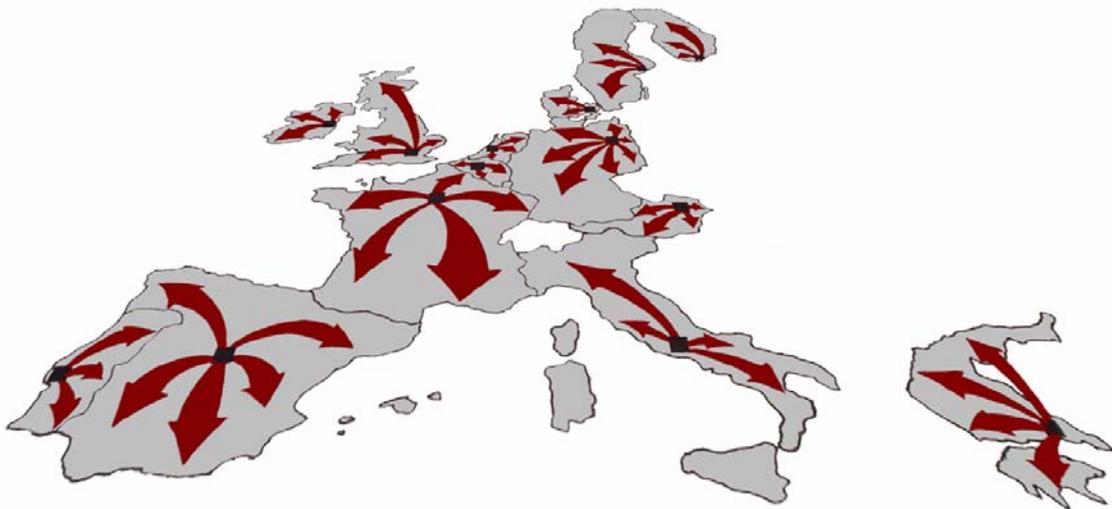


Horizontal Evaluation of Local Employment Development

Part A: Synthesis Report



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Abbreviations

CSF	Community Support Framework
DP	Development Partnership
EAGGF	European Agricultural Guidance and Guarantee Fund
EES	European Employment Strategy
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FES	Federal Employment Service
FIFG	Financial Instrument for Fisheries Guidance
LAG	Local action groups
LAP	Local action plan
LDEI	Local development and employment initiatives
LED	Local employment development
LEDA	Local Employment Development Association
LEED	Local Economic and Employment Development Programme
LMP	Labour market policy
LSC	Local social capital
NAP	National action plan
NGO	Non-governmental organisation
NUTS	Nomenclature of Territorial Statistical Units
OECD	Organisation for Economic Cooperation and Development
PES	Public employment service
RIS	Regional Innovation Strategies
RISI	Regional Information Society Initiatives
SME	Small and medium sized enterprise
TEP	Territorial employment pact

Executive Summary

During more than a decade local employment development (LED) has gradually emerged as a horizontal policy becoming part of the European Employment Strategy and being integrated into the principles of the European Structural Funds. The process was driven by both, a strong grass-root movement engaged in social and environmental issues demanding for more competences and more funding at local level, and the interest of the European Commission together with some of the Member States in activating local stakeholders. Meanwhile a broad consensus has been achieved on the promotion of local employment development, as expressed by the Guidelines for the European Employment Strategy.

This horizontal evaluation of local employment development is intended to review the approach at the European level, identify its effects at local level, and explore the possibilities how to make the approach more effective. The commitment and rationale for carrying out this evaluation was determined by the Commission's Communication "Strengthening the local dimension of the European Employment Strategy" (COM (2001) 629final, 06.11.2001). The evaluation is based on the analysis of official documents, policy papers and academic literature, on country reports investigating the decentralisation approaches in the Member States, and on twenty case studies of individual LED approaches throughout the European Union. The study was undertaken by a team of twelve experts under the direction of Economix.

This executive summary first describes the evolution of local employment development by reviewing the policy actions, the principal features of the academic debate, and the activities at local level. The second part presents the evaluation results concerning the role and impact of EU programmes on local employment development. Finally, a list of recommendations is proposed to the broad spectrum of actors concerned by local employment development.

1. The evolution of local employment development

The concept of local employment development

Local employment development can be seen as a multi-faceted reality. It ranges from a loose set of local projects in the labour market or social inclusion domains to well organised decentralised employment policy systems. These different approaches transfer competences to local actors and create

the necessity to co-ordinate employment and social inclusion policies at the local level.

