed, now they must encompass the high-risk groups identified by the government (youth, welfare recipients, immigrants and women), whether registered or not. Activities must have a strong emphasis on labour market reintegration of these groups, and on consultation between employers and employees about labour market issues.

The structure of the STCs has also been strengthened. Since 1998, the STCs have been scaled up from 18 to 13[2] and staff have been recruited through the Ministry for Employment to add to the existing support provided by the VDAB. Staffing levels total 54 people (as at February 2000) at the sub-regional level.[3] The Flemish government has provided 80 million BEF towards staffing.

For the most part, the initial work of STCs is the development of a plan for the areas they serve, including a regional action programme for immigrants, women, young people and other at-risk groups. For example, in relation to the employment of immigrants, the social partners and the Flemish government have agreed to increase the level of employment of immigrants at every level. The aim for 1998-1999 was to undertake positive action in 75 businesses. The STCs are responsible for drawing up regional action programmes to meet this target on an annual basis. During 2000-2006, the STCs will play an important role in the imple-

© OECD 2001

mentation of projects aimed at raising employability as part of European programmes. The implementation of these priorities will be decentralised, with the STCs indicating which target groups should be focused upon, based on their analysis of the regional labour market situation.

Other local partnership arrangements

In addition to the more formalised partnership arrangements identified above, other initiatives have developed at a local level in a more organic fashion, mostly at the level of the municipality. These include the territorial employment pacts (TEPs) which have their origins in the EU's broader Confidence Pact (1995), and partnerships established in Genk and Ghent. The primary focus of the TEPs is on unemployment and social exclusion. Their main concerns are the involvement of all the relevant partners within a specified area and the development of a coherent strategy for job creation in that area. There are two TEPs in Flanders.

Netwerk Genk, the local partnership structure in Genk, has its origins in the major loss of industry that occurred after the closure of mines in the area. Social Impulse Funds (see below) were used to strengthen the labour market and to re-integrate risk groups. *Netwerk Genk* was established in 1998 and represents a partnership between the local authority, VDAB and private training organisations. Today, the partnership is an instrument to co-ordinate training services in a context of skills shortages and decreasing subsidies. This is of particular relevance given the EU directive that, since 1997, training providers must organise themselves into a framework of consortia. This has been achieved mainly through ESF funding and is designed as a step towards a more coherent approach to the local partnership process with regard to employment.

The local partnership in Ghent – *Gent Stad in Werking* (GSIW) – is different to *Netwerk Genk* and the TEPs. GSIW was set up in response to the need to mobilise organisations with responsibility for employment policy within the city. As in Genk, the local municipality plays a key role in the pulling together of various partners.

Flemish labour market policy focuses on greater co-ordination at sub-regional level and on the development of measures that help to implement the government's overall policy discussed above. Notable measures include encouraging local authorities in direct partnership arrangements to focus on employment creation and co-ordinating different strands of labour market policy. Very often, local partnerships instigated at an informal, local level represent the coming together of the local municipality and VDAB with other local partners as in both Genk and Ghent.

© OECD 2001

Relationship of the partnerships with the government

At the regional level, the Flemish Ministry for Employment is responsible for the STCs while the Ministry for the Economy has overall responsibility for the district platforms. This arrangement has had an impact on communications at sub-regional level between the STCs and the platforms.

S*treekplatformen* have a lot of contact with government in the development of their charters for action. The proposal for a charter is submitted to the Ministry for the Economy, which acts as a facilitator and process manager. Once a charter proposal is received, a copy is sent to every Flemish administration and department (including labour market department), every Flemish public company (including VDAB and SERV) and each GOM. These organisations are invited to assess the SWOT analysis and project proposals from their point of view, policy guidelines and budgets. A meeting is organised by the Ministry for the Economy between the platform and all organisations mentioned above to discuss the charter. This results in a feedback paper, which might contain requests for further information, a clear explanation of the state of certain projects, potential problems, added value and resource commitments. The platform is then invited to react to this feedback paper.

In the next phase, the Ministry for the Economy drafts a charter design which is based on *i*) the feedback paper; *ii*) the reaction of the platform; *iii*) information on bi-lateral contacts between the platform and the Ministry for the Economy and *iv*) contacts between the platform and other organisations and administrations.

This draft charter is then sent to all ministerial aides (cabinets). At the instigation of the Minister for the Economy, all cabinets meet – with the platform present – to discuss the draft and to negotiate it. Finally, the revised draft goes to the Flemish government for a final negotiation. A platform charter is signed by every minister of the Flemish government and the chairperson of the platform, implying a "moral commitment" to the charter. The idea behind this procedure is that both the SWOT (and its resulting long-term plan) and the proposed charter projects are known to government ministers and are promoted within the public service and private industry.

With regard to other points of contact between government and the platforms, a support structure for the initiative was established within the Ministry for the Economy. This provided an opportunity for platform co-ordinators to liaise with Ministry personnel on key strategic issues.

For the STCs, the link between central government and the local partnership operates through a number of mechanisms. First, the Ministry for Employment is represented on the committee, as is the VDAB director.

© OECD 2001

Secondly, an STC steering group is established within the Ministry, whose members consist of *i*) representatives of the Minister; *ii*) social partners; *iii*) the presidents of the STCs; *iv*) VDAB; *v*) the Ministry for Employment; *vi*) local government; *vii*) private training organisation representatives; and *viii*) a representative of the co-ordination team. The steering group's role is to co-ordinate sub-regional labour market policy and to allow for the exchange of experiences between the STCs as well as to improve communication between the Flemish and sub-regional levels. It reviews the sub-regional development plans drawn up by each STC but does not, at present, have a role in formally approving them. However, the part of the plan that relates to VDAB activity has to be passed over to the central VDAB committee for approval.

Thirdly, the Ministry for Employment sets up a co-ordination team within the Ministry which provides support to STC personnel and which makes available, for example, sub-regional labour market analysis and statistics to assist them in their planning role.

The TEPs also function in close contact with the Ministry for Employment and with the provinces. However, it is envisaged that, after funding from the EU ceases at the end of 2000, their work will become more integrated with that of the STCs.

The regional government of Flanders is committed to what it calls "inclusive" urban policy – ensuring that all the sectors of government action that impact on the urban environment and on people's quality of life should contribute to the viability and sustainability of cities (OECD, 1998*b*). To achieve this, a lot of partnership activity has been stimulated by resources such as the Social Impulse Fund (SIF). The Fund was established in 1996 to stimulate local urban development policy, to develop an integrated urban approach and to improve the quality of life of people in urban areas, particularly underprivileged areas.

With the overall aim of improving the quality of life in targeted areas, resources from the Fund can be used to finance activities in diverse fields including social welfare, housing, traffic management, physical planning, education, cultural activities and the assimilation of immigrants. Financial resources are made available to the municipalities that identify eligible projects, in consultation with the Flemish government, OCMW and other local actors. In determining a local municipality's level of funding from the SIF, ten objective social deprivation criteria are applied.[4] On the basis of these indicators, 30 areas were selected. Each community in these areas signed a contract with the Flemish government, which sets out specific goals and results according to a three-year plan. From 1996 to 1999, an average of BEF 6.4 million was made available each year.

Relationship of the partnerships with local government

As seen above, municipalities play an important role in the payment of social assistance and the operation of local employment agencies. Attempts are being

© OECD 2001

made by the present government to improve the level of integration at the local level, notably through the one-stop shop initiative.

The role of the local municipalities in sub-regional development is growing. At present, only the cities (*e.g.*, Antwerp, Ghent, Genk and Hasselt) play an active role in local labour market policy, stimulating an integrated approach with social and economic issues and partnership within their area of responsibility. Other local authorities play more of an executive role.

Municipalities provide a sense of democratic representation at a geographically defined area level and their capacity to impact on the development of local partnership is, therefore, significant. Municipalities have been the most important partners in the platforms, partially financing the operation costs and being represented on their boards. In the STCs, delegated members act as observers. The relationship between the STCs and the local authorities is an uneasy one; in each STC, the local authorities are represented by one delegate appointed by the VVSG (*Vlaamse Vereniging voor Steden en Gemeenten*), the Flemish local authority support structure. This representation is new and is still somewhat minimal.

Profile and tasks of local partnerships

For a better understanding of the detail of local partnerships in Flanders, a sample of sub-regional and local structures have been examined. Table 17 below provides a socio-economic overview of the sub-regional and local areas surveyed. In most areas, there is not just one local partnership, but a range of structures operating. Because of this, there is a recognised complexity involved in developing a clear sub-regional development policy. The Table highlights that the economic and employment context varies significantly among areas. For example, the population base varies and the unemployment levels in areas surveyed ranges from 4.3 per cent in Halle-Vilvoorde to 11 per cent in Ghent. As a consequence, the focus of local partnerships varies in response to the needs identified.

There are developments underway which tend to make the status and the tasks of existing sub-regional structures evolving. The recent developments with regard to the STCs are designed to locate them within the sub-regional infrastructure as the key co-ordinating structures for the sub-regional labour market. Their main function are to bring together partners which have a role in relation to labour market initiatives and to ensure that there is a co-operative and co-ordinated approach to the work. The STCs have a budget, which is used as leverage to stimulate organisations such as VDAB in the provision of services for key target groups identified. They also have a role in determining to which projects EU funding (Social Fund) should be allocated. In this sense, the STCs act as brokers between the main partners at sub-regional level and, while not delivering on actions themselves, ensure that labour market policy is focused on addressing the needs of the

© OECD 2001

Table 17. **Socio-economic profile of the partnerships studied in Flanders and their areas, 1999**

Region	Partnership origin	Unemployment rate	Population	Objective of partnership
Prov. Oost-Vlaanderen				
Gent Stad in Werking (city)	Local authority	10.9	225 469	Socio-economic development
STC-*Gent* (sub-region)	Social partners	9.4 (1998)	360 100 (18-64 year-old)	Employment policy
Streekplatform Gent	"Living forces"			Economic development
Streekplatform (Meetjesland)	"Living forces"			Economic development
Prov. Limburg				
Netwerk Genk (city)	Local authority	8.3	63 000	Employment and training
Streekplatform	"Living forces"			Economic development
STC-*Limburg* (sub-region)	Social partners	10.1 (1998)	509 200 (18-64 year-old)	Employment policy
Prov. West-Vlaanderen				
Kanaal 127 Kortrijk	Local authority	6.0	n.a.	Enterprise and employment development
Prov. Vlaams-Brabant				
TEP Halle-Vilvoorde (sub-region)	European Commission supported initiative ("living forces")	4.3	554 100	Socio-economic development

Source: Flemish authorities.

target groups identified at policy level. To date, the STCs have been a function of VDAB and have been supported by VDAB personnel. However, the development of a co-ordination team and steering group has ensured the development of a greater level of autonomy and, in future, it is envisaged that they will develop as independent structures.

Notwithstanding the recent emphasis placed at sub-regional level on STCs, the district platforms are still regarded as a mechanism for integration of bottom-up local development. In particular, platforms offer a mechanism for the collective involvement of the local municipalities in the design of a framework for action on labour market and social inclusion initiatives.

In addition to the STCs and the district platforms, the other local experiments that have been established within the Flemish context are also tackling issues similar to those undertaken by the mainstream partnerships. These include the *Gent Stad in Werking* initiative, which involved the mobilising of employers and the long-term unemployed. The feedback from this initiative resulted in the develop-

© OECD 2001

ment of a conceptual framework for partnership within the Ghent area, with the city of Ghent as a key stakeholder in developing the partnership and local employment policy.

Another local experiment is the TEP in Halle-Vilvoorde, which was established following the closure of Renault in the area and the loss of a significant number of jobs. A partnership was developed between the economic development agencies and labour market interest groups. Overall, it is likely that the work of the TEPs will be amalgamated with the STCs established in their areas, as the STCs gain credibility at a local level. In this sense, the TEPs have functioned as relatively short-term mechanisms which, with additional funding, were in a position to pilot new initiatives at a very localised level.

Designing a plan

The main role of the STCs is to develop a plan for the regional labour market and to identify solutions to the problems encountered at regional level. The plans also incorporate the STCs' work programme for the coming year.

The STCs' current planning phase is of particular interest as it represents the first opportunity to develop initiatives at a sub-regional level in co-operation with the social partners, labour market agencies, local authorities, VDAB and the private training organisations. As mentioned previously, there must now be a stronger social inclusion element with specific emphasis on key target groups such as immigrants, women and young people who are disenfranchised from the labour market. The STCs, in their planning process, have a function in determining what the VDAB's key activities should be with regard to labour market policy in the region. However, the extent to which this advice can be taken on board at sub-regional level and incorporated into the VDAB's overall priorities has yet to be tested. For activities falling outside the remit of VDAB, they can co-operate and contract with other organisations, either from the public, private or voluntary sector.

The plans of platforms, on the other hand, although touching on the labour market, cover general economic development issues and job creation. Both the platforms and the STCs have an interest in the development of the social economy and the reintegration of marginalised groups into the labour market. The process whereby platforms develop and agree their plans in conjunction with government was described earlier. By January 2000, seven of the platforms had completed their charters, three were at the initial phase of planning and the remainder were in the middle of the planning process. Across the seven completed charters, 377 projects were formulated for development.

© OECD 2001

In 1999, a broad policy study was undertaken on *Streekplatform* policy, in collaboration with all government administrations and departments, public companies, platforms and provinces. One of the elements in the study was an analysis of the charter and planning process and the time spent throughout. The study showed that over 80 per cent of the time between the initial set-up of a platform and the signing of a charter by all parties was spent by the platform itself on developing the process. Only 12 per cent of the process time was used up by the Flemish administration, with the dossier being reviewed by government for the remaining 8 per cent of the time.

The TEPs are also required to develop a plan of action for their area. In Halle-Vilvoorde, for instance, the key actions identified by the TEP there to help address unemployment included:

– placement of unemployed people;

– services to industry;

– social economy projects;

– job creation;

– community-based development.

The TEP is supported by EU funding, provincial funding, the GOM and private investment. An example of one initiative supported by the TEP is K*anaal* 127, a not-for-profit enterprise hiring workers from disadvantaged groups in the delivery of low-skilled activities and services (this initiative is discussed later).

A key concern of GSIW, the Ghent partnership, was to develop a local employment policy plan. The city of Ghent and all the local organisations active in employment are involved in the process. The knowledge and experience of the city and all its organisations are gathered in an open partnership, in order to create a strategic, future-oriented, innovative and inclusive plan. Over 30 organisations are involved, including trade unions, employers' organisations, local companies and sectors, counselling services, training organisations, the local employment office, municipal, provincial and other governmental departments and education. Since 1998, they have intensively co-operated on task forces where the aims, in relation to employment, are to:

– improve the economic climate;

– develop a well-trained workforce;

– co-ordinate sector-driven policies (*e.g.*, SMEs);

– develop a target-group approach.

Areas of work undertaken by the partnership include the development of flexible and relevant training, the improvement of information and the exchange

© OECD 2001

of know-how between the partners represented. In order to solidify these policy lines, eight action groups were defined:

- the development of a socio-economic business centre, as part of the total redevelopment, as an industrial zone, of the former factory area of the metallurgical concern Trefil Arbed;
- provision of services tailored to job-seekers;
- provision of services tailored to employers (concerning long-term employment);
- development of a Job House;
- ethnic minorities and employment;
- biotechnology;
- new economic initiatives;
- neighbourhood services.

The development of the partnership approach and of an accompanying plan of action has, as in the other partnerships, formed a key aspect of GSIW's work to date. Unlike the other partnerships, however, the development of a plan has been somewhat less organic. Instead, consultants were employed by the city of Ghent to design and develop a model of partnership for the area and to stimulate active involvement of the key players. Over 90 organisations have been drawn into the process and a number of structures have been devised to allow for their participation.

The partnership executive is represented in a Policy Group, which oversees the work of the task forces identified above. Considerable planning and policy development has taken place in GSIW and there are high expectations of the impact of this planning on the labour market.

In its action plan, the partnership in Genk identified the following as its main objectives:

- to tune in the number of training programmes, job stimulation projects and guidance programmes between the partners of *Netwerk Genk* to increase the employment chances/opportunities for the target groups;
- to improve the existing information and communication between the training organisations;
- to improve the information available to the target groups;
- to improve the quality of the pathways through the exchange of expertise.

In achieving its objectives, *Netwerk Genk* aims to co-ordinate efficiently training service provision in the area surrounding the city, in order to satisfy the growing needs of businesses and to re-integrate the socially excluded. To complete

© OECD 2001

the efforts deployed by VDAB, essentially servicing the registered unemployed, target groups identified by the network in its planning phase include:

– young male and female migrants;

– older men who worked in the coal mines;

– other migrants who require integration into the community and the culture.

Local strategic planning is clearly a core feature of many of the local partnership organisations in Flanders. In the STCs in particular, work is underway to develop and agree an action plan which will reflect local concerns and which will take on board the needs of key target groups. Equally, the aim of the platforms is to define a comprehensive vision for the "*integrated development of employment, economy and quality of life of the area*" (LEDA, 1998*b*). Some methods in which the STCs can provide for greater levels of integration and co-ordination include:

– The Interface project – an initiative to stimulate and develop projects in businesses for the target groups. An interface is developed between the local employer and the job-seeker and the project developed is of direct relevance to the employer so it is of benefit to his/her business. The Interface project concerns shortages of job-seekers for specific jobs; together with training organisations like VDAB, the project developers want to solve the problems of local employers by developing short training schemes in individual companies and by introducing innovative human resource management projects such as job rotation.