This evaluation made the attempt to define local employment development through a combination of relevant characteristics: Local employment development is employment and social inclusion action, based on self-governed local actors, linking programmes and initiatives of these actors in a specific geographical area, and integrating the programme into the development process of the territory.

The constitutive elements of this definition are self-governance, comprehensiveness, and coherence. Self-governance means that local actors need at least a minimum of competence in decision-making going beyond the administrative implementation of national or regional policies. Comprehensiveness means that a set of local projects has to be linked to a LED approach rather than leaving individual projects isolated. Finally, coherence means that employment and social inclusion policies need to be integrated into the wider processes of local or regional development.

Under this definition, a typology of local development was established on the basis of four attributes. Each of these attributes separates a number of types of LED cases.

- The *restructuring attribute* of LED characterising the dominating economic and social development trends;
- The *policy integration attribute* of LED specifying the linkages to local or regional development concepts;
- The *organisational attribute* of LED describing the principal structure of decision-making and management;
- The *funding attribute* of LED, indicating the role of EU and national funding.

LED approaches in Europe are broadly distributed across these attributes of the typology. One of the conclusions of this work is that no single 'superior type' can be identified from the viewpoint of effectiveness and efficiency.

History of local employment development

The evolution of the LED approach can be traced back to the nineteen-eighties with first initiatives undertaken through the LEDA Partenariat. In 1993 the "White Paper on Growth, Competitiveness, and Employment" suggested the development of a LED approach, which then has been tested and promoted during the second half of the nineteen-nineties. A series of pilot programmes was initiated, such as Territorial Employment Pacts, Third System, Preparatory Measures, and various programmes summarised under the title of Innovative Actions.

Based on the Amsterdam and Luxembourg Summits in 1997, which achieved the breakthrough for the European Employment Strategy, the Lisbon European Council placed the objective of full employment at the centre of a new integrated

policy agenda. The implementation of the open method of coordination included the target to involve local actors: *“A fully decentralised approach will be applied in line with the principle of subsidiarity in which the Union, the Member States, the regional and local levels, as well as the social partners and civil society, will be actively involved, using variable forms of partnership”* (European Council 2000). Although the role of the regional or local level for local employment development was not addressed in detail, the Lisbon Summit has had a central role which led to the Commission’s more active approach towards local employment development.

The arguments leading these activities were based on four diagnostic observations:

- The failure of macro-economic employment policy in many Member States.
- The rising complexity of political and legal systems.
- The need for social services as a consequence of market shortcomings.
- The potential of information and communication technology to change governance systems.

A considerable space for local action was discerned by policy makers, and local actors urged for using this space in order to extend their participation. The diagnosis resulted in three major domains for policy action: (i) the decentralisation of employment policy, (ii) the change of governance systems, and (iii) the promotion of active solidarity in a local social economy. These elements of policy action were expected to improve the employment performance at local and national level, achieve a greater involvement of European citizens in the domain of employment and social policies, and reduce social exclusion.

Scientific background

In the academic literature the need for decentralised approaches in employment and social inclusion policies was founded on a series of arguments:

- national labour markets show substantial geographical variations which require adjusted local policy approaches;
- labour markets are largely locally based in contrast to globalising product and capital markets;
- local stakeholders have the advantage of being close to problems;
- local action can build local social capital which can support the momentum of the decentralisation process;
- and most importantly, the multi-dimensional character of employment and development problems requires policy approaches which are able to integrate the plurality of ‘sectoral policies’ into a coherent local development concept.

However, not all experts regard decentralisation as a solution per se to the problem of unemployment. The advantages of decentralisation can be offset by rising inequalities among regions as a result of the devolution of powers. Increasing financial responsibilities for local communities may amplify such inequalities. Moreover, a shortage of management skills at local level may

limit local policy performance, and inefficiencies may arise from duplicated or even conflicting activities. Finally, there is the problem of legitimacy arising with the involvement of non-governmental actors in policy design and implementation.

The debate on local employment development is strongly connected with the issues of governance and partnership. The partnership concept was identified as a way of maximising mobilisation, increasing resources and impact, and supporting responses to crises situations at local level. Partnership developed as a significant capacity for multi-organisational action and the change of governance systems.

The growing importance of local partnerships was associated with the centrifugal forces of market liberalisation and the problems of peripherality and social exclusion emerging from this trend. This is confirmed by network theories which stated that networks can better internalise negative impacts as compared to hierarchical administrative systems. While traditional network approaches targeted the co-ordination of sectoral policies at local level, modern regional networks are used to create innovative and dynamic regions.