– Supervision of Immigrant Employment – a Flemish initiative to increase the level of employment of immigrants to that of Belgians. The STCs play a role in drawing up the regional action programme of this initiative and co-ordinate the development of positive action towards the immigrant population. The mobilising of employers is key to the success of this initiative.

Stimulating co-operation

In the partnerships in Flanders, a range of actors plays a variety of roles with regard to each of the initiatives. Table 18 below shows the representation on each of the partnerships surveyed for this study.

The table shows that both the local municipalities and VDAB play a key role in most partnership arrangements. The key actor within the partnerships in Flanders is often the local authority, which has a function in initiating or supporting development. In addition, VDAB plays a pivotal role in many of the initiatives. However, its value to local partnership is limited as decision-making regarding VDAB budgets is centralised and the capacity to change or vary agreed policy may be difficult.

© OECD 2001

Table 18. **Representation on local partnership organisations in Flanders**

Partnership	
Halle-Vilvoorde TEP	– Social partners – Local municipality and organisation of local municipalities – GOM – VDAB – STC – Flemish authorities – Renault
STCs[1]	– Social partners – Local government (observer) – Private training organisations (observer) – VDAB – Ministry for Employment – Staff
Local Employment Network Genk	– City of Genk – VDAB – OCMW – PWA – Private training organisations
Streekplatformen	– Mayors of municipalities – Ministry for the Economy – STC – GOM – Reconversion company – Social partners – Chamber of Commerce
Gent Stad in Werking (GSIW)	– City of Ghent – VDAB – STC – Employers – Trade unions – Local business – Training organisations – Education institutions – *Streekplatform*
Kanaal 127	– City council – OCMW – Employers

1. Each STC has an advisory committee (Permanent Working Group on Risk Groups in the Labour Market) which is made up of representatives of the public and private sector as well as key target groups affected by the actions of the STC.

Source: Flemish authorities

Both the district platforms and the STCs play a role in analysing information needs and collecting data on the local area from which an agreed plan can be developed. The STCs adapt centrally collected data about the labour market to a

© OECD 2001

sub-regional level. This ensures that specific issues with regard to the local situation can be taken into account in planning a response. In addition, the establishment of a local observatory will play a potentially significant role in the management of information at a local level, which may, in turn, lead to a greater level of co-operation and co-ordination of the partners at the sub-regional level.

One of the ways in which the STCs are attempting to secure practical co-operation is by involving the constituent groups that their work is designed to serve. For example, in relation to their work with immigrants, consultation has taken place with groups working with the immigrant population. However, more evidence of this approach is required for the partnerships to claim a meaningful and socially inclusive approach.

Social partner organisations are part of the make-up of the key networks of local partnership organisations such as the STCs, platforms and TEPs at both central and sub-regional level. However, the extent to which social partners are part of these partnership processes is not clear. The links between trade unions and the platforms is, in some cases, centred on local ideologies, experience and knowledge rather than on a sectoral or labour market approach. Having said this, however, in some platforms, the chairperson is a trade union representative.

The added value of social partners' involvement is that they supplement national and regional employment initiatives. They also offer additional synergy by enhancing the resources available in a particular local area. For example, the role of employers in K*anaal* 127 ensured leverage of key funding from the local authority (OCMW) to invest in the purchase of a building and in the setting up of an enterprise centre.

For the social partners, local partnership demands a different approach to that practised under national agreements. In local partnerships, the emphasis is on practical engagement and joint problem-solving rather than trade-offs between vested interests. In this sense, it may be too early to say what the impact of tripartism in various types of Flemish partnerships has been to date. The situation of STCs is somewhat unique as social partners are firmly represented in these tripartite bodies. The Flemish government would like to broaden the scope of STCs to incorporate the local authorities and other relevant partners in the region.

In the district platforms, there is considerable potential for local authority involvement in planning and policy development. Platforms are a useful instrument of municipal co-operation and co-ordination. In the Midden-Limburg platform, one initiative for the integration of local municipalities into the partnership was the establishment of an Intermunicipal Employment Forum. This allowed for the exchange of information and expertise about the VDAB and allowed for greater networking of VDAB at a local level with the municipalities which, in turn,

© OECD 2001

was designed to lead to a fine-tuning of municipal labour market policy. As noted earlier, the involvement of local authorities in the STCs is still quite minimal.

Activities and projects

The activities of local partnerships in Flanders vary significantly, in part due to their origins and, in part, their response to local issues. The areas of work they undertake can be divided into two broad sub-headings: adapting national policies to local conditions and specific activities targeted to risk groups and local needs. These are outlined below.

Adapting national policies to local conditions

As outlined in the first section, the STCs and platforms are a direct result of central government initiatives.[5] As a consequence, they play a role in adapting national priorities to local conditions. In particular, the STCs have a function in delivering on the targets set out in the Ministry for Employment's policy responses to the government's Coalition Agreement. Small-scale local employment projects, co-ordination of government interventions with key at-risk groups, and integration of immigrants into the labour market contribute to meeting these targets.

District platforms have also been driven by key objectives of the Flemish government. Standard areas of work for platforms include socio-economic development, labour market issues, environment and tourism. The platform in Midden-Limburg, for example, is focused on socio-economic development, environmental development and integration of unemployed people. Key projects include the development of a demonstration centre for ecological construction work and a mining museum designed to develop tourism. In this way, it is proposed to draw on the competencies already in the area as a result of the former mining industry. Another platform, in Meetjesland (rural region between Ghent and Bruges), has addressed issues such as land use and distribution, in addition to the areas of work for platforms identified above. One of its target sectors is the agriculture and foodstuffs industry.

District platforms are often considered to be driven from the centre, as comprehensive local plans must be approved by the Flemish government (see earlier discussion). Project implementation is dependent on the availability of budgets. Until 2000, the Ministry for the Economy had no budget to support the implementation of platform projects, but several budgets have been put in place since. A small budget of BEF38 million (50 million in 2001) exists for so-called "teaser" funding. Current government policy promotes the concept of a sub-region's responsibility for its own development. When the partners of a platform manage to generate some means for project implementation (money, expertise and staff),

© OECD 2001

the Flemish government is prepared to invest in the project. The "teaser" funding is intended to mobilise the local funding or funding by other partners. Other funding mechanisms relate to bigger budgets.

As a consequence of the low unemployment levels in many regions of Flanders, one of the significant problems is the lack of labour supply to fill emerging job vacancies. For example, in Halle-Vilvoorde in 1999, there was substantial growth in the tertiary sector and the area has developed due to its location as the hinterland for the airport. In 1990, there were 11 unemployed people for every job vacancy. In 1999, this figure has dropped to two. Another important problem in Flanders is employment development for migrant workers. As was mentioned above, the Flemish social partners have committed themselves since June 1998 to reducing levels of unemployment in the migrant population. All of the local partnerships are working to achieve progress in relation to this centrally driven objective.

The range of levels at which Flemish economic and employment policy is made makes it difficult sometimes to see where the added value of local partnership organisations lies. For example, the TEP Halle-Vilvoorde has agreed a number of objectives for its employment pact, which are part of a broader framework agreed at provincial level.[6] In future developments, it is anticipated that the TEP in Halle-Vilvoorde will be integrated with the STC. Equally, the VESOC agreement between the Flemish government and the social partners has provided the basis for the renewal operation of the STCs which, in turn, are expected to respond to regional job market problems. The Interface and Immigrant Employment projects identified above represent clear examples of how efforts developed at policy level have been translated to the sub-regional level in co-operation with social partners and other relevant actors.

Responding to local needs

Partnerships play a key role in responding to local needs. One localised approach to the concern with immigrant workers is focused on Kortrijk where K*anaal* 127, a public-private partnership is promoting entrepreneurship, particularly among immigrant groups. The K*anaal* 127 example is one where public funding (through the SIF) has been used to purchase a premises and to set up a number of small-scale, low technology, labour-intensive industries such as catering and car valeting for vulnerable target groups in the area. A range of partners acts as shareholders to the initiative. These partners include:

– local business interests;

– social partners;

– government agencies including the PWA and the OCMW;

– social profit organisations.

© OECD 2001

It is proposed to develop a network of K*anaal* 127 arrangements throughout Flanders if they are successful.

Another specific example of a response to local needs is the job rotation project in Limburg, an innovative training model in the Interface initiative, whereby job-seekers are trained in a specially adapted module of a VDAB training programme on "professional cleaning techniques". The training provided a solution to the absence of people to take on the task and also got high-risk groups into the labour market. The initiative by the STCs on a labour market observatory has also been useful in matching local job opportunities to local employment needs.

Impact of partnerships on local governance

Given the highly regionalised structures that already exist in Flanders, it is difficult at first glance to see what contribution partnerships can make to greater local governance. Local municipalities have already developed a sub-regional approach to policy development and organisations such as VDAB operate at a decentralised level. The local partnership organisations in Flanders do, however, appear to offer an opportunity for greater local autonomy and awareness of local needs. For example, in each province, the regional development agency, GOM, is responsible for developing a plan for the area. However, this is often lacking in the detail required at sub-regional and local level. Sub-regional planning allows for a recognition of the issues which serve to underline local problems and ways of addressing them.

The impact of the partnerships on governance differs from area to area and partnership to partnership and includes:

– Partnerships' practical knowledge of the labour market situation. STCs are able to advise public organisations such as VDAB, the Minister and the local authority on labour market issues. Secondly, their added value lies in co-ordinating local organisations – they can bring people and organisations together in order to solve labour market problems.

– Their ability to engage with the living forces of a region, especially the local municipalities, and to take an integrated approach to local development (notably the district platforms).

– Their mobilisation of a network of organisations, that can fill local needs, within the framework of Flemish and local policy (GSIW and N*etwerk* G*enk*).

The example of Genk illustrates well the third point, on networking the organisations. In Genk, the partnership addresses the existing labour shortage and the motivation of disadvantaged groups, such as young people and immigrants, to engage in employment. One specific example of this was the recognition of the lack of skills for the automotive industry,[7] which resulted in the city of Genk and

© OECD 2001

the VDAB coming together to identify possible groupings from within the at-risk population that could be trained. This was despite the fact that a lower level of funding was available for training, which, in turn led to a recognition by VDAB of the need to rationalise the funds available in this area. A result of this process is that most of the training service provision in the area of Genk is now co-ordinated, through a network of over 20 training providers, including VDAB.

Partnerships in Flanders enhance the benefits of decentralisation. The STCs have some responsibility with regard to how VDAB budgets are spent in their region on the target groups identified. However, to strengthen the link between sub-regional strategic planning and local implementation by the VDAB, there is a need for a greater level of consultation at ministerial and government department level so that a clear direction is established for sub-regional development and to increase local accountability.

One of the difficulties facing the Flemish government is the need to integrate the range of partnership initiatives that have developed over the last number of years. In many cases, partnership organisations are represented on each other's committees but this can cause duplication and time-wasting. This is particularly the case in relation to the STCs and the district platforms. One of the STCs' main roles then is key to the continuing development of sub-regional partnership – the integration of other partnership initiatives that operate in the region. Working groups have been established within the STCs to focus on main priorities and to pull together players with influence at the sub-regional level.

Conclusions

Many of the problems underlying Flanders' current employment and labour market profile are inter-related and require a co-ordinated response from a range of actors. In the search for new and more effective responses to issues such as unemployment and social exclusion, one of the strategies that has emerged, not only at federal level, but also at European level is the promotion of closer collaboration and joint working between different agencies and actors. In the context of EU Structural Funds, for example, the principle of partnership is closely related to that of subsidiarity and "*a recognition of the advantages of decentralisation, involving the relevant authorities at all levels, and the social partners in the pursuit of agreed objectives and the sharing of responsibilities for decision making … at the grassroots nearest to the problems for which solutions are being sought*" (European Commission, 1997).

The current status of local partnership organisations in Flanders is one in which there has been substantial change in a relatively short space of time due to strong political influences and the desire for a greater level of sub-regional policy development with regard to labour market and employment issues. It may, therefore, be premature to discuss the impacts of sub-regional partnership structures in

© OECD 2001

the Flemish context. However, it is clear that new initiatives such as the reform of the STCs will have far-reaching effects on current sub-regional and local co-operation and integration. From the evidence presented, it is clear that local partnership organisations in Flanders have the potential to offer a comprehensive process of dialogue at both horizontal and vertical levels. However, more effort is required at a policy level to ensure that sub-regional co-operation becomes a reality.

Obstacles and successes

In many respects, local partnership organisations in Flanders have come about because of a specific crisis in the labour market rather than a planned policy of central government. As noted earlier, in Halle-Vilvoorde, for example, the TEP was set up after the closure of the Renault plant there and the loss of over 3 000 jobs. In Genk and in Kortrijk, the decline in the mining industry and the closure of mines, resulting in substantial job losses, led to the recognition of the need to work together and to stimulate job creation.

The platforms came on stream to focus on this much needed sub-regional development. However, although this activity had a clear stimulus for its initiation, there has been little or no integration of initiatives undertaken at the sub-regional level. A longer-term planning approach is now needed, however, to ensure that efforts at this level have a broader relevance for and application to Flemish labour market policy targets.

A key element of local partnerships is their ability to co-ordinate and to re-direct, where appropriate, the resources and budgets of provider agencies on the basis of a recognised local need. However, local partnerships require a budget of their own to be able to encourage key players to make these changes.

The addition of resources such as the Social Impulse Fund has had a significant effect on how partnerships have developed in Flanders. For example, in both Genk and in Kortrijk, SIF funding stimulated the development of partnership. The decision to grant specific budgets to the STCs for the development of their work has facilitated the identification of issues and will allow for some discretion on their part as to how objectives will be met. A lack of resources for platforms to implement leverage projects has in many respects thwarted their progress to date.

One of the areas in which local partnership organisations and their functioning can be enhanced is through the planning process. However, at present this is an abstract procedure in existing partnerships in Flanders, based on the competencies of agencies rather than on the key strategic issues that need to be addressed in employment and labour market policy.

Often, a political impetus is needed for partnership initiatives to gain recognition and to be able to deliver on their key objectives. In Flanders, it has been

© OECD 2001

shown that a more proactive response by central government to the development of STCs has transformed these sub-regional bodies from poorly defined, advisory structures into more upbeat, outward looking co-ordinating partnerships which will have a key role to play at the sub-regional level in the future.

The sustainability of local partnerships in the longer term is linked to their political status. Often, partnerships are established on a short-term basis or as part of a pilot initiative (as for example, in the TEPs). The decision by the Ministry for Employment in Flanders to establish the STCs as a region-wide co-ordinator of sub-regional labour market strategy will, in the longer term, provide a framework that will be identifiable and will inform future employment policy development. In addition, the establishment of a network for STCs to come together and to exchange information about progress will also offer an opportunity to integrate and to co-ordinate, across STCs, the work being undertaken, thereby creating a synergy and coherence.

Issues for consideration

Recent initiatives, such as the re-establishment of the STCs, will have a bearing on the potential of local partnership organisations and how this can be enhanced. However, a number of key questions need to be addressed in the future design and development of local partnerships in Flanders. These include:

– At policy level, one of the issues of concern with regard to the reformation of the STCs is their role *vis-à-vis* the district platforms. In the past, STCs were represented on platforms. It is clear that some process of integration between the two will be required if overlap and duplication are to be avoided. Indeed, one of the STCs' key priorities in developing their current plans is their co-operation with local communities, with Edufora in co-ordinating education and training and the platforms. The Flemish government has recently decided to develop greater co-ordination between all organisations active in a sub-region. Platforms, STCs and all initiatives (welfare, economy, education, etc.) are involved, leading to a so-called "House of the district" (*Streekhuizen*). The *Streekhuizen* offer an opportunity for enhanced integration but, in their establishment, it will be necessary to connect more fully, the economic development side of sub-regional and local development with the labour market policy side.

  There are a number of difficulties which will arise in the continuing development of the STCs which will have a bearing on the extent to which full integration of sub-regional development is possible:

  • The areas covered by the platforms and the STCs do not coincide, so areas of responsibility do not necessarily correspond. In developing any kind of integrated approach, this issue will have to be addressed.

© OECD 2001

  - Similar organisations are represented on both bodies, resulting in duplication of effort concerning sub-regional economic or labour market initiatives.
  - Municipalities play an important role in the platforms and in sub-regional policy development. As a consequence, one possibility may be that platforms act as municipal think-tanks for the STCs and feed into their activity. This may also allow for a mode of consultation with the municipalities and representation from this constituency on the STCs could be assisted by the platforms.

– There is a need for greater collaboration between the Ministries for Employment and Economy about their respective policies with regard to the development of partnership at a sub-regional level. Greater direction from the policy level about the roles that will be played by the reconstituted STCs and the platforms is needed to ensure that both organisations have mutually complementary roles in development issues. An inter-ministry structure that allows for greater consultation on the development of new initiatives could serve this purpose.

– A greater horizontal relationship is needed at sub-regional level between the partnership structures and clarity regarding the roles that each can play. The STCs' co-ordinating function needs to be reinforced and greater links developed with local authorities. In addition, the roles of both the STCs and platforms need to be more clearly defined. This would help to reinforce the co-ordination role that STCs can play in broader social issues.

– Mechanisms are necessary for a greater inclusion of and consultation with local citizens about their labour market needs and how these needs can be addressed within a partnership model. A major challenge to any partnership arrangement is the development of structures for representation by the local community, particularly the target groups that are being served. Traditional methods are often inappropriate for these groups, so innovative solutions need to be found. Partnership-type relationships are relatively new to the local community structure in Flanders – very often, self-help and campaigning on specific issues are the more usual activities. Consideration should, therefore, be given to the inclusion of the sectors representing the target groups that the STCs are working with.

– Barriers to employment need to be addressed. Childcare, in particular, is an area of concern for the re-integration of women into the labour market. To date, employment barriers do not seem to have featured strongly in the work undertaken at a sub-regional and local level. Some small examples of how this has been undertaken, however, include the work of the TEP in Halle-Vilvoorde where a network for the care of sick children has been set

© OECD 2001

up in one of the local communities which allows parents to continue with their work. Other barriers to employment include transport issues of groups currently excluded from the labour market, which can also be addressed in the local partnership context.

– The priority areas to be addressed by the STCs in their plans for the local labour market need to take account of the educational and life-long learning needs of the area. With a strong VDAB influence at local level, to date this focus has been missing from much of the work undertaken at sub-regional partnership level. However, this will be an important element for inclusion if an integrated approach is to be ensured.

– One of the key dimensions of local partnership organisations is their ability to encourage a new form of localism to economic and employment development. In Flanders, this element of the partnership process needs to be enhanced to ensure that local needs are being met. The STCs will have a significant challenge in this regard given that they are a project of central government which defines their parameters and which will provide their budgetary line. It will, therefore, be important that central policy will ensure devolved powers to the STCs. The role of STCs in approving VDAB budgetary spending provides potential in this regard.

– The impact of local partnership organisations is strongly influenced by the level of commitment by state agencies. For example, in Flanders, the success of the STCs will be determined, to a large extent, by their ability to secure the commitment of VDAB and local municipalities to a more flexible local labour market policy. In many public service agencies, there is little tradition of working in partnerships. However, in Flanders, the public employment service has had a tradition of working with social partners, which will be of benefit in formalising the partnership structures at sub-regional level.

In many respects, the development of partnership in Flanders has seen significant change in recent times and it may be too soon to predict how organisations like the STCs will fare in the future. Similarly, the partnership structures in Ghent and in Genk are undergoing change and are moving from a phase of planning and strategy design to one of action implementation and this will be a test of their ability to achieve. Equally, it may now be an opportune time to decide about the future of the platforms and how they fit with the STC structure being developed.

The development of partnerships is a response to the new needs of the economy and the labour market. Generally, economies are experiencing two kinds of change, a greater variety in the types of activity carried out and a greater level of individualism in activities. All these changes require the service of a multitude of

© OECD 2001

players and a co-ordination of the roles played by them. The market on its own cannot bring together and organise effective partnerships to stimulate employment. There is, therefore, a need for local partnerships and formal co-ordination.

Notes

1. 1 BEF = 0.025 Euro (1 Euro = BEF 40.4).
2. Twelve sub-regional STCs and the Brussels Dutch-speaking Committee.
3. In Limburg, the number of staff seconded from VDAB is greater because of the size of the region.
4. Eight of the ten criteria describe the local population (the number of immigrants, people earning the minimum wage, children living in one-parent households, etc.) and two which describe housing conditions (substandard housing, number of social housing units).
5. In two of the sub-regions, co-operation between the social partners and policy-makers pre-dated the establishment of the *Streekplatformen* and their experience contributed to the development of the initiative.
6. The Socio-economic Development Plan of the province of Flemish Brabant, which was agreed by a range of actors, involved in socio-economic development in the province.
7. Ford has a large plant in the Genk area.

© OECD 2001

Chapter 12

Tripartism, Partnership and Regional Integration of Policies in Denmark

by **Michael J. Keane,**
Department of Economics, National University of Ireland, Galway
***and* Marie Corman, FOREM, Belgium**

Introduction

In Denmark, the principles of generous welfare support have been firmly entrenched in public policy for many years. However, the last 10 or 15 years have seen a number of fundamental challenges, if not to the ideals, then certainly to the practices of the welfare state. The reform of labour market policy is a good example. In the early 1990s, the labour market policies used to combat unemployment in Denmark came under severe criticism, partly because they represented a highly regulated and inflexible system and partly because it was very difficult to prove that the results achieved justified the volumes of resources spent (Hansen, 1999). In fact, most of the resources were used for passive benefits and allowances.

This was the background to the labour market reforms which came into operation in January 1994. The unemployment level was then unacceptably high and it was partly structurally conditioned. However, an economic upturn was setting in and, with the quick and significant fall in unemployment, there was a renewed risk that labour shortages might occur, as in the mid-1980s, within certain groups of skilled workers and within certain occupations. The prospects of continued economic recovery with increased pressure on the labour market made the question of unemployed people's duty to be available for work relevant again (Ministry of Labour, 1999).

The legislative foundations for the 1994 reforms were: the Active Labour Policy Act; the Leave Schemes Act; and the act for activation at the local level. The aim of the reform was to give unemployed people incentives for seeking employment through means other than reducing unemployment benefit rates. The major feature of these reforms was the introduction of the principle that rights must be

© OECD 2001

accompanied by obligations and that early active measures for those who are unemployed are preferable to passive benefits. A second feature was that decision-making processes were decentralised to the regional and local level so that the content of labour market policy could be directed as closely as possible to enterprises and the unemployed. The powers to fix priorities in relation to labour market policy measures were delegated to regional labour market councils (RARs).

Between 1995 and 1999, unemployment was reduced in Denmark by over 50 per cent with sharp drops in youth and long-term unemployment. Both Danish activity and employment rates are the highest in the European Union, and women's rate of participation in economic life is particularly high. These achievements are seen to be due to a well-functioning labour market. In this respect, the Danish policy framework on the labour market is considered as a model in promoting effective co-operation among organisations and in the co-ordination of policies. The decentralisation reform of the labour market institutions is seen as an effective way of allowing for greater integration of policies at regional level and for their better adaptation to regional conditions.

This chapter explores the functioning of the Danish tripartite labour market councils and assesses their contribution to the Danish model, and more particularly in setting up a co-operative environment capable of effectively tackling local issues, the scope of which can often be much wider than the standard functions and responsibilities of the public employment service. How does the relationship between the centre and the local work? Is there enough flexibility in the territorial articulation of policies? How effective are the councils in relation to wider social and economic issues at the local level?

Regional and local government in Denmark

In Denmark, the public sector accounts for approximately 31 per cent of total employment. Public consumption constitutes about 40 per cent of total public expenditure (Madsen, 1999). This is caused by the fact that the Danish public sector is responsible for the production of the vast majority of services in the areas of social security, health and education. In 1995-96, Denmark was the OECD country with the second highest share of public expenditure measured as a percentage of GDP (59.6%, see Table 19). Sweden led with 62.9 per cent while at the lower end, the UK had 41.4 per cent, USA 33.7 per cent and Japan 28.4 per cent (OECD, 1999*h*). Similar types of comparisons can be made about government final consumption and the percentage employed in government services.

The administration of the welfare state in Denmark is heavily decentralised to local government. Denmark, which has a population of 5.2 million, has 275 municipalities and 14 counties (regions). Following Hansen and Jensen-Butler (1996), public expenditure will be used in this discussion as a surrogate measure

© OECD 2001

Table 19. **The size of the public sector in selected OECD countries, 1996**

Country	Current general government expenditure % of GDP	Government final consumption expenditure % of GDP	Government employment % of total employment
Sweden	62.9	26.2	30.7[2]
Denmark	59.6[1]	25.2[1]	30.5[2]
United Kingdom	41.4	21.1	13.2[2]
United States	33.7	15.7	13.2[2]
Japan	28.4	9.7	5.9[2]

1. 1997.
2. 1995.
Source: *National Accounts*, OECD (1999*h*).

of welfare state expenditure. Table 20 provides data on welfare state expenditure for the three levels of administration. The following sectors are included: education and health (which are provided at no charge at high service levels – there is practically no private health sector in Denmark); social security, including basic income payments, old age pensions, sickness benefits, early pensions and unemployment insurance, which is a major item; housing support; and subsidised recreational and cultural activities.

Table 20 shows that, for Denmark, welfare state expenditure in 1997 was 69 per cent of total public expenditure. Furthermore, the table shows that welfare state expenditure grew faster than total expenditure throughout the period 1991-1997.

Table 20. **Welfare state-related activity, expenditure[1] and share of public expenditure at three levels of administration in Denmark, 1991 and 1997**
Billion DKK, current prices

	1991	1997
Total public sector		
All expenditure	492.4	639.6
Welfare state expenditure	328.4	443.1
	(67 %)	(69 %)
County level		
All expenditure	54.5	78.8
Welfare state expenditure	48.6	71.6
	(89 %)	(91 %)
Municipal level		
All expenditure	209.2	272.4
Welfare state expenditure	179.9	239.4
	(86 %)	(88 %)

1. Following Hansen and Jensen-Butler (1996), this includes health, education, social security, pensions, sickness and infirmity benefits, unemployment benefits, housing support, recreation and culture.
Source: Statistics Denmark.

© OECD 2001

In 1997, 91 per cent of county level expenditure and 88 per cent of municipal level expenditure was welfare state-related. Welfare state-related expenditure has grown consistently faster than total expenditure at both of these levels in the period 1991-1997. It is reasonable to characterise local government activity as being primarily welfare state-related.

The Danish approach to the labour market

The Danish welfare state has traditionally been less interventionist in the labour market and the economy than other welfare states. It is left to a large extent to social partners, through their powerful organisations with a high rate of membership ensuring good representation, to negotiate pay and working conditions. Their main instruments to that end are collective agreements that increasingly take the form of framework agreements to be filled in by negotiations in the individual enterprises. Collective agreements constitute the most important source of regulation in labour market matters. In addition, for matters regulated by legislation, social partners are consulted on proposed legislation before it is adopted. Moreover, social partners are represented in central, regional and local councils and in committees that make decisions that impact significantly on the labour market.

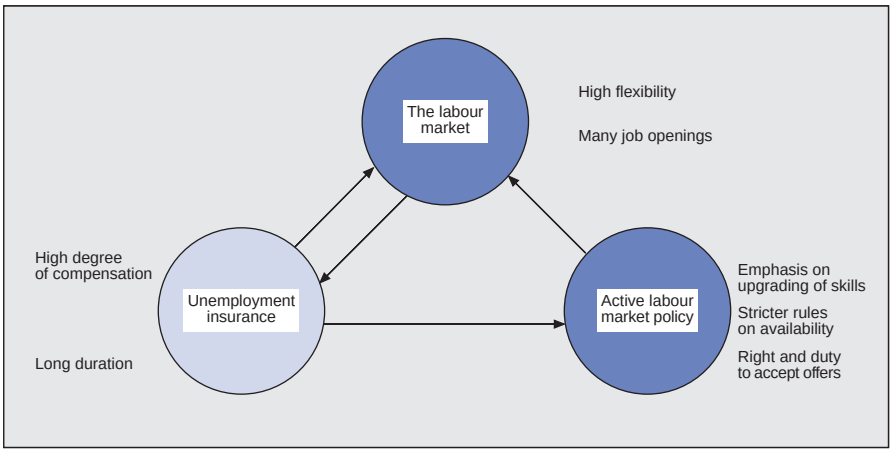
By international standards, Danish enterprises have very low costs in connection with the recruitment and dismissal of workers and they have few obligations. This contributes to increased labour market flexibility and creates many job openings – about 40% of all jobs, or approximately one million jobs are offered each year (Madsen, 1999) – in a country whose industrial structure is dominated by small and medium-size enterprises. As a compensation for the low protection against dismissal, relatively generous unemployment benefits are paid plus a rather long unemployment benefit period is made available to unemployed workers. Such generous coverage has made it important that the individual unemployed person would have incentives other than purely financial for seeking employment and for being available for the labour market. These incentives are provided by an active labour market policy.

The main focus of the Danish labour market policy strategy is to ensure that the interaction between the three elements: *i*) the highly flexible labour market; *ii*) the safety net provided by rather generous unemployment benefits; and *iii*) the right and duty to accept activation and job offers, in what is referred to by the Ministry of Labour (1999) as the "golden triangle" (see Figure 13), functions as smoothly as possible.

Active labour market policy includes provision for education and training amongst the instruments used. Denmark has a long tradition in relation to public labour market education and training – a situation which can be understood in

© OECD 2001

Figure 13. **The Danish "golden triangle"**



Source: Ministry of Labour (1999).

relation to the willingness to activate recipients of unemployment benefits but also in relation to the predominance of SMEs and the high level of job-mobility, referred to above.

In such an environment, the individual firm will have very little incentive to provide extensive training for its employees apart from training in very job-specific areas. Furthermore, SMEs are unlikely to have the resources for much training. From this "market failure" argument follows the need for a public system for labour market training and education in order to upgrade both the vocational and personal skills of the workforce. In contrast to other countries, the Danish further education and training system is therefore targeted towards the workforce in general (though mainly blue-collar workers) and not just at the unemployed. It is important to be aware that unemployed people can, in fact, constitute only about a quarter of those taking part in active labour market measures at any given time in Denmark (see Table 23). Schemes such as collective job rotation provide for the needs of both target groups: unemployed and workers. Activation of the unemployed (where the unemployed receive targeted guidance, education and training) may be combined with an effort to upgrade the skills of the workforce in general. An example of such a measure is when a group of employees from one or more enterprises undertake further education and training and replacements are taken from the ranks of the unemployed.

© OECD 2001

One big advantage of the job-rotation instrument is that education and training can be targeted to the specific qualifications needed by enterprises and employees. At the same time, the model of job-rotation enables the unemployed persons to overcome some of the entry barriers to working in private firms. All of this is arranged between the enterprises, the PES and the institutions for labour market education and training. This scheme is also offered for individual job rotation where one employee goes for education or training and is substituted by one unemployed person.

Support systems for the unemployed

Unemployment insurance is based on a voluntary scheme administered by 38 state-recognised unemployment insurance funds which have a membership of about 2.4 million members, corresponding to 76 per cent of the Danish labour force (Ministry of Labour, 1996). The unemployment insurance funds are distinct actors in the sense that their staff are not appointed by the Ministry of Labour and, within the limits of national legislation, they can develop autonomous strategies reflecting the policies of the unions. These funds are supervised by the Directorate for Unemployment Insurance, a central organisation under the Ministry of Labour. The Directorate also acts as an appellate for decisions on benefits while the funds themselves have operational links with the public employment service (OECD, 1996*c*).

To qualify for unemployment benefits, members of an unemployment insurance fund must have had ordinary regular market employment for more than 52 weeks within three years and, of course, be paid up into one of the insurance funds. Benefits are equal to 90 per cent of previous wage income. While the unemployment insurance funds are private organisations, the bulk of their revenues (more than 90%) are paid by the state. The unemployment insurance offices administer the payment of unemployment benefit, while the activation of insured unemployed is the responsibility of the PES.

Previous to 1994, most of the resources absorbed in unemployment benefit payments went on passive income benefits and allowances. The 1994 labour market reform introduced fairly radical changes to the support system for the unemployed and, in particular, in the interaction between the unemployment insurance system and the activation system (Hammer, 1999). This activation reform abolished the right of workers to earn new entitlement for unemployment benefits through participation in activation offers. The new rules saw activation as a mechanism to ensure a worker's return to ordinary employment and not – as was too often the case before 1994 – a mechanism to allow workers to continue to qualify for unemployment benefits. The changes in the unemployment benefit system have meant that

© OECD 2001

the maximum support period, as of end-2000, will have been greatly reduced from about eight years until end-1993 to four years from January 1, 2001.

After the most recent changes in labour market policy, introduced in the Finance Act for 1999, were fully phased in by the end of 2000, it will now only be possible to receive unemployment benefit for 12 months before the activation period starts as compared with 24 months before – implying a right and a duty to full-time activation – for three years, giving a total support period of four years. All young people under the age of 25 will have a right and a duty to activation before reaching six months' unemployment. In the past, this applied only to those without formal educational or vocational qualifications. Persons who have completed vocational or higher education (without afterwards having being in employment) are also entitled to unemployment benefit but they receive a lower rate of payment than persons with work experience. The shortening of the total benefit period from five to four years for people over 25 has been accepted by the trade unions on the grounds that during the activation period, the unemployed will not be made to wait for long periods any more between the time they complete an active measure and they are admitted to another one. Genuine participation in active measures should make up 75 per cent of the activation period.

Basically, during the first period (12 months), the unemployed person is expected and encouraged to look for ordinary work. If unsuccessful in getting employment, he will then enter the activation period. During this period, the unemployed person has a right and an obligation to activation. Activation instruments include guidance, job search assistance, job plans, private job training/public job training and education and, more recently, leave schemes, job rotation and pool jobs on a full-time basis. Brief explanatory notes on some of the main activation instruments are provided in Annex. The objective is still to qualify for a job in the ordinary labour market. If the unemployed person does not succeed in getting unsubsidised work by the end of the activation period, he or she will lose the right to unemployment benefits and will have to apply for means-tested social assistance. One year of ordinary employment is then required before a person can re-enter the benefit system and start a new four-year period.