Decentralisation approaches in the Member States

During the last twenty years many Member States have recognised the advantages of LED policies. However, the approaches widely varied regarding the method and extent to which decentralised systems were implemented. Public employment services e.g. were decentralised within the existing Federal Employment Service (Germany) or by an asymmetric process on the basis of different arrangements with the Provinces (Spain). Co-operative policy structures sharing responsibilities with social partners were strengthened in Austria. Responsibilities were assigned to local or regional actors (like in Belgium, Denmark, Finland, Ireland, Netherlands, Sweden), and new financial instruments were developed for funding local activities (France, UK). Most of the “de-concentration” moves, however, were associated with strong performance management systems which tie local or regional action to nationally determined policies. In Greece and Portugal national governments developed the LED approaches which are strongly linked to national policy concepts.

Policy content of local employment development

LED approaches in the Member States mainly concentrate on local re-inclusion policies, on the provision of proximity services or the promotion of the social economy, and on area renewal policies. There are differences regarding organisation, policy integration and funding.

Local re-inclusion policy is the more traditional approach to increase the employability of workers and to reduce unemployment. This kind of approach is often used to improve the efficiency of national schemes. In France municipalities can provide jobs to unemployed persons within the Local Plan for In-

tegration and Employment (PLIE). In Germany local qualification and employment companies (Beschäftigungsgesellschaften) are established for this purpose. Portugal created a programme for Social Market Employment (MSE) which promotes the transition of unemployed to the labour market.

Proximity services cover new services at local level which are not available and can be expected to create new job opportunities. The New Deal for Communities in the UK allows for a wide range of approaches to be adopted by local strategic partnerships. In Portugal social networks were created to combat poverty and social exclusion. The social economy was recognised by several Member States as an important contributor to local employment development.

Area renewal policies were particularly developed in Ireland and France. Revitalising Areas by Planning, Investment and Development (RAPID) is the Irish programme which supports integrated local economic and social development by partnerships of enterprises, social actors, local and state authorities. France has demarcated sensitive urban zones which receive support for youth programmes, urban regeneration, and job creation.

Local employment development, however, is also about governance. The approaches applied in the Member States all reflect specific constitutional structures. In countries with centralised employment policies, local employment development is conceived as part of the national framework (like in Germany, Greece, Portugal). In Denmark a system of regional employment policies was established which is managed by the central government. In Spain and Italy the traditional distribution of competences has changed. Spanish Autonomous Communities now formulate passive and active labour market policies, and Italian Provinces are in charge of labour market policies. In Belgium a mixed type of decentralisation was arranged with federal authorities being responsible for unemployment benefits, public employment services are regionalised, and training policies are in the hands of the communities. Finally, non-governmental organisations are not only involved but are the initiators of LED projects, e.g. in Luxembourg and in Germany.

Organisation and performance

Four types of LED organisation were observed in this study and distinguished by the typology of local employment development:

- *Institutional LED organisations*, which are steered by a public authority and managed by a centralised organisation. This is the LED case without a partnership approach.
- *Top-down institutionalised partnerships*, which involve local partners steered or supervised by a public authority. Local partners can decide on policy issues within public guidelines.
- *Centrally managed partnerships*, which are self-governed organisations, supervised by the partners or stakeholder, but operating on their own behalf in cooperation with local partners.

- *Bottom-up decentralised partnerships*, which are partnerships of independent local actors, deciding on their policy concept without public intervention and implementing policy action as the responsibility of the partners.

The majority of cases observed by this evaluation followed a top-down institutionalised approach. This allows national or regional authorities to supervise LED organisations and improves vertical integration. In most of these cases, the establishment of the Territorial Employment Pacts was taken as a template in which public authorities were the leaders. In some cases national governments were the initiators of LED projects.

The three alternatives to the top-down institutionalised approach are all more or less self-governed types of organisation which were initiated by municipalities or non-governmental organisations. This involves more independence for local actors and a stronger degree of decentralisation. Local employment development, however, does not need to be identical with the partnership approach as LED policies can also be developed by local authorities without establishing a partnership among local actors.

The performance of LED activities is positively supported by three elements: a planning-oriented management approach, an efficient local public employment service, and appropriate funding mechanisms. Local employment development is concentrated on long-term restructuring rather than short-term labour market reactions. This requires the adoption of strategic visions. In particular, there must be coherence between the policy targets, the selected geographical territory and the relevant stakeholders in the partnerships. Appropriate information systems which are required to co-ordinate actions must also be present. Finally, the decision-making process among partners must be efficient.

This can be achieved through different types of decentralised structures. France has developed a system of global funds. Local action plans are given the status of projects which allows the “territorialisation” of funds and avoids the inconsistencies of sector-based assistance. Similarly in Sweden, the allocation of national resources is decided in accordance with regional institutions on the basis of growth agreements. In general, the flexibility of different supra-regional organisations and funds is most important to accommodate to the heterogeneity of local employment development.

2. EU actions in relation to local employment development

Characteristics and achievements of the European LED approach

The European Union promotes local employment development through three main channels:

- The provision of a policy framework based on the policy principles of the European Employment Strategy.

- The development of LED concepts at local level through pilot programmes and Innovative Actions.
- The provision of financial resources under the criteria and the institutional regulations of the Structural Funds.

Local employment development has been mainstreamed through these channels with two major programmatic elements: (i) human resource policies that were integrated into the Structural Funds Objectives and thus became an important part of urban and rural development. (ii) the partnership principle was implemented in all programmes as the main instrument for horizontal integration of employment and social inclusion policies at local level.

These two principles were first implemented in the EU programmes during the 1994-99 funding period of the European Structural Funds. Significant progress can meanwhile be discerned. It is one of the great achievements of the present funding period 2000-06 that local employment development is recognised as a horizontal priority.

The integration of labour market related targets into regional development under Objectives 1 and 2 open the opportunity to establish coherent and comprehensive policy concepts at local level. Objective 3 measures are concentrating on human resource development but do not allow the same type of policy integration at the regional level. Similar programme orientations can be observed for the Community Initiatives. URBAN II and INTERREG III are integrating labour market related targets into a wider local development approach. EQUAL is concentrated on targets related to employment and social inclusion. It requires integration into a wider local development framework if broad employment effects should be achieved. LEADER+ does not directly address employment related measures and equal opportunities. However, all Community Initiatives include elements of human resource development at least indirectly, as many of the regional development and regeneration targets are associated with positive effects on employment and social inclusion.

Impact of the different types of EU programmes

The impacts of the different types of EU programmes have to be assessed by considering the way how the local level is addressed through the three main channels of LED promotion mentioned above. This appears as a complicated undertaking as the mainstream Structural Funds – on the one hand – are approaching the local actors indirectly through national institutions. Community Initiatives and Innovative Actions – on the other hand – directly address local actors through selective and differentiated modes.

In general, the effects of EU programmes on the local level are filtered at three levels:

- at European level, eligibility criteria for the European Structural Funds Objectives and Programmes are differentiating between regions; Community Initiatives and Innovative Actions are selecting through competitive application procedures;

- at Member State level, national priorities and regulations overlap with EU programmes;
- at local level, the relevance of local employment development and the ability to engage in EU funding varies.

Programme effects are dispersed by these filters and local outcomes thus can hardly be traced back to individual programmes. Nevertheless, the evaluation could identify some principle impacts which differ according to the channel of LED promotion:

Policy framework of the European Employment Strategy: Local actors appreciate the policy structure of the EES guidelines as a reference for their policy. Throughout the country reports undertaken by this evaluation it is recognised that initiatives and themes of the European Employment Strategy have facilitated and supported LED policies. In Greece e.g. the implementation of the EES through the NAP constitutes an important lever for decentralisation and a substantial support for the development of the social economy. In Portugal, national evaluation surveys of 2001 revealed that the NAP contribution was considered “strong” or “determinant” with regard to local employment initiatives and other items. However, the involvement of local actors in the NAP process remains uneven across the Member States as evaluations revealed. The barriers to a broad implementation of LED approaches in Europe are allocated at the national rather than the local level with some Member States actively supporting local employment development through national decentralisation strategies and others ignoring it.

Pilot programmes: In addition to the European Employment Strategy, local employment development was strongly supported by the pilot programmes. Most importantly, the concept of Territorial Employment Pacts was used by the Member States as a template for developing co-operation among local stakeholders. Austria combined the TEP model with its tradition of co-operation among social partners. Spain and Italy used it to develop the employment policy competence of regions. The Scandinavian countries adapted their approach to TEPs to take account of the traditionally strong role of municipalities. The Territorial Employment Pacts strengthened the institutionalised approach of local employment development, addressing both the horizontal integration of local authorities, public employment services and local stakeholders, and the vertical integration of local employment policies with national or regional approaches.