Those unemployed who are not eligible for unemployment benefits because they have chosen not to pay fees to an unemployment insurance fund, or because their period of entitlement to unemployment benefits is over, or for other reasons, when all support options have been exhausted, receive social assistance and they are the responsibility of the local municipalities. For people obliged to provide for children, the assistance equals 80 per cent of the maximum rate of unemployment benefit. For non-providers, the assistance equals 60 per cent of the unemployment benefit. Young childless people under the age of 25, living at home, who have not had an income from work amounting to more than 60 per cent of the

© OECD 2001

unemployment benefit received for 18 months, are entitled to a special, lower, youth benefit (Nordic Social Statistical Committee, 1997).

Amongst recipients of social assistance, one can distinguish between two categories: *i*) those who are considered fit for work by municipalities and have registered for work at local PES offices; and *ii*) people who first need some special support to improve their employability before they can be reintegrated into the labour market. Those persons considered to be unfit for work at short notice need substantial support and much of the responsibility for providing this support falls on the individual municipalities.

The activities of regional labour market councils

The labour market reform in 1994 included a "steering reform". The main elements of this were: *a*) a decentralisation of policy implementation to regional labour market councils which are composed of local representatives of employees (seven members), private employers (seven members) and local authorities (three from the county, four from the municipalities); and *b*) the introduction of a system of planning, guidelines and targets to make regional policies comply with national goals for labour market policy. The main arguments behind decentralisation and the strengthened involvement of the social partners were: *a*) to make labour market policy more flexible and adapted to local needs; and *b*) to improve the quality of policy by adding the knowledge of the social partners and making them more engaged in the implementation of policy.

The working rules specified that the mix of instruments and the detailed specifications of targets were to be decided at the regional level while the overall policy goals were to be set at the central level. At national level, the Folketing (parliament) decides on the total amount of appropriations for labour market measures and lays down, with the Ministry of Labour, employment policy, including active labour market policy. The Ministry receives advisory assistance provided by the tripartite National Labour Market Council (LAR).

Active labour market policy is administered by the National Labour Market Authority (AMS), an institution under the Ministry of Labour. The AMS determines the targets and results to be achieved at regional level, in agreement with the tripartite labour market councils at both national and regional levels. Each year, the regional labour market councils determine political priorities and decide which labour market measures are to be implemented at regional level within the broad framework and a set of rules fixed at national level and as a result of negotiation with the central level. The RARs decide which measures are to be taken by the regions and they also lay down priorities and dimensions and determine the target groups. The RARs can also supplement the nation-wide targets with regional targets and results.

© OECD 2001

It is the task of the PES (AF in Danish) to carry out in practice the decisions taken by the RARs. Administratively, the PES is the responsibility of the National Labour Market Authority. The director of the regional PES office is also the secretary of the RAR. He is appointed by the Minister of Labour and has the ultimate legal responsibility for ensuring that decisions made by the RAR comply with the state legislation, rules and regulations.

The normal functions of the public employment service are to provide information, vocational guidance, registration for unemployment benefit purposes and arrange for the provision of vocational training to insured unemployed persons and other job-seekers. In addition, businesses are entitled to a speedy referral of suitable job applicants from the PES. Another important PES task is to monitor labour market developments and to assist state and local authorities with information on and evaluation of labour market conditions.

In each region, a regional PES office supervises the work of several local offices that deliver the services decided upon at regional level. Those offices have little discretion on the use of resources and limited capacity to launch new initiatives. There is a strong level of face-to-face contact between the local PES offices and enterprises. This is effected by the employment consultants who interface actively and systematically with local enterprises. Vocational training centres (AMU's centres) offer courses to both employed and unemployed semi-skilled workers.

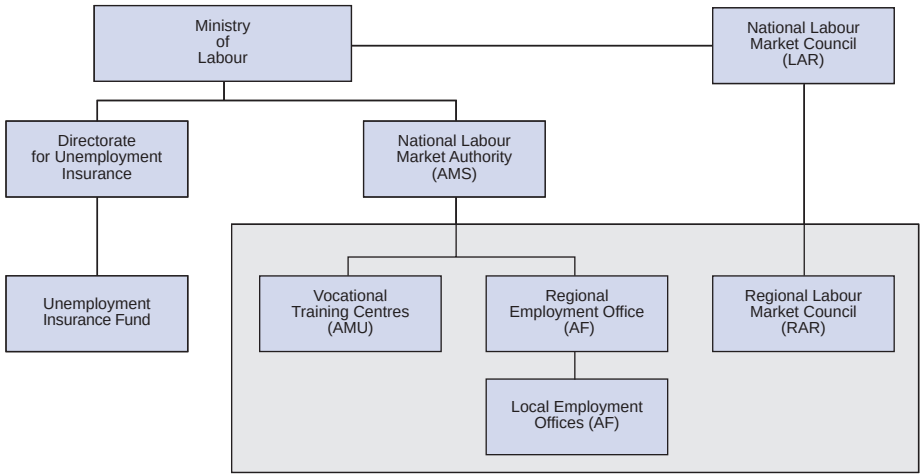
They are administratively part of the Ministry of Labour but managed according to commercial principles, with the PES as one customer for training and education courses. These centres contribute, on a contractual basis, to the formal training elements decided by the RAR for the activation of the unemployed. However, their principle training functions involve a much wider set of vocational training.

An overview of the key labour market institutions is presented in Figure 14. The significant regional players are also indicated. Other important actors in the area of labour market policy, not shown in Figure 14, include the Ministry of Education and the Ministry of Social Affairs. In addition to the training provided by the AMU training centres under the competence of the Ministry of Labour, some further training for both skilled and unskilled workers is provided by the technical and vocational schools under the supervision of the Ministry of Education. The Ministry of Social Affairs, through the municipalities, is responsible for supervising social assistance and most other income transfers, except for unemployment insurance.

With the reform, the central management of labour market policy measures was thus replaced by a target and framework management system with interaction

© OECD 2001

Figure 14. **Selected labour market institutions in Denmark**



Note: Organisations not shown in this figure include the Directorate of the Working Environment under the authority of the Ministry of Labour.

between central and decentralised decision-makers a distinctive feature. The determination of targets is achieved through a complex iterative process, which also involves some degree of public consultation. Two main objectives and, in addition, five or six focus areas and eight to ten targets are identified yearly following discussions between, on the one side, the Minister of Labour, advised by the LAR, at central level, and, on the other side, the 14 RARs at regional level (Hansen, 1999).

Based on what is negotiated *vis-à-vis* targets, each region can then decide what mix of instruments it wishes to use. Each region is free, for example, to mix its responses and choose between private job training education, job rotation etc. Regional differences in the instruments used may be necessitated by differences in economic circumstances. For example, there may be an insufficient offer of private job training places by private firms in a particular region to support substantial use of private job training. Consequently, this particular region may have to rely more on education and training in public schools and training centres, which can be an expensive activation instrument. Also, regional situations and needs can be affected by the regional business cycle and by other external factors.

© OECD 2001

Within the national framework, the state does accept negotiated irregularities across regions. However, any regional priorities have to be reconciled with national targets and financial management systems. Under this system, the total financial appropriations for the region are determined and a number of national requirements are laid down concerning overall labour market targets and the extent and quality of the measures to be used. Thus, negotiations between central (Ministry and AMS advised by LAR) and regional decision-makers (regional PES and RARs) is a key element in the development of regional policy.

More recently, there have been increasing demands in this respect from the central level with the setting and increasing application of common result requirements and quality standards and controls on amounts that may be spent on activation through defining a "price" of DKK 182 300* per person activated. This ensures that the whole process does not deviate much from a unified country system but reduces the degree of flexibility allowed to the regional level. In fact, the room for manoeuvre and scope for action of the regional labour market council is limited in a number of ways and, since the reform in 1994, its discretion has been increasingly restricted. This reflects two main concerns: the wish for the national parliament to better control a policy area where large amounts of public money are invested and the need to maintain the PES as a unified, nation-wide system. The shift towards re-centralisation is also due to problems that have arisen in some places and the need to correct them and prevent future ones.

Central control, accountability and the maintenance of a unified system are also ensured through other mechanisms:

- quantitative and qualitative results obtained at regional level are reported to the central level at regular intervals;
- the secretary of the regional labour market council, who is also the manager of the régional office of the PES, is responsible for controlling whether decisions made by the council comply with national laws and rules. He (and not the RAR chairman) is legally responsible for decisions made by the regional labour market council. His/her position may be subject to tension when guidelines from the head office are difficult to reconcile with priorities set by the RAR.
- Good practice is transferred between regional councils and divisions, they learn from each other and from pilot projects. An example here is the testing of full decentralisation in two pilot regions in Denmark from January 1, 2000;

* 1 DKK = 0.134 Euro (1 Euro = 7.45 DKK) (exchange rate on 29.06.2001; Denmark is not part of the Euro zone).

© OECD 2001

– National programmes impose their own priorities, *e.g.*, unemployed people aged 48 have been designated as a new target group.

In addition to these mechanisms introduced to monitor and control decentralised labour market management, there are other limitations to the actual room for manoeuvre at county level that stem from the remit assigned to the regional labour market council. It is mainly limited to supply side measures: the council decides what activation schemes are to be implemented so that the right skills are available to employers. The council may be consulted formally or informally on demand-side measures to create and maintain employment and on other matters such as transportation and planning but the focus of their role is on making people more employable. This sets boundaries on the council's level of integration and its possible impact.

Another restriction to the scope of their mission stems from the target group: it is limited to registered job-seekers with a focus on those entitled to unemployment benefits. Other jobless groups are mainly dealt with by the municipalities. In addition, a number of issues such as how to fight the black economy are only discussed at national level. In spite of all those limitations, the way activation measures are mixed and targeted does differ from one county to another, which demonstrates that the regional actors avail of the leeway at their disposal.

Storstrøm county is used as an example to illustrate the way in which the RAR works. Storstrøm is situated in the south-eastern part of Denmark and includes Lolland, Falster, Møn and southern Sjælland plus a number of small islands. The region makes up 7.9 per cent of the total area of Denmark and its population (259 106 people) accounts for 5 per cent of the country's total population. The county's population density is 54 inhabitants per km^2 compared to a density of 123 persons per km^2 for Denmark as a whole.

Storstrøm is one of the poorer regions of Denmark. Its economy has a number of basic structural weaknesses: a heavy reliance on agriculture and the food-processing industry; a weak private service sector; slow growth of exports (both international exports and exports to other Danish regions); low levels of technology and of labour qualifications. The percentage of the population with higher post-graduate qualifications and the percentage employed in business services in both Lolland-Falster and in Storstrøm county are well below the national figures (see Table 21).

Furthermore, Storstrøm county is not homogeneous; the part of the county lying in southern Sjælland is more prosperous and is linked more closely to Greater Copenhagen. The southern part of the county, Lolland-Falster, is poorer and faces serious structural problems which are compounded by

© OECD 2001

Figure 15. **Map of Denmark**

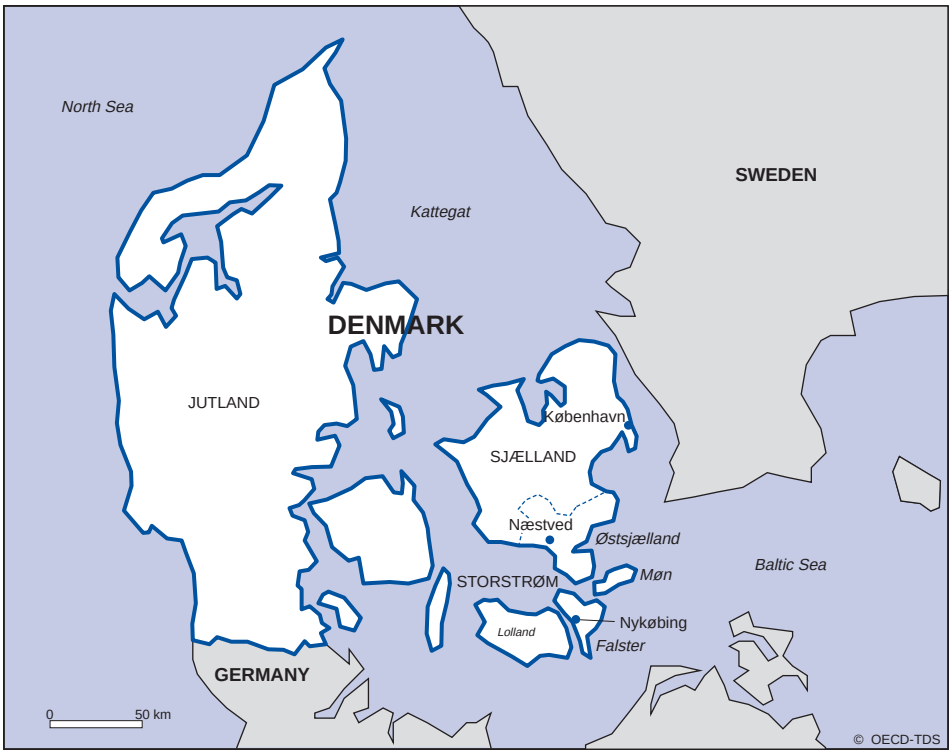


Table 21. **Storstrøm, Lolland-Falster, Denmark: some comparative statistics**

Statistic	Storstrøm	Lolland-Falster	Denmark
Unemployment rate, % (Sept. 1999)	6.3	7.1	5.1
Rate of change of unemployment, % (Sept. 1998-Sept. 1999)	–11.2	–9.8	–11.5
Population with higher post-graduated education, %	8.1	9.1	13.9
Employed in primary industries, %	7.3	6.0	4.3
Employed in business services, %	7.1	8.0	11.4

Source: AF-Storstrøm.

© OECD 2001

the region's relative isolation. The unemployment rate in this southern part of the county is higher than in the county as a whole. The rate of decline in unemployment in 1998-99 was slower in Lolland-Falster than in the county as a whole.

Considering the regional context, the RAR has set two priority objectives: preventing labour and skill shortages in the labour market and fighting long-term unemployment. Descriptions of regional labour market council objectives and results set by for Storstrøm county and those specified as part of national policy objectives by the National Labour Market Council for the year 2000 are presented in Table 22.

The result requirements negotiated between the Ministry and the RARs are marked in Table 22 with an asterisk. In each instance, the results sought are quite specific. There can be some political negotiations between the centre and the individual RAR about achieving such specific results. The responsibility for ensuring that the expected results are achieved lies with the PES with performance indicators being used to monitor achievements.

Some limited comparisons between national and regional uses of different activation instruments are presented in Table 23. The most significant difference between the country as a whole and Storstrøm can be seen in the use of subsidised employment (2.4% of the labour force in Storstrøm compared to 1.4% in Denmark as a whole in 1999). Also, there is a higher usage of education and training in Storstrøm. Clearly there can be regional differences in the use of active labour market measures reflecting differences in economic conditions and other factors, as witnessed by the difference in the unemployment rate.

The final column in Table 23, column (e), expresses the ratio of column (d) to column (b). Thus, it gives a relative measure of differences in the use of various activation instruments used in Storstrøm and Denmark. The data in column (e) shows that, relative to the labour force, the usage of subsidised employment is 79 per cent higher in Storstrøm than in Denmark. Since the percentage of registered unemployed and total participants are respectively 29 per cent and 30 per cent higher, this result confirms that the PES in Storstrøm has privileged subsidies as part of its response to higher unemployment.

For the other activation instruments, column (e) shows that Storstrøm is 10 per cent lower for leave schemes, 17 per cent higher for education and training and 30 per cent higher for the take-up of early retirement.

© OECD 2001

Table 22. **Regional labour market council objectives and result requirements for the year 2000, region of Storstrøm**

Objective 1: AF-Storstrøm must strengthen its role as a professional service-oriented and efficient broker of the labour market needs of public and private enterprises	
Result Requirement 1.1	AF-Storstrøm must broker at least 3 700 job inquiries over five days.*
Result Requirement 1.2	The share of job referrals directed to those unemployed > 50 years of age must as a minimum be equal to this group's share of unemployment.
Result Requirement 1.3	Recipients of social assistance share of job referrals must be higher than the figure for 1999.
Result Requirement 1.4	At least 25 % of AF-Storstrøm's share of job referrals received over a five-day period must come from enterprises which have not, within the previous 12 months, registered vacancies with the labour office.*
Result Requirement 1.5	A maximum of 5 % of the registered job vacancies at AF-Storstrøm must remain unfilled one week after an agreed beginning date.*
Result Requirement 1.6	AF-Storstrøm staff will call on at least 3 800 enterprises in 2000 and of these 1 000 must be new first-time visits.
Objective 2: The labour market political effort must prevent and remedy bottleneck problems in the labour market	
Result Requirement 2.1	AF-Storstrøm must have started initiatives within all areas where there is, or could be expected, bottlenecks.*
Result Requirement 2.2	There must be a dialogue with local actors to help prevent bottlenecks.
Result Requirement 2.3	An education effort towards bottlenecks will be carried out equal to at least 240 adult apprenticeships in year 2000. The sectors – metal-working, building, social and health sectors – will be the focus of this education effort.
Other requirements in relation to this objective are the speedy registration and checking of the qualifications of the registered unemployed in bottleneck sectors and more inter-regional brokering of vacancies in bottleneck and sectors that have recruitment difficulties.	
Objective 3: The activation effort must bring qualifications to the unemployed which enable them to get permanent attachment to the ordinary job market	
Result Requirement 3.1	At least 50 % of the unemployed registered in AF-Storstrøm's "early flexible effort" must, within six months after the end of activation, have started ordinary work or education.*
Result Requirement 3.2	At least 25 % of the unemployed registered in the activation period must, within 6 months after the start of activation, have come into an ordinary job or education.* At least 35 % of the unemployed in the activation period must, 12 months after the activation has started, have begun an ordinary job or education.* At least 45 % of the unemployed in the activation period must, 18 months after starting activation, have begun ordinary work or education.
Result Requirement 3.3	The number of private job training vacancies in the Storstrøm region must be at least 555 in the year 2000 and 240 adult apprenticeships must be initiated.
Result Requirement 3.4	AF-Storstrøm must ensure that at least 30 % of the unemployed mediated to open job orders are from the activation period.*
Result Requirement 3.5	AF-Storstrøm must ensure that at least 85 % of the employment goals in the individual action plans are within the needs of the regional labour market.* (The RAR itself has defined further sub-targets within this overall LAR target).

© OECD 2001

Table 22. **Regional labour market council objectives and result requirements for the year 2000, region of Storstrøm** (*cont.*)

Objective 4: The labour market effort must contribute to preventing and remedying long-term unemployment	
Result Requirement 4.1	AF-Storstrøm must start initiatives in relation to the weakest groups of insured unemployed in order to get these into ordinary employment or education. In cases where the effort can be promoted, competencies from other relevant actors in the region must be involved.*
Result Requirement 4.2	In 2000, RAR and the PES must prepare a multi-annual action plan concerning the future effort towards the weak unemployed.
Result Requirement 4.3	The number of long-term unemployed must be less than last year.
Result Requirements 4.4 and 4.5	AF-Storstrøm must strengthen its effort and performance level towards those unemployed > 50 years of age.
Result Requirement 4.6	The unemployment rate for those unemployed and > 50 years must be less compared to 1999.*
Objective 5: The labour market policy must contribute to a strengthening of the employment in the Storstrøm region and the RAR and PES must enter a closer co-operation with the other actors in labour market education and industrial development policy	
Result Requirement 5.1	In 2000, RAR will initiate a working group on labour market problems.
Result Requirement 5.2	AF-Storstrøm will conduct a number of analyses in the labour market.

* Negotiated between the Ministry and the RAR.

Table 23. **Number of participants in various labour market programmes, leave schemes and early retirement, Denmark and region of Storstrøm, 1999**
(measured in FTEs)

	Denmark		Storstrøm		
	(a) Participation	(b) % Labour force	(c) Participation	(d) % Labour force	(e) Column (d) / Column (b)
Subsidised employment	39 108	1.4	3 111	2.5	+79 %
Leave schemes	29 089	1.0	1 147	0.9	−10 %
Education and training for unemployed	32 560	1.2	1 713	1.4	+17 %
Other activities	6 061	0.2	164	0.1	−7 %
Early retirement	179 655	6.5	10 805	8.5	+30 %
Registered unemployment	158 190	5.7	9 359	7.4	+29 %
Total	444 663	16.0	26 299	20.8	+30 %

Note: Data supplied by AF-Storstrøm. The data is from Statistics Denmark and is based on Quarter 3 1999, except for the data on registered unemployment, which is the average for 1999.

© OECD 2001

Combining tripartism and networking

The membership of the RARs is dominated by representatives from the social partners (seven employers' representatives and seven trade union representatives), who are most directly involved at the receiving end of labour market policies. The participation of local authorities (three representatives from the county and four from the municipalities) in this model of tripartite co-operation is somewhat problematic. Up to now, local authorities have been somewhat hesitant about involvement with the social partners, whereas there is a long tradition of employers and trade unions working in partnership.

The employers' concern in the RAR is primarily with ensuring that they get the employees they need and the policies to assist in this. The swift re-integration of unemployed people into the labour market is also an important goal for employers. They believe that the RAR should concentrate its activities on the unemployed in their first year of unemployment but, because of labour shortages, the employers are now inclined to consider other categories of jobless people as well. However, the interests of those who face greater difficulties in the labour market are of a lesser concern to employers. And yet in a climate of public employment freezes or cutbacks, there is a greater need for the private sector and the bigger companies, in particular, to play a more pro-active role in relation to the goals of the labour market policy. Faced with such expectations, the representatives of those employers who run their own businesses, in addition to representing the interests of the employers on the RAR, find their participation time-consuming and feel that similar issues appear on the agenda of different meetings and are discussed over and over again. Yet (and this is true of the other representatives on the RAR), they do not want the state to interfere with everything and, therefore, accept that they have to devote time and energy, in co-operation with other council members, in order to be able to steer actions according to their needs and interests.

The trade unions, equally represented in the RAR, are closely involved in the administration of the unemployment insurance funds. Many people who choose to be insured against unemployment are also members of trade unions. Therefore, the trade unions are very keen to defend their interests and may be inclined to pay less attention to people in receipt of social assistance. Indeed, after the period of entitlement to unemployment benefits, a large number of the unemployed, who will now be in receipt of social assistance, choose not to pay trade union membership fees any longer. Nevertheless, trade unions declare they have a global responsibility towards all unemployed people regardless of which category they belong to.

The unemployment insurance funds themselves have a direct role in relation to the RAR in that their agreement is needed for any proposals being made by the

© OECD 2001

RAR. The participation of the insurance funds is to protect employees from any displacement or substitution arising out of any labour market measures that might be proposed by the RAR. For example, trade unions and the insurance funds can be sensitive to using job training in the private sector as a labour market measure because of the potential displacement effects that such measures might have on existing employees. This specific difficulty has arisen recently within the hotel and catering sector in Storstrøm county.

A general concern of the municipalities is with budgetary issues, particularly social welfare costs, for which they have legal responsibilities (municipalities have legal responsibilities for elementary schools, social welfare and childcare services). Municipal representatives on the RAR feel that the labour market dimensions of municipal interests and responsibilities are not dealt with sufficiently in the RAR. This issue has become even more critical now that the period when people can receive unemployment benefit has been progressively cut from eight to four years. That means that people now come onto social welfare sooner and thus become dependent on municipal financial resources sooner also.

In addition, a firmer involvement of municipalities in labour market matters is also vital to help its employer side to solve its own potential labour shortages and to fight social exclusion. If schemes run by municipalities to improve the employability of social assistance beneficiaries are not connected closely enough to the labour market, they simply create shelters for jobless people where they are further trapped into marginalisation. Examples here are the "production schools" run by some municipalities to combine activation measures for people who are weakly connected to the labour market. Officially created to provide vocational guidance to young people who do not know what further studies and profession to choose, these schools tend to become places for young drop-outs who stay to perform some work for the community while maintaining their social welfare benefits. The municipalities, however, see production schools and other ventures – mini private companies created by the municipalities – as necessary mechanisms in the absence of alternatives.

The county has three representatives sitting on the RAR. County responsibilities in the field of labour market policies are limited to influencing policies through networking and attending RAR meetings. They spend some time in consultation with their administration so that decisions made by the RAR are acceptable to the county. Counties also have indirect responsibilities because of the role they play in post-compulsory education. They run and finance adult education institutions that can be used to train unemployed job seekers. They also run and finance rehabilitation centres for people sent to them by the municipalities because they are in need of special remedial help before they are able to cope with normal working conditions.

© OECD 2001

But the largest responsibility of the counties in the field of employment is as a direct employer. For instance, in Storstrøm, the county is the biggest employer in the region with a staff of 9 000. Between 400 and 500 people take up public job training places, which are made available through negotiations with the partners on the RAR. In addition, through its human resource management policy, the county strives to be tolerant of less productive personnel in an effort to maintain them in the labour force and in employment. In a general national context where parliament has decided to reduce or, at least, freeze employment numbers in the public administration, the county's role is of particular importance to people in difficulty in the labour market.

The RAR's role as an institution which can undo bottlenecks affecting local labour markets is important. However, and despite its presence as a formal vehicle for debate and discussion, there seems to be a lack of a mechanism for thorough discussion and genuine agreement within RARs and there is a residual tension which is not addressed in a straightforward way through open discussion between the different parties. Sometimes it seems that conclusions are adopted, based presumably on the Danish model of consensus, following which solutions are chosen because they are acceptable to everyone even if they are not the best ones. This is seen as being preferable to better solutions being imposed by a majority on a minority.

An example of this type of ambivalence or indecisiveness is related to the job-training instrument in Storstrøm. Employers at the RAR declare they prefer private job training because they believe those schemes offer participants the best chances to be integrated into the regular labour market and they are less expensive than other methods, such as training in institutions. They deplore that private job training remains under-utilised (for example, only 10.5% of all job training places in 1999, see Table 23) and they see the problem as being partly because of the PES' inability to procure a sufficient number of private job training places. The PES, on the other hand, maintains that private employers are not interested in taking on trainees in job training schemes. The very purpose of the RARs should be to enable such diverging viewpoints to be confronted and reconciled.

Differing views and interests of trade unions and municipalities with respect of this labour market instrument also reveal a lack of confrontation within the RAR.

The trade union view is that the job training instrument is not as effective as it might be. For the unions, job placement in private companies is also preferred to job training in the public service. The problem with public service job training is that it may not be properly tailored to labour market needs and, thus, it rarely leads to an ordinary job. An example was given where one particular municipality had 80 job vacancies for child-care assistants (municipalities have a legal respon-

© OECD 2001

sibility to provide childcare). At the same time, the municipality had 123 people in job training but none of these were getting any of the skills needed to qualify them for the ordinary childcare jobs.

In addition, some enterprises in the region, particularly the larger enterprises, solve their training needs, albeit in a slower and more expensive way, through the use of "adult apprenticeships" whereby older workers (over 25 years) are provided with training over a 2.5 year period. The employer receives a DKK 40 an hour wage subsidy for the adult apprentice if he/she is hired new and DKK 35 an hour if the person is already employed in the enterprise (or employed elsewhere) as an unskilled worker. For ordinary private job training, the period of employment is six months, during which the employer pays the worker collectively agreed wage rates and receives an hourly subsidy of DKK 50.55 from the PES. These particular examples and criticisms are indicative of a certain lack of thorough confrontation on diverging viewpoints within the RAR and of direct contact between the RAR and local problems.

The RAR should not be solely viewed as a necessary institutional partnership model but also as a highly influential forum which creates the possibility and opportunity for integrating policies, promoting innovation and supporting a strong co-operative and network culture amongst actors at the local level. Members of RARs are prominent people. In Storstrøm, the county mayor, the chairman of the trade union confederation in Storstrøm, the chairman of the industrial committee under the county council, the chairman of the education and culture committee in the county, the mayor of the municipality of Præstø who is also a board member of the association of municipalities of the county, and the president of the regional association of manufacturing industries are all members of the RAR. As they have much influence, knowledge and experience in industrial development policy, education policy and other fields, they integrate a wide range of policies while planning labour market policies and encourage co-operative approaches.

The following examples of how networking is related and linked to the activities and aims of the RAR can be documented in the county of Storstrøm:

- There is a "regional information forum" where the RAR, the regional PES and the local training institutions discuss training needs and appropriate course requirements.
- There are informal meetings between the secretariat of RAR and member organisations about RAR agenda items.
- County and municipal representatives do meet to discuss agenda items prior to RAR meetings.
- The establishment of an independent vocational guidance centre in Nykøbing. This centre is managed by a partnership funded mainly by the RAR.

© OECD 2001

- The regional PES, as the administrative organ of the RAR, interacts continuously with education and training providers in relation to the implementation of the labour market policy in the county.
- The RAR is consulted on planning issues (for physical development, transportation business development, etc.) which are county and municipal responsibilities. For example, the RAR is represented on a working committee set up by Storstrøm county council to promote the idea of a bridge linking the southern part of the county with northern Germany.
- Storstrøm county council has responsibility for a number of special adult education institutions, which provide training for unemployed adults within social and health care programmes of responsibility. Within the framework of the RAR, the council has created an education planning committee to help make a better connection between private companies in the county and the educational institutions.
- In 1998-1999, Storstrøm was designated as a pilot region to develop and test special measures to help those weakly attached to the labour market. For this purpose, the RAR and the PES have established three pilot projects in co-operation with the unions and the municipalities to develop methods and collect experience about efficient activation offers which will allow for a more goal-oriented effort towards this category of unemployed person. There have been a number of dialogues and co-operative agreements between the partners on this measure and this agenda is part of the ongoing objectives set for the RAR in 2000 (see Table 4).

Much of the activity appears to be about developing networks for co-operation with other regional actors. What is unclear is the extent to which these efforts translate into firm agreements by the different actors to work together in a coherent and consistent manner. With so many bodies engaged in decision-making and consulting, there is a lot of pressure on institutions that have to implement ensuring concrete actions. Plans are made that are not always followed by swift implementation.

Generally speaking, there appears to be too much emphasis on well-established structures and decisions, and less on actions, new methods, results, products and services. One example is the decision made by the RAR in Storstrøm that a percentage (greater than that for 1999, see Table 4 result requirement 1.3) of the PES's job referrals should be targeted at people on welfare. The target has been set and stated but with rather weak consequences in the sense that it implies no change in strategy or no new tasks for the PES. This result requirement does, however, bring labour market policy into contact with new problems and with these there will be a need to develop further co-ordination mechanisms, within the framework of the existing ones, *e.g.*, to broaden, in a clear way, the scope of the

© OECD 2001

RAR and to give the regional PES the tools necessary to operate in this new field. Employees at the PES are not used to advising people on welfare, or dealing with users' specific personal ands social problems. This suggests that suitable staff training may be required. co-operation would need to be strengthened with other actors, like municipalities and NGOs (non-government organisations), as they have acquired useful skills in this field.

Even if only a few partnerships appear to work at implementing concrete actions, there are a few notable exceptions, such as the vocational centre at Nykøbing. This initiative came from the RAR where it wanted to create an instrument operating like a human browser to provide independent counselling and job guidance on a self-access basis. The centre is steered by a partnership between secondary schools, vocational schools and training centres, local and regional authorities, the PES and the trade unions. Staff are seconded from schools and training institutions and all of the running costs are covered by the RAR. Between six and eight counsellors work full-time for the centre. The centre also assists enterprises with their educational planning which is aimed at continuous improvement to the qualifications of their labour force.

The advantages of having this instrument run by a partnership include a more neutral approach to counselling and guidance *vis-à-vis* the individual education and training providers and more independence from the PES which means that recipients of unemployment benefits do not simply visit the centre in order to retain their benefits. Indeed, the centre has no obligation to report to the PES on their availability for the labour market or on their eligibility for unemployment benefit. This distinguishes the centre from the instruments provided either directly by the PES or placed under their control. There is, however, a question about the cost effectiveness of this kind of independent centre. There are only 8 000 visitors to the vocational guidance centre each year, a very low number considering the staff and the equipment of the centre.

Labour market policy and social issues

Segments of the uninsured unemployed, young unemployed without a vocational training, people on illness benefits and people generally described as "weakly connected to the labour market" present a difficult set of challenges for labour market policy.

In one sense, what has been happening in Storstrøm county and in other regions of Denmark is that the general economic upturn has helped to reduce the size of the labour market problem by opening up new job opportunities, including opportunities for the less qualified amongst the unemployed. But, at the same time, those remaining long-term unemployed and the other segments mentioned

© OECD 2001

above have become more visible but they are more difficult to re-integrate into normal employment.

These new problems bring labour market policy into close contact with social policy and call for the creation of new instruments and measures that are targeted at people with a wide range of personal and social problems. Responsibility, particularly financial responsibility, for most of these problematic groups lies with the municipalities. The tradition within the municipalities has been to not involve the social partners or indeed any other actors, private or voluntary, in attempts at addressing social issues. The situation is now changing and approaches are being introduced to encourage more active partnership in dealing with problems. This is something new, which begins to challenge the reliance on the state that has traditionally characterised the Danish welfare state model. The new problems also challenge the diligence and attitudes of local officials and some results can be achieved through local co-operation and discretion. Sometimes the catalyst for this local co-operation can be as simple as sharing the same building, as is the case with the local PES office and the social affairs administration in the municipality of Præsto.

As outlined earlier, municipalities administer and participate in the financing of the social assistance paid to the uninsured unemployed and they have responsibility for activating assistance beneficiaries. It is important to emphasise that while the PES cannot legally activate social assistance beneficiaries, it can offer ordinary job opportunities to recipients of social assistance. Municipalities also provide some proportion of the subsidised employment offered to insured unemployed. But, there is little connection between these tasks and the RAR. It is possible that the PES may choose to target the easy group, *i.e.*, those on welfare who are ready for a job, particularly when the PES will have to explain its performance and results. If the system is to work, it must have the capacity of ensuring that the problem or the client is fully addressed. Therefore, incentives for the programme administrators of the active labour market policies should be extended to cover a set of well-designed performance indicators adjusted to the specific problems of social assistance recipients.