The pilot programmes for the Third System, Local Social Capital, and Innovative Actions promoted various tests of innovative approaches for local employment development. The programmes contributed to social inclusion and to the development of more integrated approaches. They brought about new public-private partnerships, established direct links between regions and the European Union and stimulated interregional co-operation. As experimental programmes they opened opportunities for testing different local approaches. Taken together, these tests brought evidence that local policy approaches can provide relevant contributions to the solution of social and labour market related problems and to innovation in particular.

Provision of financial resources through the Structural Funds: Regarding the impact of the Structural Funds resources, three different cases have to be distinguished:

(1) EU-funded local employment development: in regions where local employment development is largely EU-funded, the local level benefits from the integration in a wider strategy through the co-ordination of national and regional intervention. Normally these regions correspond to the Objective 1 regions, particularly where Objective 1 funding is provided to large parts of the Member State. National support structures of the Structural Funds have great influence on regional and local policies. Due to the significant volume of the Structural Funds resources the regional development strategy is based on European criteria. Employment policy in general is more coherent with the European Employment Strategy than in cases with lower Structural Funds contributions. The integration of different funds opens the opportunity of establishing an integrated local development strategy. An important aspect of this type of funding is the requirement to establish a coherent and overarching national development plan.

(2) Complementary EU funding: countries where Objective 1 funding is regionally more scattered use EU funding as a complement to their regional policy. In many cases, EU funding is used as a trigger to innovative approaches, not directly complying with national regulations. This has positive effects on partnership approaches. The problem of sustainability of LED approaches, however, is greater than in the case of EU-funded LED. This approach gives national regional policies and funding procedures a stronger impact.

(3) Non-EU funded LED approaches: these cases indicate the strong interests of local actors to become involved in local employment policies. There are LED approaches developed independently from EU resources, like The Netherlands where national policy strongly supported local activities. In Germany, however, local employment initiatives were promoted by non-governmental institutions without substantial public help.

This exemplification reveals the selective nature of Structural Funds support for local employment development. The regional selection through Objective 1 and 2 status of regions does not necessarily coincide with the requirement to develop local approaches. Thus the link of LED promotion to the Structural Funds implies a regional bias and appears as a limitation to a broad implementation of LED approaches. Local employment development is an organisational approach to develop decentralised employment policies and to improve the efficiency of employment policy in general. The need for such an approach neither depends on the relative employment performance of the region nor on its Structural Funds status.

Competitive application procedures under the Community Initiatives are also selective and may amplify the type of inequalities among regions which is seen as one of the critical factors of local employment. In particular competitive selection procedures cannot control for a bias in direction of "strong" and active LED projects. However, the innovative targets of the Community Initiatives justify the selection as far as the support period is limited and mainstreaming of the results is achieved.

At the level of Member States, the procedures used to allocate Structural Funds resources are partly responsible for the diffuse influence of the European LED concept:

- Some European interventions are mainly intended to complement national funding of specific initiatives in the area of local employment development.
- The procedures for accessing European funding are such that these funds are filtered through traditional national mechanisms in a way that the innovative aspect of the European funding is dissipated. The more the allocation of European funds is centralised at the national level, the lesser the influence and the lever effect exercised by European programmes on LED policies.
- Some governments do not want to support European programmes for local employment development.

Complementarity between EU programmes

One of the important issues for this evaluation was the complementarity between the different types of EU programmes. This issue arises as the counterpart of specialised policy programmes concentrating on regions, thematic fields or target groups. In this context the regional and thematic specialisation of Structural Funds programmes are particularly relevant.

While the policy of mainstreaming local employment development in the Structural Funds helped to extend the application of the LED concept, the complementarity of the LED approach at EU level depends on the complementarity of the Structural Funds. There is the principal regional correspondence between Objective 1 and Objective 2, and the thematic correspondence between Objective 3 to the remaining Objectives. A similar structure can be discerned among the Community Initiatives where URBAN II and LEADER+ are complements regarding urban and rural areas. EQUAL applies a thematic focus while the other Community Initiatives prefer regional development approaches. In common, LED support through the Structural Funds is not provided to all regions and does not generally support the development of comprehensive LED approaches.

From the viewpoint of a coherent local development strategy, the broad scope of policy action which is opened under geographically oriented initiatives – URBAN II in particular – allows addressing a wider area of regional restructuring measures with positive direct and indirect effects on employment and social inclusion. Programmes with a strong focus on specific policy domains, like EQUAL, are more precise as regards targets and instruments but their coherence with local or regional development is less explicit.

Most importantly, the specific funding regulations for the Community Initiatives and pilot programmes create a serious problem to local actors who have to accommodate to a variety of programmes, eligibility criteria, partnership concepts, and evaluation procedures. The complexity of funding generally excludes local actors who cannot rely on efficient management structures of

Structural Funds programmes at the national or regional level, or who did not establish the consulting and technical support services required to manage the funding process. From this point of view, the reduction of the complexity of funding appears as one of the preconditions for a broader support of LED approaches within the Structural Funds.

Promotion of the partnership principle

Local employment development is generally based on horizontal partnerships. Beyond the Innovative Actions – the Territorial Employment Pacts programme in particular – the partnership concept is now strongly supported by the Community Initiatives:

- LEADER+ applies the most inclusive approach by partnerships called Local Action Groups.
- URBAN II requires wide local partnerships which should be involved in the definition of strategies and priorities, resource allocations, programme implementation and monitoring.
- EQUAL organises co-operation by innovative Development Partnerships which can be local and sectoral.
- INTERREG III concentrates on co-operation among territories rather than local partnerships, however including a variety of local actors.

The different approaches appear as a value added to the development of the partnership principle which helps identifying superior approaches as regards inclusiveness, efficiency and sustainability. Taking the variety of possibilities to establish workable and efficient partnerships, the Community Initiatives could be less distinct in supporting specific types of partnership concepts. More attention should be given to the principal requirements of clearly defined targets, efficient decision-making procedures, and controlling mechanisms.

Partnership according to the Structural Funds Regulation is a vertical co-operation between the Commission and the Member States, together with the authorities and bodies designated by the Member States. This vertical partnership concept governs the mainstream Structural Funds Objectives. It is the option of the Member States to decide on the use of horizontal partnerships at the local or regional level.

Sustainability

On the basis of the results of the country analysis and the case studies, sustainability of LED approaches is determined firstly by the commitment of national governments to a decentralised employment and labour market policy, secondly by the commitment of local actors to local employment development, and thirdly by the provision of EU funding.

While EU funding and the principles of the European Employment Strategy gave valuable inputs to the programming and initiation of LED approaches, the contribution to sustainability remains limited due to the fact that all pro-

grammes have long entry periods but limited duration. Therefore, some of the LED cases observed were reluctant to base their LED approach on EU funding, particularly if they are only eligible for Community Initiatives or pilot projects. In other cases, the use of European or national funding sources appeared to be more attractive than the development of an effective employment policy at local level. This observation points to the problem of dead weight losses which can also be discerned in the context of local employment development.

Many of the top-down institutionalised LED approaches are strongly dependent on the conceptual and financial inputs from national and European sources. Compared to self-governed LED approaches they are more restricted in their choice of policy targets and instruments. In cases where financial inputs are not guaranteed, the sustainability of local employment development becomes uncertain. The decentralised self-governed approaches, by contrast, established their financial budgets with a mix of resources sometimes without substantial help from European Funds. They appear to be more flexible through using the different types of funding and for this reason may be more sustainable.

The time horizon of the Structural Funds programmes is a six year programming period. Considering the long-term persistence of regional problems, the mainstream Structural Funds Objectives, in reality, provide funding for longer periods as compared to the Community Initiatives. Competitive funding procedures raise the risk that funding will remain restricted to one funding term. While this is widely criticised by local actors which rely on funding from the Community Initiatives, it appears to misunderstand the vocation of the Community Initiatives. The innovative content of local policy approaches might be well developed during a six year period while the responsibility for mainstreaming of such approaches lies with local actors or national and regional governments. Generally, mainstreaming is one of the objectives given to projects and is one of the aims of innovative policy development.

From this viewpoint, it is the important role of EU funding to provide incentives to local actors for establishing LED concepts in their territories. Sustainability, however, has to be promoted by the national or sub-national governments. Successful and sustainable LED implementation therefore requires the complementarity of policy action at EU and national level as regards innovation and policy implementation. In particular, sustainable LED implementation will hardly be possible without the commitment of the Member States to decentralise employment policies and to promote its local dimension.

Dissemination of lessons

The intensive European debate on local employment development indicates that the information exchange on these issues is working very well. A series of EU and OECD conferences contributed this exchange. The debate, however, is far from having identified the “general rules” of local employment development. As could be seen in the Netherlands, there are cases like the City of Groningen which were presented as models for LED approaches in the coun-

try. The TEP programme provided a concept which was used by Member States to establish partnerships. These observations, however, are rare positive examples. In many LED cases the room for manoeuvre is limited as local actors are obliged to follow the general rules of the national or sub-national administration with little scope for innovation. Positive feedback to the national or sub-national level is therefore limited. In the LED cases observed by this evaluation the dissemination of lessons varies, but none was reported to be strong.