And yet the RAR's agenda contains no explicit targets or result requirements *vis-à-vis* the uninsured unemployed. Neither are there any transparent procedures laid down whereby the municipalities can refer to the PES the uninsured they consider to be ready for normal employment. This is a source of frustration for the municipalities. In the absence of procedures to agree on these numbers, there can be no targets or result requirements set for this problem. The situation may be changing now, as statistical work has been undertaken in Storstrøm aimed at identifying the number of uninsured unemployed people who were referred by the PES to vacancies in 1999. The number obtained will be used as a minimal result.

© OECD 2001

The insufficient consideration given to categories of people who are "weakly connected to the labour market" appears to be part of the rationale for setting up the local social co-ordination committees. Local social co-ordination committees have been introduced by the Ministry of Social Affairs to advise and assist municipalities on how to manage their responsibilities to people who, because of illness or other factors, have a reduced capacity to participate in ordinary work. These social committees are in a good position to follow more integrated and direct approaches at the local level and to invent new forms of work organisation better suited to the need of their constituencies. One example here are "flex jobs" created for people whose capacity to work is impaired and who cannot, therefore, work on a full-time basis. Shorter working hours are negotiated for them with private employers. They get a full salary and the state covers the difference between what the employer pays the worker with reduced capacity for the hours actually worked and the full wage.

In setting up their social co-ordination committees, municipalities may choose to have their own committee or co-operate with neighbouring municipalities. If municipalities choose to co-operate, they combine the individual grants they receive from the Ministry of Social Affairs to cover animation costs. In Storstrøm for example, the 24 municipalities have established six such committees that cover more or less the same geographical areas as the six local PES offices. In Denmark as a whole, there are 140 co-ordination committees. Having a large number of these committees initially is seen as beneficial as it means different results, new results and a richer learning situation.

An interesting feature of these social co-ordination committees is the freedom they have to invite NGOs to become members. NGOs are perceived to be close to end users. If there is a voluntary organisation representing particular constituencies that are of concern to the social committees then the committees are encouraged to bring them on board as members. It remains true, of course, that anything these committees might decide to do must remain inside the initiatives and polices being pursued by the municipality.

An initial problem addressed by the local social co-ordination committees is the number of people on sickness and invalidity benefit. To address this problem, the local committees will typically involve the social partners, doctors' association, representatives of disabled persons, the PES and the municipality, or group of municipalities in the case of a joint committee. While general levels of unemployment have been falling in Denmark, there has been a slow upward drift in the numbers of sickness and invalidity beneficiaries. This is a social and financial concern for the Ministry and the municipalities. The rules on sickness and invalidity benefit are such that once a 52-week period of benefit has passed, it is the responsibility of the municipality to pay 100 per cent of the benefit. There is a clear incentive for the municipality to reduce the sick benefit

© OECD 2001

period, speed up the rehabilitation period and seek to return people to normal employment. After 52 weeks, the municipality also has the option to put the person on social welfare. It is even better if illness can be prevented altogether and hence good co-operation with employers is a priority for the municipality and for these local committees.

In this respect, one must note that there is no direct financial incentive for employers to improve working conditions (except that they may fear a shortage of labour if working conditions are not satisfactory) as, in Denmark, illness benefits are not financed by social security contributions paid by employers. Like other forms of social security, these benefits are ultimately paid from the state's fiscal revenues. In this context, social co-ordination committees could be useful mechanisms for gaining the commitment of employers to be proactive on issues relating to illness and health in the workplace.

The challenge for these social committees is to develop a system that can ensure that the problem of the number of people availing of and retaining sickness and invalidity benefit is properly managed at the local level. The Ministry of Social Affairs believes that it is only at the local level that the concrete issues and tasks can be dealt with effectively. In the spirit of partnership, this will need responses from enterprises to take more social responsibility for health and safety in the workplace.

One practical difficulty in developing any partnership relationship between enterprises, local social co-ordination committees and municipalities is how to deal with the phenomenon of workers who commute to plants well outside the geographical areas of the local committees. For example, there are over 1 000 daily commuters making a two-hour trip to Copenhagen from Storstrøm county. This implies a fairly strong level of spatial mismatch between the work of some local committees and important, but perhaps distant, employers. Generally speaking, working environment conditions and improvements are the responsibility of the Labour Ministry. This is why there is a representative of the Labour Ministry sitting on the committee. This person's role can be important in helping to overcome this spatial mismatch problem and promote greater co-ordination between local committees and dispersed employers. The Labour Ministry has evaluated its participation in social committees to be positive so far.

The role of hospitals and rehabilitation services is also important. There is much criticism that the financial burden imposed by illness and disability claims is due to poor response times from the hospital and rehabilitation services. Health care and rehabilitation fall under the remit of the counties, which run the hospitals and the rehabilitation centres. However, there is no formal link between social co-ordination committees and counties at present and yet such a link would

© OECD 2001

be necessary if response times and other perceived shortcomings in services are to be addressed.

A direct link is also missing between the insurance funds and municipalities where decisions have to be made on whether a person who has been ill is eligible again for unemployment benefits. Gaps like these will need to be closed and agreements made on roles, responsibilities and results amongst the local actors in order to improve the impact of these local social co-ordination committees.

Madsen (1999) has made the point that labour market policy must come into closer contact with social policy in providing programmes that are targeted at persons with a wide range of personal and social problems. There is a growing perception that this shift is needed.

What makes this system hard to develop in many spheres is the long tradition in Denmark whereby citizens rely extensively on the state to provide social services and expect elected bodies at local and regional level with formal competencies, and a large degree of fiscal discretion, to promote their interests. A consequence of this is that consultation and decision-making are somewhat restricted to narrow circles in Danish society. Nonetheless, there is now a growing active attitude beginning to take hold and efforts to combat social problems have begun to challenge all aspects of passivity in the Danish welfare state (Cox, 1997). For example, the possibility for local social co-ordination committees to call in additional partners if they wish, including NGOs, is an interesting development. NGOs are seen to be familiar with the needs of end users and to have better contacts with them. Municipalities now tend to contract out some services to NGOs. Consequently, they are being taken more seriously in the search for local solutions.

Regional and local economic development

Economic development is concerned with wealth creation and business investment; it is fundamentally a business-led activity. The role of partnership here reflects the need to bring private and public agents together in actions that seek to enhance the business environment. As an economic actor, the local state in Denmark has traditionally been weak, and remains so. In 1999, for example, only four per cent of Storstrøm county expenditure was spent on the promotion of economic activity and this was to support basic animation only.

Autonomous local government economic initiatives are limited – a consequence of decades of *laissez-faire* industrial policy. Yet, business leaders expect politicians to understand their needs and to use all their influence to make the area attractive for businesses, even in spheres such as culture, tourism and health care that seem to have remote links with business development. But there is also a growing awareness on the part of politicians and business that a broad spectrum

© OECD 2001

of policy fields impact on economic development. In addition, because counties and municipalities have the right to impose taxes on both incomes and property, it is important for them to attract as many citizens as possible, particularly high earners, and to retain them. So, elected bodies at both levels have a direct incentive in employment promotion and retention even if their responsibilities in that field are rather limited. In 1992 the Danish parliament passed an act establishing the framework for participation in economic development by the counties and municipalities. This law makes it possible to set up development activities in the form of advice, information and service; to co-finance various EU programmes relating to regional development and research; to prepare, develop and market know-how based on the knowledge and expertise acquired through the management and creation of local government services; and to prepare and implement economic development (LEDA, 1998).

The system that has emerged in Storstrøm county has grown somewhat organically. It is very much horizontally configured with a strong project-specific focus and with few links upwards to broader regional or national strategies. The initiatives which have developed include business development centres, some municipal creation of infrastructure and site preparation. In addition, there have been some attempts at creating more integrated economic development plans.

There is a network of business development boards serving sets of municipalities in Storstrøm which are financed by private companies and by the municipalities (the latter finance 90 per cent of the basic costs). The role of these centres is to help municipalities improve on the local business environment, to provide help and assistance to SMEs in the area and deliver economic development services such as start-up advice, training advice, guidance for young persons in high schools and develop new forms of education. Approximately 40 per cent of the services provided by these centres are for the municipalities. The boards do not deal with labour market issues except for assistance provided to the PES; the municipalities have access to companies in order to collect information on skill needs, they inform companies on labour market programmes and they advise people sent by the PES who want to start their own business.

In Lolland, the business development board is an initiative of private business and nine municipalities. The agenda of this board – mainly lobbying and business services to members – is very much driven by business needs and interests. This board does have a business plan for Lolland which emphasises the fostering of an enterprise culture, assisting SMEs and promoting new business instruments, new markets, use of technology, etc. But, and not unlike the other organisations involved in local development, the financial resources available to the boards are limited. The locality of scale and the lack of critical mass are weaknesses in terms of strategic planning. The system is one where there are a lot of institutions and actors dealing with similar small items and issues. As a result, it is

© OECD 2001

difficult for them to launch longer-term, more strategic development programmes. Apart from the provision of the kinds of services mentioned already, they have to restrict their ambitions to projects and have to apply for funds from various sources for each project.

To promote economic development, the county supports a series of expert centres, with one-year contracts being signed with some of them. Based on these contracts, the county council can exert some control on the activities undertaken by each of these agencies and this helps to avoid duplication. These expert centres include: Storstrøm Business Development Centre (which incorporates an international and an EU-affairs secretariat), Green Centre, and Tourism Centre. County councils may also establish *ad hoc* committees to tackle some specific issues at a given time. One example here is the committee set up by Storstrøm county council to lobby at all political levels for a bridge connection to Germany. Further systems aimed at strengthening co-ordination between economic development agencies and forums at county level, have been piloted but failed to yield convincing results.

County councils also have the authority to make general county plans based on the plans of national government. Major decisions on topics such as corporate location strategy, inward investment and major infrastructure clearly are made outside the county. The county planning addresses issues of how to locally manage the consequences of such decisions and involves implementing development controls outside the boundaries of cities and towns, guiding major retail site locations and other facility planning, designing transport initiatives and addressing mobility issues. Municipalities do consult with the county on these planning issues.

One striking feature of Denmark is the consistent manner in which territorial units are defined. Obviously, county boundaries must correspond with those of the municipalities. In addition, the local and regional political divisions of the elected bodies coincide with the areas that partnerships or social partners are asked to cover or where they choose to operate. This makes it easier to foster consistent, cross-sector, cross-institutional approaches.

For instance, in Storstrøm county, the local business development boards and the local social co-ordination committees cover territories that broadly correspond to those also covered by the local offices of the PES. The internal organisation among the employers in the county is similarly configured and they develop policies for these same local areas. This consistency in territorial coverage also contributes a stronger degree of representativeness and legitimacy to people appointed to represent particular constituencies in the various networks and partnerships.

© OECD 2001

This kind of consistency exists in the way in which most administrative spaces are organised. For example, the major trade union in Denmark, LO, is structured in 14 divisions throughout the country. These divisions correspond to the 14 counties and to the territories covered by the RARs. Consequently, when a representative for LO is appointed to sit on the RAR, he/she is chosen to represent the same territorial division as that of the RAR and can consult all local shop stewards in the county at meetings organised prior to the RAR's meeting. The same representative will also consult nationally on union concerns but the consistent territorial lines allow him/her to focus on members' priorities and needs at the regional level.

Economic development activities are "demand-side" interventions that matter to local business success and employment creation. These activities link across to the active labour market policy through a number of conduits, including both formal and informal consultation processes.

There are complementary activities at the local enterprise level between the PES and the local business development centres. This is sometimes achieved simply by having shared accommodation but it also works through the business consultants used by both organisations. Consultants employed by the business centres help the PES (and the municipalities) have access to local companies in order to collect information on skill needs. They also inform companies on labour market programmes and they advise people sent by the PES who wish to start their own business.

The RAR consults and is consulted on most economic development issues. It is asked to comment on the plans and activities of the different regional and local economic actors. Indeed, one of the RAR's aims for 2000 was to enter a closer degree of co-operation with the other local actors in relation to industrial development policy. The types of co-operation that are important here must be able to work and integrate across the fields of labour market strategies, enterprise and business growth programmes as well as infrastructure development to assure an enhanced economic capability and responsiveness at the regional level. These co-operative efforts must be firmly grounded in the needs and interests of businesses and well co-ordinated vertically so that they make a difference to the economic capability and competitive responsiveness of the region as whole.

Conclusions

In Denmark, there is a large amount of interaction and co-operation amongst the different actors at both the regional and municipal level. However, it is not clear how much of this activity is translated into concrete additional results at the local level. Neither is it easy to evaluate the actual level of discretion left to the county level in regulating the labour market.

© OECD 2001

There is a tension between central regulation and regional autonomy because activation programmes are designed at national level and target fields of activity and minimum result requirements are set following negotiation between the central and the regional level. The competencies of RARs at county level are mainly limited to deciding on the mix of activation measures to be implemented at that level in order to improve the employability of the unemployed and to adapt the skills of the employed.

While this appears to downplay the role of RAR, one must also bear in mind that resources allocated to activation measures are very substantial in Denmark and that the amounts of public funding the RARs are allowed to decide on are therefore quite significant. Further limitations to the sphere of competencies of RARs stem from the fact that levers to support business development and thus also employment creation and maintenance are largely handled outside the RAR. Yet, as their members are influential people, RARs also work as forums where policies besides labour market policies can be discussed and better integrated.

Another asset of RARs is that they provide an important opportunity to take regional needs better into account. This is achieved through more involvement for both the social partners and the representatives of local government.

However, policy formulation by the regional labour market councils is dominated by the representatives from the social partners. The main objectives of both employers and trade unions are to ensure that the labour market functions and that employers get the qualified people they need. Thus, there is a friction between the needs of the social welfare system (operated by the municipalities) and the local labour market policies of the Ministry of Labour and the RAR. Municipal representatives on the RAR feel that the labour market dimensions of municipal interests and responsibilities are not dealt with sufficiently and, in the absence of better connections, the municipalities must devise activation measures that run the risk of being divorced from the real labour market.

The tradition within the municipalities has been not to involve the social partners or indeed any other sector, private or voluntary, in attempts at addressing social issues. This position, coupled with the division of competencies between labour market institutions and social assistance ones, does little to encourage existing bodies, such as the RARs, to broaden their activity. Fortunately, the situation is now changing and approaches are being introduced to encourage more active and broader participation in dealing with new problems. The local social coordination committees are a good example of this.

However, the speed with which this new learning and adjustment occurs is hindered by the importance that is attached to the traditional process of negotiation and striving to achieve consensus in Danish affairs. The new situation also challenges the diligence and attitudes of local public service officials as labour

© OECD 2001

market policies come increasingly into contact with social problems. In this context, the current contribution of the PES to the co-ordination of measures is critical. This is particularly so because the framework for action is one of flexible networks where different actors meet and where someone must ensure that the necessary connections are made.

A strength of the Danish system is the remarkable consistency with which administrative boundaries are defined. This helps to alleviate some of the potential difficulties that can arise in local development when the territory is crowded with many actors and institutions. Despite this administrative transparency, it is still the case that there are a lot of actors and institutions falling over similar issues and agendas. Localness and smallness of scale is a potential weakness in terms of strategic and regional planning. The proliferation of horizontal actions and institutions are reasonably well co-ordinated but there is little evidence of strong vertical co-ordination to ensure that there can be an optimal and integrated response to regional economic development and social challenges.

© OECD 2001

Annex

Main Activation Instruments

Individual action plans: An action plan is an agreement concluded between the PES and the individual unemployed person under which both parties commit themselves to the activities agreed on in the action plan. The starting point is both the needs and background of the individual unemployed person and the needs of the local labour market.

Subsidised and job training: Job training is available either with private enterprises or in the public sector. Pay rates and other working conditions are defined in accordance with prevailing collective agreements. The employer receives a subsidy for the workers. A private employer must subsequently employ the unemployed person without the subsidy or offer training to the unemployed person after a six-month period. The number of people in private training has fallen substantially in recent years.

Leave schemes: Paid leave schemes allow wage-earners and the self-employed to take leave for a limited time period (up to one year) and then return to work. Leave can be granted for three purposes: child-minding, education or non-specific purposes (sabbatical). The target groups and the income support during the leave period differ between the three schemes. The parental and educational schemes also include the unemployed who are not required to be available for employment at the local labour office or to undergo activation during the leave period. Sabbatical leave is restricted to employed persons >25 years who are members of an insurance fund. This leave must be agreed by the employer and the vacancy must be filled by an unemployed person. Indeed, one of the key arguments supporting the introduction of paid leave was the idea of job rotation whereby employed persons going on leave would be substituted by unemployed persons who would then be given a chance of returning to ordinary employment. However, apart from sabbatical leave, hiring a substitute is not mandatory for the employer. Paid leave for education is now part of a more formal job rotation scheme where the firm, in co-operation with the PES, sets up a plan for training of the currently employed and combines this with special training programmes for the unemployed persons to be hired as substitutes.

Job rotation: Job rotation offers new solutions to two problems – meeting the training needs of employees (linked to the leave schemes above) and providing training and job placement for unemployed persons. The scheme is an agreement between employers and the RAR to provide training for existing employees and, while they are being trained, to temporarily replace them with unemployed people who, in turn, can be trained and receive structured work experience.

© OECD 2001

Education and training: This can be either in the ordinary education/training system or as an element of special tailored programmes *e.g.*, individual job plans.

Pool jobs: These are jobs in the public sector of up to three years' duration for persons who have been unemployed for a total period of two years within the preceding three years. Pool jobs are created in the public sector in the form of service improvements and the performance of new tasks in areas of the environment, culture, energy, health and care.