The question is from which information basis the lessons on local employment development are to be drawn. The general lack of evaluation at local level is the main obstacle to learn about the effectiveness and efficiency of different approaches. Only for few cases such evaluation material is available. Local employment development is not generally supervised by public authorities and therefore is not always reflected by statistical evidence and evaluation analysis. The activities of the European Commission to develop indicators and evaluation methods for local employment development are useful steps to close this gap.

Alternatives to European LED promotion

Keeping in mind that the driving forces for local employment development are coming from three sides, the EU level, the national level, and the local actors, the question for alternatives to European LED promotion has to be answered both in a positive and a negative way:

The positive answer refers to cases like in the Netherlands, France or the Scandinavian countries where local employment development emerged without significant EU support. This would suggest that positive effects could be achieved through other means. However, in all of these cases the national governments were important substitutes for EU support, providing the financial resources and the conceptual inputs of a decentralised policy approach. Therefore, the important condition under which the same effects on local employment development can be achieved through other means is the involvement of the Member States. The efforts of the European Commission to convince national governments of the advantages of local employment development, therefore, continue to be an important element of LED promotion by the European Commission.

The negative answer refers to cases where LED approaches have in practice been significantly influenced by the European Employment Strategy in general and the Community Initiatives in particular. With very little money they were able to initiate LED activities in a series of regions, promoting the development of conceptual frameworks rather than the activities themselves. This appears as an efficient method of policy support, coherent with the present state of the European LED approach. There is a great need for testing and optimising of local concepts, for activating local stakeholders, and in particular for convincing some of the national governments to decentralise the competence for employment policies.

3. Recommendations to European, national, and local actors

The previous analysis has identified various success factors for local employment development. The following actions are suggested to promote the LED approach of the European Commission. They are listed according to the main addressees, the European Commission, national governments and local actors:

Recommendations for Community action:

- *Concentrate resources on the foundation of LED approaches.* What local actors need is help for establishing the framework of their local policy, for creating partnerships, for implementing their policies, and for easy access to available financial support. While funding of operational labour market policies can further be provided by the existing instruments at regional, national or EU level, it is suggested to concentrate EU support for local employment development on design, development and implementation of local approaches. As in the past, this might be achieved through the integration of local employment development as a horizontal priority of the Community Initiatives and other Structural Funds programmes. However, if the dissemination of LED approaches should be broadened, the creation of a LED action programme might be considered as a more effective way. This LED action programme might address national and local actors. It might include the components of policy design, organisation and access to financial funds. Under the common label of local employment development the Commission could provide recommendations for decentralising employment policies, and for the implementation of local approaches. Such a programme might assist local stakeholders to design the concepts for regional employment and social inclusion policies, support co-operation among local actors, open access to EU funding, and help to develop the evaluation and management instruments needed. Of course, such a LED programme would be a significant step raising the importance of LED policies at the EU level and therefore can only be undertaken with support by the Member States within a medium-term perspective. The concentration of the programme on the foundation of LED approaches will be compatible to the principles of both, subsidiarity and cost-efficiency.
- *Generate integrative regional development approaches:* The strong links of active labour market policies with economic, environmental, cultural and societal factors call for a wide regional development approach. The promotion of local employment development would therefore include measures which develop the human capital basis of the territory, support economic growth, strengthen the cultural identity of the region, and promote integrative policy thinking at local level. This would address a wide circle of local actors and will be the key to involve business partners in local partnerships. Most importantly, this would facilitate the development of coherent and comprehensive local plans.

- *Develop evaluation instruments for local employment development:* The lack of evaluation evidence appears as a substantial obstacle for the improvements of LED approaches. While evaluations under the Structural Funds and other EU programmes provided valuable results, there is little evidence in these evaluations on the specific contribution of the programmes to local employment development. The present EU activities to promote evaluation and to improve the statistical and methodological basis are important steps for more robust assessments of LED approaches.