Registered unemployment: This statistic measures the number of persons who have registered themselves as unemployed with the PES and declared that they are actively looking for work. The majority of these registered unemployed (approximately 85%) will be members of an unemployment insurance fund and registration is a precondition for receiving unemployment benefits. The remainder are unemployed recipients of social security who will also be encouraged to register at the PES. Unemployed people activated in labour market programmes or participating in one of the three schemes for paid leave are not included in the number of registered unemployed.

© OECD 2001

Bibliography

ADM (AREA DEVELOPMENT MANAGEMENT LTD) (undated),
"Partnership Business Supports and the Area Allowance Scheme", ADM Ltd, Dublin, Ireland.

ADM (1997),
"Strategic Plan 1997-1999", ADM Ltd, Dublin, Ireland.

ADM (1998*a*),
"Improving the Co-ordination and Integrated Approach at Local Level of Mainstream Programmes and Policies", ADM Ltd, Dublin, Ireland.

ADM (1998*b*),
"Baseline Studies of Finglas/Cabra, Clondalkin, Galway City and OAK Partnership Areas", ADM Ltd, Dublin, Ireland.

ADM (1999),
"Community Development Strategies and Actions within the Integrated Local Development Programme", ADM Ltd, Dublin, Ireland.

ADM (2000),
"Annual Report 1999", ADM Ltd, Dublin, Ireland.

BALDUCCHI, David E., JOHNSON, Terry R., and GRITZ, R. Mark (1997),
"The Role of the Employment Service", in O'Leary, Christopher and Wandner, Stephen (Eds.): *Unemployment Insurance in the United States: Analysis of Policy Issues* , W.E. Upjohn Institute for Employment Research, Kalamazoo, MI, United States.

BALDUCCHI, David E. and PASTERNAK, Alison J. (2001),
"One-stop Statecraft: Restructuring Workforce Development Programs in the United States", in *Labour Market Policies and the Public Employment Service*, OECD Publications, Paris, France.

BARTIK, Timothy J. (1994),
"What Should the Federal Government Be Doing About Urban Economic Development", Upjohn Institute Staff Working Paper 94-95, March, Kalamazoo, MI, United States.

BRYANT, C. (1991),
Sustainable Community Development, Partnerships and Preparing Winning Proposals, Rural and Small Towns Research and Studies Programme, Mount Allison University, New Brunswick and Econotrends, Ltd, Ontario, Canada.

CAMPBELL, Mike, FOY, Simon and HUTCHINSON, Jo (1999),
"Welfare-to-Work Partnerships: Lessons from the United Kingdom", in OECD (Ed.): *The Local Dimension of Welfare-to-Work, an International Survey*, OECD Publications, Paris, France.

© OECD 2001

CONFINDUSTRIA (1998),
Francesco Averna in: "Patto Territoriale di Caltanissetta e Contrato d'Area di Gela", Tullio Giarratano (Coord.), *Studie e Documenti* No. 17: *Politiche Territoriali e Mezzogiorno*, Rome, November.

COX, Robert H. (1997),
"The Consequences of Welfare Retrenchment in Denmark", in *Politics and Society* No. 25, Copenhagen, Denmark.

CRAIG, Sarah (1994),
Progress through Partnerships, Final Evaluation Report on the PESP *Pilot Initiative on Long-Term Unemployment*, Combat Poverty Agency, Dublin, Ireland.

DEPARTMENT FOR THE ENVIRONMENT, TRANSPORT AND REGIONS (2000),
"Local Strategic Partnerships, Consultation Document", October, London, United Kingdom.

DEPARTMENT FOR THE ENVIRONMENT, TRANSPORT AND REGIONS (2001),
"Local Strategic Partnerships, Government Guidance", March, London, United Kingdom.

EISINGER, Peter K. (1998),
The Rise of the Entrepreneurial State, University of Wisconsin Press, Madison, WI, United States.

ESPARCIA, J., MOSELEY, M. and NOGUERA J. (2000),
"Exploring Rural Development Partnerships in Europe, An Analysis of 330 Local Partnerships Across Eight EU Countries", Research Working Paper, Informes UDERVAL, University of Valencia, Spain.

EUROPEAN COMMISSION (undated),
"Territorial Employment Pacts: Examples of Good Practice", European Commission, Brussels, Belgium.

EUROPEAN COMMISSION (1997),
First Report on Economic and Social Cohesion, Office for Official Publications of the European Communities, Luxembourg.

EUROPEAN COMMISSION (1999*a*),
"Employment Performance in the Member States – Employment Rates Report 1998", Directorate General 5, European Commission, Brussels, Belgium.

EUROPEAN COMMISSION (1999*b*),
Employment Observatory, Policies, No. 65, Spring, Directorate General 5, European Commission, Brussels, Belgium.

EUROPEAN FOUNDATION FOR THE IMPROVEMENT OF LIVING AND WORKING CONDITIONS (EFILWC) (1998),
Local Partnerships: A Successful Strategy for Social Cohesion?, Dublin, Ireland.

EUROPEAN SOCIAL FUND PROGRAMME EVALUATION UNIT (ESFPEU) (1999),
"Evaluation Report: ESF and the Local Urban and Rural Development Operational Programme", Dublin, Ireland.

FITZPATRICK ASSOCIATES (2000),
Review of the Low-Income Smallholder Households Initiative, Dublin, Ireland.

FLOOD, Chris (1999),
Speech at meeting with PLANET, 3rd December 1999, Department of Tourism, Sport and Recreation, Dublin, Ireland.

© OECD 2001

GEDDES, Michael (1999),
"Partnership and Local development in the European Union", in Haughton, G. (Ed.), *Community Economic Development*, Stationery Office and the Regional Studies Association, London, United Kingdom.

GEDDES, Michael and BENNINGTON, John (2001),
Local Partnerships and Social Exclusion in the European Union, New Forms of Local Social Governance?, Routledge, London, United Kingdom.

GOODBODY ECONOMIC CONSULTANTS (1999),
A Report on the Impact of the Local Urban and Rural Development Programme on Long-Term Unemployed, Ballsbridge, Dublin 4, Ireland.

GOVERNMENT OF FLANDERS (Belgium) (1999),
"Coalition Agreement (1999-2004)", Brussels, Belgium.

GOVERNMENT OF IRELAND (1990),
Programme for Economic and Social Progress, Stationery Office, Dublin, Ireland.

GOVERNMENT OF IRELAND (1993),
Ireland: National Development Plan 1994-99, Stationery Office, Dublin, Ireland.

GOVERNMENT OF IRELAND (1995),
Operational Programme: Local Urban and Rural Development 1994-99, Stationery Office, Dublin, Ireland.

GOVERNMENT OF IRELAND (1998),
Report of the Task Force on the Integration of Local Government and Local Development Systems, Stationery Office, Dublin, Ireland.

GOVERNMENT OF IRELAND (1999*a*),
National Development Plan 2000-2006, Stationery Office, Dublin, Ireland.

GOVERNMENT OF IRELAND (1999*b*),
Preparing the Ground: Guidelines for the Progress from Strategy Groups to Country/City Development Boards, Stationery Office, Dublin, Ireland.

GOVERNMENT OF IRELAND (2000),
Programme for Prosperity and Fairness, Stationery Office, Dublin, Ireland.

HAMMER, B. (1999),
"Some illustrative examples of measuring the effects of the active labour market policy in Denmark", Draft manuscript, Danish Ministry of Labour, Copenhagen, Denmark.

HANSEN, F. and JENSEN-BUTLER, C. (1996),
"Economic Crisis and the Regional and Local Economic Effects of the Welfare State: The Case of Denmark", in *Regional Studies* No. 30, Copenhagen, Denmark.

HANSEN, L.C., (1999),
"Activating Polices at Local Level in Denmark", in *Decentralising Employment Policy: New Trends and Challenges*, OECD Publications, Paris, France.

HARJUNNEN, R. (1996),
"Paikallisan Aloitteellisuuden ja Kumppanuu den Suomen Malli" (Finnish Model of Local Initiative and Partnership), Report for the Ministry of Labour, Helsinki, Finland.

HILL, Edward W. (1998),
"Principles for Rethinking the Federal Government Role in Economic Development", in *Economic Development Quarterly*, Vol. 12, No. 4, November.

© OECD 2001

HUTCHINSON, Jo and CAMPBELL, Mike (1998),
"Working in Partnership: Lessons from the Literature", Research Report No. 63, Department for Education and Employment, Sudbury, Suffolk, United Kingdom.

INTERNATIONAL LABOUR OFFICE (2001),
The Public Employment Service in a Changing Labour Market, ILO Publications, Geneva, Switzerland.

JARMIN, Ronald S. (1999),
"Evaluating the Impact of Manufacturing Extension on Productivity Growth", in *Journal of Policy Analysis Management*, Vol. 18, No. 1, winter.

KATAJAMÄKI, H. (1998),
"Beginning of Local Partnership in Finland: Evaluation, Interpretation and Impressions", Research Institute at the University of Vaasa, Vaasa, Finland.

KEANE, Michael J. (1997),
"New Fields of Employment: Problems and Possibilities in Local and Community Economic Development", Working Paper No. 18, September, Department of Economics, National University of Ireland, Galway, Ireland.

LEDA PARTENARIAT ASSOCIATION (1998*a*),
"Local Partnerships for Employment Development: Resource Pack", Paris, France.

LEDA PARTENARIAT ASSOCIATION (1998*b*),
"Local Partnerships for Employment Development: Info sheets", Paris, France.

LEVITAN, Sar A. and GALLO, Frank (1998),
A Second Chance: Training for Jobs, W.E. Upjohn Institute for Employment Research, Kalamazoo, MI, United States.

LOUSTARINEN, S. and HYYRYLÄINEN, T. (Eds.) (2000),
Uudet kumppanuudet, Helsingin yliopisto Maaseudun tutkimus-ja koulutuskeskus, Julkaisuja 73, ISBN 951-45-8311-6.

LUGER, Michael and GOLDSTEIN, Harvey (1990),
"Technology in the Garden: Research Parks and Regional Economic Development", Final Report to the Ford Foundation, University of North Carolina, Chapel Hill, NC, United States.

MADSEN, P.K. (1999),
"Denmark: Flexibility, Security and Labour Market Success", Employment and Training Papers, Employment and Training Department Geneva, International Labour Organisation, Geneva.

McCARTHY, D. (1998),
"The Genesis and Evolution of the Irish State's Commitment to Social Partnership at Local Level", in Kirby, P. and Jacobsen, D. (Eds.): *In the Shadow of the Tiger: New Approaches to Combating Social Exclusion*, DCU Press, Dublin, Ireland.

McDONAGH, J. (2000),
"Partnership and Integrated Development in Rural Ireland", in *Administration* No. 48(1).

MELENDEZ, Edwin and HARRISON, Bennett (1998),
"Matching the Disadvantaged to Job Opportunities: Structural Explanations for the Past Successes of the Center for Employment Training", in *Economic Development Quarterly* Vol. 12, No. 1, February.

MINISTRY OF LABOUR, HEALTH AND SOCIAL AFFAIRS (Austria) (1998),
"Territorial Employment Pacts and Local Employment Initiatives", Vienna, Austria.

© OECD 2001

MINISTRY OF LABOUR, HEALTH AND SOCIAL AFFAIRS/MINISTRY OF ECONOMIC AFFAIRS (Austria) (1999),
"National Action Plan for Employment", Vienna, Austria.

MINISTRY OF LABOUR (Denmark) (1999),
"The Labour Market Reforms – A Status", Copenhagen, Denmark.

MINISTRY OF LABOUR (Finland) (1998),
"Employment Action Plan", Helsinki, Finland.

MINISTRY OF TREASURY, BUDGET AND ECONOMIC PLANNING (Italy) (2000*a*),
"Second Generation Territorial Pacts, A First Attempt of Analysis", Department for Development and Cohesion Policies, Rome, Italy.

MINISTRY OF TREASURY, BUDGET AND ECONOMIC PLANNING (2000*b*),
"Territorial Pacts: an Instrument for Local Development", Department for Development and Cohesion Policies, Rome, Italy.

MINISTRY OF TREASURY, BUDGET AND ECONOMIC PLANNING (2000*c*),
"Territorial Pacts for Employment: the Italian Experience", Department for Development and Cohesion Policies, Rome, Italy.

NATIONAL ECONOMIC AND SOCIAL FORUM (1999*a*),
"Opportunities, Challenges and Capacities for Choice", No. 105, December 1999, Dublin, Ireland.

NATIONAL ECONOMIC AND SOCIAL FORUM (1999*b*),
"Local Development Issues". Forum Opinion No. 7, NESF, Dublin, Ireland.

NATIONAL ECONOMIC AND SOCIAL FORUM (2000),
"Enhancing the Effectiveness of the Local Employment Service", Forum Report No. 17, Dublin, Ireland.

NORDIC SOCIAL-STATISTICAL COMMITTEE (1997),
Social Protection in the Nordic Countries 1997, Nordic Social-Statistical Committee, Copenhagen, Denmark.

Ó CINNÉIDE, Micheál (1987),
"Adult Education and Community Development in the West of Ireland", in *Research in Rural Education* No. 4(3).

O'LEARY, Christopher and WANDNER, Stephen (Eds.) (1997),
Unemployment Insurance in the United States: Analysis of Policy Issues, W.E. Upjohn Institute for Employment Research, Kalamazoo, MI, United States.

O'LEARY, Christopher and STRAITS, Robert (2000),
"Intergovernmental Relations in Employment Policy: The United States Experience", Draft Report, Upjohn Institute Working Paper 00-60, W.E. Upjohn Institute for Employment Research, Kalamazoo, MI, United States.

OECD (1993),
Partnerships: the Key to Job Creation, Experiences from OECD *Countries*, OECD Publications, Paris, France.

OECD (1994),
The OECD *Jobs Study*, Vol. 2, OECD Publications, Paris, France.

OECD (1995),
Local Responses to Industrial Restructuring in Austria, OECD Publications, Paris, France.

© OECD 2001

OECD (1996*a*),
Ireland: Local Partnerships and Social Innovation, OECD Publications, Paris, France.

OECD (1996*b*),
The OECD Jobs Strategy: Enhancing the Effectiveness of Active Labour Market Policies, OECD Publications, Paris, France.

OECD (1996*c*),
The Public Employment Service in Denmark, Finland and Italy, OECD Publications, Paris, France.

OECD (1996*d*),
Lifelong Learning for All, OECD Publications, Paris, France.

OECD (1997),
The Public Employment Service: Belgium, OECD Publications, Paris, France.

OECD (1998*a*),
Local Management for More Effective Employment Policies, OECD Publications, Paris, France.

OECD (1998*b*),
Integrating Distressed Urban Areas, OECD Publications, Paris, France.

OECD (1998*c*),
The Public Employment Service: Greece, Ireland, Portugal, OECD Publications, Paris, France.

OECD (1998*d*),
Human Capital Investment: An International Comparison, Centre for Educational Research and Innovation, OECD Publications, Paris, France.

OECD (1999*a*),
Decentralising Employment Policy: New Trends and Challenges, OECD Publications, Paris, France.

OECD (1999*b*),
"Best Practices in Local Development", LEED *Notebook* 27, Paris, France.

OECD (1999*c*),
The Local Dimension of Welfare-to-Work, An International Survey, OECD Publications, Paris, France.

OECD (1999*d*),
Social Enterprises, OECD Publications, Paris, France.

OECD (1999*e*),
The Public Employment Service in the United States, OECD Publications, Paris, France.

OECD (1999*f*),
"Managing Accountability in Intergovernmental Partnerships", Unclassified Document [PUMA/RD(99)4/FINAL], Public Management Service, OECD, Paris, France.

OECD (1999*g*),
"Study on Local Partnerships: Project Methodology", Official Document [DT/LEED/DC(99)1/REV1], LEED Programme, Territorial Development Service, Paris, France.

OECD (1999*h*),
"OECD in figures – Statistics on the Member Countries", Supplement to OECD *Observer*, July, Paris, France.

OECD (2000*a*),
Employment Outlook, Statistical Annex, OECD Publications, Paris, France.

© OECD 2001

OECD (2000*b*),
Urban Renaissance: Belfast's Lessons for Policy and Partnerships, OECD Publications, Paris, France.

OECD (2001*a*),
Labour Market Policy and the Public Employment Service, OECD Publications, Paris, France.

OECD (2001*b*),
Territorial Review: Italy, OECD, Paris, France.

OECD (2001*c*),
The Well-Being of Nations: the Role of Human and Social Capital, OECD Publications, Paris, France.

OECD (2001*d*), *Cities for Citizens: the Role of Metropolitan Governance*, OECD Publications, Paris, France.

ÖROK (1998),
Spatial Planning in Austria, ÖROK, Vienna, Austria.

PARKINSON, Michael (1998),
Designing Area-Based Responses to Social Exclusion: Experience from Europe, The Policy Press, Bristol, United Kingdom.

PORTER, Michael E. (1990),
The Competitive Advantage of Nations, The Free Press, New York, United States.

PORTER, Michael E. (2000),
"Location, Competition, and Economic Development: Local Clusters in a Global Economy", in *Economic Development Quarterly*, Vol. 14, No. 1 February.

RÄISÄNEN, H. and SKOG, H. (1998),
Towards a Better Functioning Labour Market, Ministry of Labour, Helsinki, Finland.

RÄISÄNEN, H., NIO, I., HEINONEN, E. and TUOMAALA, M. (1999),
Comprehensive Labour Market Policy Reform. Presentation of Good Practice, Ministry of Labour, Helsinki, Finland.

SABEL, Charles and O'DONNELL, Rory (2001),
"Democratic Experimentalism: What to Do About Wicked Problems After Whitehall", in OECD (Ed.): *Devolution and Globalisation: Implications for Local Decision-Makers*, proceedings from an OECD conference held in Glasgow, Scotland, on 28-29 February 2000.

SAIKKONEN, Paavo (1999),
Untitled paper presented at OECD Conference on Territorial Employment Pacts held on 16 December 1999, Vienna, Austria.

STATISTICS FINLAND (1999),
Statistical Yearbook of Finland 1999, Hämeenlina, Finland.

THE COPENHAGEN CENTRE (TCC) (undated),
"Government as Partners, The Role of Central Government in Developing New Social Partnerships", Copenhagen, Denmark.

THE COPENHAGEN CENTRE (2001),
"Perspectives on the New Economy of Corporate Citizenship", Copenhagen, Denmark.

THORNBURGH, Dick (1999),
"A Path to Smarter Federal Leadership in Economic Development: Learning, Leveraging and Linking ", in *Economic Development Quarterly*, Vol. 12, No. 4 November 29.

© OECD 2001

TUROK, Ivan (2000),
Inclusive Cities: Building Local Capacity for Development, European Commission, Luxembourg.

US DEPARTMENT OF TRANSPORTATION (1999),
National Transportation Statistics, Bureau of Transportation Statistics, US Department of Transportation, United States.

VEV (*Vlaams Economisch Verbond* – Employers' Association of Flanders) (1999),
Open Region – Forward Looking: The Power of Institutions in European Regions, STUDIE Series, Antwerp, Belgium.

WALSH, Jim (1998),
"Local Development and Local Government in the Republic of Ireland: from Fragmentation to Integration?", in *Local Economy* No. 12(4).

WALSH, Jim, CRAIG, Sarah and McCAFFERTY, Des (1998),
Partnership for Social Inclusion, Oak Tree Press, Dublin, Ireland.

WAV (*Werkgelegenheid, Arbeid, Vorming*) (2000),
"Socio-Economic Analysis of the Flemish Job Market", Memorandum for the OECD Working Visit, Brussels.

WESTHOLM, Erik (2000),
"Exploring the Role of Rural Partnerships", in Westholm, E., Moseley, M. and Stenlås, N.: *Local Partnerships and Rural Development in Europe, A Literature Review of Practices and Theory*, Dalarna Research Institute, Falun, Sweden.

WORLD BANK (2000),
Entering the 21st Century, World Development Report 1999/2000, Washington, DC.

© OECD 2001

Annex I

Authors' Biographical Notes

Mike Campbell is Professor of Policy Studies and Founding Director of the Policy Research Institute at Leeds Metropolitan University (UK). He is the author of several books on skills and labour market issues, and advises the UK government and the European Commission. Mike is conducting a major research whose results will be published under the title "Learn to Succeed: the Benefits of a Skills Revolution".

Marie Corman works with the Belgian employment service. She joined the European Commission in Brussels in 2000, where she participates in policy development in the field of local employment development and is responsible for a pilot action on the social economy. Marie was co-founder in 1995 of the LEDA-Partenariat Association, which produced seminal work on partnerships.

Sarah Craig is a social policy analyst currently working at the Irish National Economic and Social Forum. Her career has been spent on research and evaluation, most notably with the Combat Poverty Agency and with the Centre for Social and Educational Research at the Dublin Institute of Technology. Sarah worked as an evaluator on the Irish Government's programme, which established partnerships in 1991-1994.

Randall W. Eberts is Executive Director of the W.E. Upjohn Institute for Employment Research, a leading independent, non-profit research organisation in the field of labour market policy and regional development in the United States. Prior affiliations include Professor of Economics at the University of Oregon and Senior Economist on the President's Council of Economic Advisers.

George A. Erickcek is Senior Regional Analyst at the W.E. Upjohn Institute for Employment Research. He is responsible for Business Outlook, the Institute's quarterly report on economic conditions in western Michigan, and for the preparation of regional economic studies and models. Prior to joining the Institute in 1987, George was economist at the West Michigan Regional Planning Commission.

Michael J. Keane works at the Department of Economics of the National University of Ireland, Galway. His areas of research include regional and local economics, tourism development and social entrepreneurship. Current research projects include policies for integrated tourism development, territorial economic dynamics and the contribution of social entrepreneurship to local development.

Alberto Melo studied in law and pursued a career as researcher on education issues in France, Portugal and the United Kingdom and with international organisations. After being director-general for adult learning in the Portuguese Department of Education, he became executive director of a NGO working in local development and advisor to the rector of the University of Algarve, Faro (Portugal).

© OECD 2001

Micheál Ó Cinnéide is Associate Professor of Geography at the National University of Ireland, Galway. Strategies that are effective in empowering local communities to pursue self-reliant approaches to development are of particular interest to him. He has worked with various organisations throughout Europe and has published extensively on matters germane to local and regional development.

Ivan Turok is Professor of Urban Economic Development at the University of Glasgow (UK). He has published widely in the fields of urban and regional economic and social change, including economic restructuring, labour market adjustment and regeneration policy and practice. Ivan is currently leading a major study of economic competitiveness, social cohesion and governance in cities.

© OECD 2001

Annex II

Fieldwork Information Details

Austria (12-16 April 1999)

Organisations, constituencies and projects visited/met

- Territorial Employment Pact Voralberg: managers, constituencies (regional government, NGOs) and projects (non-profit activities to re-integrate youth and socially excluded), Feldkirch.
- Territorial Employment Pact Tiroler Oberland und Außerfern: managers, constituencies (regional government, municipalities, public employment service, employer organisation, NGOs) and projects (environmental initiative, village renewal), Landeck and Tarrenz.
- Territorial Employment Pact Kärnten: managers and constituencies (regional government, public employment service, education services, health services, trade unions, employer organisation), Klagenfurt.
- QVT (partnership for training): managers and constituencies (public employment service, employer organisation), Berndorf.
- Ministry of Labour and Social Affairs, Vienna.

Co-ordination

- Michael Förschner, Director, Federal Ministry of Economy and Labour, Vienna, Delegate of Austria and former Chairman of the LEED Committee.
- Martina Berger, Federal Ministry of Economy and Labour, Vienna, and Delegate of Austria to the LEED Committee.
- Anette Scoppetta, Co-ordinator of TEPs, Zentrum für Soziale Innovation, Vienna.

Study team

- Mike Campbell, Director, Policy Research Institute, Leeds Metropolitan University.
- Marie Corman, FOREM/European Commission, Brussels.
- Sylvain Giguère, OECD Secretariat.

© OECD 2001

Ireland (18-22 October 1999)

Organisations, constituencies and projects visited/met

- Clondalkin Partnership: managers, constituencies (public employment service, social services, training services, trade unions, employer organisations, community-based organisations, NGOs) and projects (educational participation, childcare and youth centre, village renewal), Dublin.
- Finglas/Cabra Partnership: managers, constituencies (public employment service, social services, training services, trade unions, employer organisations, community-based organisations, NGOs) and projects (local employment service, drug addicts rehabilitation, self-employment and small business development), Dublin.
- OAK Partnership: managers, constituencies (municipalities, public employment service, social services, training services, health services, trade unions, employer organisations, farming organisations, community-based organisations, NGOs) and projects (tourism, training, enterprise park, infrastructure improvement), Edenderry, Robertstown and Allenwood, Offaly and Kildare counties.
- Galway City Partnership: managers, constituencies (municipality, public employment service, social services, trade unions, employer organisations, community-based organisations, NGOs) and projects (music training, support for people with disabilities, small business development), Galway.
- Office of the Taoiseach (prime minister), Department of Enterprise, Trade and Employment, Department of Tourism, Sport and Recreation, Area Development Management (ADM) Ltd, PLANET (the partnerships network), IBEC (employer organisation), ICTU (trade union), Macra na Feirme (farming organisation), Dublin.

Co-ordination

- Paul Cullen, Department of Enterprise, Trade and Employment, Dublin, Delegate of Ireland and former Chairman of the LEED Committee.
- Tony Crooks, Executive Director, ADM Ltd, Dublin.
- Hilary Curley, Co-ordinator of the Partnerships Network, PLANET, Dublin.

Study team

- Ivan Turok, University of Glasgow.
- Marie Corman, FOREM/European Commission, Brussels.
- Sylvain Giguère, OECD Secretariat.

Denmark (6-9 December 1999)

Organisations, constituencies and projects visited/met

- Labour Market Council Storstrøm: managers, constituencies (county council, municipalities, public employment service, trade unions, employer organisations, education and training institutions) and projects (centre for vocational guidance), Nykøbing Falster and Næstved.
- Business development boards Østsjælland and Lolland: managers.

© OECD 2001

– Local Social Co-ordinating Committee Østsjælland: managers and constituencies (municipalities, social services, health services, employer organisation), Næstved.
– Danish Labour Market Council and Ministry of Social Affairs, Copenhagen.

Co-ordination

– Jan Hendeliowitz, Director, AF-Storstrøm (Public Employment Service of Storstrøm), Nykøbing Falster, Delegate of Denmark and Vice-Chairman of the LEED Committee.
– Suzanne Hansen, Assistant Head of Division, AF-Storstrøm, Nykøbing F.
– Jens Josephsen, Assistant Head of Division, AF-Storstrøm, Nykøbing F.

Study team

– Michael J. Keane, National University of Galway, Ireland.
– Marie Corman, FOREM/European Commission.
– Sylvain Giguère, OECD Secretariat.

Belgium, Flanders Region (24-27 January 2000)

Organisations, constituencies and projects visited/met

– Territorial Employment Pact and Sub-regional Employment Committee (STC) Halle-Vilvoorde: managers and constituencies (provincial council, municipalities, VDAB – public employment service, trade unions, employer organisations, private companies, NGOs).
– Netwerk Genk (partnership for training), STC Genk and *Streekplatform* Midden-Limburg: managers, constituencies (municipalities, VDAB, trade unions, employer organisations, private companies) and projects (industrial development site), Genk.
– Gent Stad in Werking (GSIW), STC Gent, *Streekplatform* Gent and *Streekplatform* Meetjesland: managers, constituencies (municipalities, VDAB, trade unions, employer organisations, NGOs) and projects (business incubator), Ghent.
– Kanaal 127 (partnership for the social economy), STC Kortrijk-Roeselare and *Streekplatform* Kortrijk: managers and constituencies (municipalities, VDAB, trade unions, employer organisations, NGO), Kortrijk.
– Ministry of Employment, Ministry of Economy, VDAB, SERV (Social and Economic Council of Flanders), Brussels.

Co-ordination

– Erik Loddewykx, Director, Ministry of Employment, Brussels and Delegate of Flanders to the LEED Committee.
– Marion Vrijens, Co-ordinator of STCs, Ministry of Employment, Brussels.
– Jos Veijfeijken, Ministry of Employment, Brussels.

Study team

– Sarah Craig, Dublin Institute of Technology.
– Sylvain Giguère, OECD Secretariat.

© OECD 2001

Finland (14-18 February 2000)

Organisations, constituencies and projects visited/met

- ISKU Territorial Employment Pact: managers, constituencies (regional council, municipalities, public employment service, social services, employer organisations, trade unions, parish, NGOs) and projects (outdoor theatre play, non-profit activities for youth, recreation initiative), Iisalmi and Vieremä.
- Territorial Employment Pact Keski-Uusimaa: managers, constituencies (municipalities, public employment service, social services, community-based organisations, NGOs) and projects (business incubator for cultural activities, centre for the unemployed, non-profit activities, training in environmental and social services), Jarvenpää and Tuusula. (An exploratory mission to Keski-Uusimaa was also conducted by the OECD Secretariat in December 1998 as part of the preparation to the Study on Local Partnerships).
- Partnership Association of Sipoo/Sibbo: managers, constituencies (municipalities, public employment service, social services, health services, employer organisations, trade unions, parish, community-based organisations, NGOs) and projects (centre for the unemployed, non-profit activities), Sipoo.
- Ministry of Labour, Helsinki.

Co-ordination

- Paavo Saikkonen, Ministry of Labour, Helsinki, Delegate of Finland, Member of the Bureau and former Vice-Chairman of the LEED Committee.
- Matti Pukkio, Director, Ministry of Labour, Helsinki.

Study team

- Micheál Ó Cinnéide, National University of Ireland, Galway.
- Mike Campbell, Policy Research Institute, Leeds Metropolitan University, United Kingdom.
- Sylvain Giguère, OECD Secretariat.

United States (9-14 April 2000)

Organisations, constituencies and projects visited/met

- Mayors' Office of Workforce Development, Chicago Partnership, Civic Committee Inner City Business Development Initiative and Chicagoland Business Partners: managers and constituencies (municipality, public employment service, social services, employer organisations, private companies); Federal Reserve Bank of Chicago, Chicago, Illinois.
- Michigan Works! (Kalamazoo-St. Joseph Workforce Development Board), M-TEC Michigan Technical Education Center at Kalamazoo Valley Community College, Kalamazoo Regional Educational Services' Education, Battle Creek Unlimited and Kellogg Community College's Regional Manufacturing Technology Center: managers and constituencies (private companies), Kalamazoo and Battle Creek, Michigan.

© OECD 2001

- Right Place Program, Michigan Manufacturing Technology Center Partnership, Office Furniture Industry Council, Grand Valley Metropolitan Council and Urban Redevelopment Council: managers and constituencies (municipality, employer organisations, private companies), Grand Rapids, Michigan.
- Michigan Economic Development Development Corporation and Michigan State University for Urban Affairs and Economic Development Program (managers), Lansing, Michigan.
- Greater Cleveland Growth Association, Center for Employment Training (CET) and Wirenet: managers and constituencies (private companies); Federal Reserve Bank of Cleveland, Cleveland, Ohio.

Co-ordination

- Randall W. Eberts, Executive Director, W.E. Upjohn Institute for Employment Research.
- George A. Erickcek, W.E. Upjohn Institute for Employment Research.
- Phyllis Molhoek, W.E. Upjohn Institute for Employment Research.

Study team

- Denise Amyot, Human Resources Development Canada.
- Angelo Baglio, European Commission, Brussels.
- Martina Berger, Ministry of Economy and Labour, Austria.
- Paul Cullen, Department of Enterprise, Trade and Employment, Ireland.
- Andrzej Eliasz, Ministry of Economy, Poland.
- Claudio Fornari, Sviluppo Italia, Italy.
- Jan Hendeliowitz, Public Employment Service, Denmark.
- Petter Knutzen, Ministry of Local Government and Regional Development, Norway.
- Michal Kubisz, Ministry of Labour and Social Policy, Poland.
- Miroslav Prikryl, Ministry of Regional Development, Czech Republic.
- Paavo Saikkonen, Ministry of Labour, Finland.
- George Tsobanoglou, Institute for Social Development (ISTAME), Greece.
- Marion Vrijens, Ministry of Employment, Flanders Region, Belgium.
- Sergio Arzeni, Head of the LEED Programme, OECD Secretariat.
- Sylvain Giguère, OECD Secretariat.

Italy (22-26 May 2000)

Organisations, constituencies and projects visited/met

- Territorial Employment Pact Alto Belice Corleonese: managers and constituencies (municipalities, employer organisations, trade unions), Piana degli Albanesi.
- Territorial Pact Caltanissetta and Area Contract Gela: managers, constituencies (provincial government, municipalities, employer organisations, trade unions) and projects (co-operative for youth high-tech training), provincia di Caltanissetta.

© OECD 2001

- Territorial Pacts Magazzolo Platani and Valle del Belice: managers and constituencies (municipalities, trade unions, employer organisations), Agrigento, Menfi and Sambuca di Sicilia, provincia d'Agrigento.
- Territorial Employment Pact Calatino Sud Simeto: managers, constituencies (municipalities, trade unions, employer organisations, banking institutions) and projects (self-help co-operative for handicapped people), Caltagirone.
- Territorial Pact Le Madonie: managers, constituencies (municipalities, trade unions and employer organisations) and projects (tourism initiative), Castellana Sicula.
- Sviluppo Italia (National Development Agency), Regional government of Sicily, Regional Association of the Council of Municipalities and Regions (ACCRE), Palermo.

Co-ordination

- Giuliano Frosini, Sviluppo Italia, Rome, and Delegate of Italy to the LEED Committee.
- Federica Tellini, Sviluppo Italia, Rome.
- Raffaella Zinzi, Sviluppo Italia, Rome.

Study team

- Alberto Melo, Universidade do Algarve, Faro (Portugal).
- Hans Pflaumer, former Deputy State Secretary, German Federal Ministry of Regional and Urban Affairs, and Construction, Munich.
- Ron Immink, TASC Ltd, Dublin.
- Sylvain Giguère, OECD Secretariat.

© OECD 2001

OECD PUBLICATIONS, 2, rue André-Pascal, 75775 PARIS CEDEX 16
PRINTED IN FRANCE
(04 2001 02 1 P 1) ISBN 92-64-18588-7– No. 51643 2001