Recommendations to the Member States:

- *Test the feasibility of decentralised employment policy concepts:* LED approaches can only be developed gradually, even if this includes the risk of rising disparities among regions. The most important element is the decentralisation of public employment services and the establishment of the required links between national, regional and local authorities. How this can be achieved is a matter of the existing institutional structures in the Member States. The integration of the LED approach, therefore, appears as the genuine task of the Member States. Beyond the questions of the distribution of powers between national and regional public bodies this is also a question of practicality and efficiency, which can only be answered through experimental testing.
- *Improve the vertical integration of employment policies:* In the sense of local employment development vertical integration of employment policies means that national policies must open room of manoeuvre for local actors rather than strengthen top-down relations. It means removing the inconsistencies emerging at local level through the ‘sectoral’ division of centralised policies. This can be achieved through widening the scope for independent local action and thus improving the consistency of policies with local conditions. National programmes should therefore provide flexibility for local adjustments and varying local policy mix.
- *Open a ‘one-stop-shop’ for Structural Funds and national assistance:* The access of LED stakeholders and organisations to the Structural Funds, the Community Initiatives and national resources should be improved by simplified funding procedures – ideally by bundling resources into a single virtual LED funding title. Such a virtual budgetary instrument provides funding in a “one-stop-shop”. This would simplify eligibility criteria, integrate regional policy action, and – most importantly – would not discriminate among regions due to their Structural Funds status. As the experience at local level revealed this would strongly help local actors to use financial resources effectively.
- *Strengthen the information basis for local employment development:* National statistics and records contain a great volume of information. This provides an important basis to develop the management systems for local activities. The information basis, however, is not yet developed sufficiently as regards statistical concepts, classifications and regional structures. The

adjustment of these information instruments to the needs of local employment development would be an asset for the improvement of LED evaluation.

- *Address the legitimacy problem:* The problem of legitimacy arises with growing involvement of non-government institutions in policy design and the decision-making processes. While local employment development has not yet achieved a status where this problem plays a dominant role, the legitimacy problem will rise with the growing volume of funds available to local actors. Partnerships will have to be fully responsible to public authorities as regards the use of public funds and they will have to be fully responsible to the public as regards policy decision and openness to relevant partners.

Recommendations to local actors:

- *Prepare local development plans:* Local development plans can have several beneficial effects. First, they can serve as a focal point for coordinating funding from different sources. Second, they can develop 'horizontal' thinking that transcends traditional sectoral policy approaches. Third, they can give an orientation to the public on activities in the economic and social fields, thus contributing to the co-ordination of local stakeholders. Local development plans might be used as the local counterpart to the proposed LED action programme at the European level and could be a prerequisite for the provision of financial resources.
- *Improve the professional capacities for employment policy action:* The central point for improving the professional capacities is not only the problem of training and information exchange. The problem is the capability of local authorities to establish organisations or expert groups for local employment development. Local authorities should be supported to create the units within their organisation or to establish external organisations for local employment development.
- *Enhance efficiency and accountability of local partnerships:* Local partnerships need a clear definition of targets, an adequate selection of partners and territories, an efficient decision-making process, and an agreement on the distribution of expected benefits. They need efficient management structures and appropriate controlling instruments. This is all the more important as the analysis of efficiencies and inefficiencies of LED cases revealed the risk that partnerships cause high costs and perform inefficiently. This can be avoided by defining clear requirements for the support of partnerships by EU programmes. Exchange of experience among local actors can help develop ideas on how to organise integrated partnerships.

1. Evaluation tasks and principles

With the contract from 18 November 2002 the European Commission assigned Economix Research & Consulting and its research team the task to carry out the “Horizontal Evaluation of Local Employment Development” on the basis of the Terms of Reference and the tender document submitted by Economix on 27 September 2002. The commitment and rationale for carrying out this evaluation was determined by the Commission’s Communication “Strengthening the local dimension of the European Employment Strategy” (COM (2001) 629final, 06.11.2001). This report is the synthesis of the evaluation undertaken by a team of twelve experts under the direction of Economix.

1.1. Structure of the evaluation

1.1.1. Evaluation questions

Against the background of more than a decade during which local employment development (LED) has been continuously developed, tested and mainstreamed in the European Employment Strategy and the European Structural Funds, the evaluation is intended to review the LED approach at the European level, to identify its effects at local level, and to explore the possibilities how to make EU policies more effective. In particular, the evaluation should provide information about the specific effects of EU programmes on local employment development in order to enhance their impact in the context of the EES. The evaluation has to assess the value added for the Community and the complementarities of the different components of this intervention. Its most important elements are the assessment of the cumulative effect of several of these EU programmes on individual territories, the strategic approaches at local level to develop a (or parts of a) local employment policy, the individual process of development in a historical perspective, its results, and relation to the EU programmes.

The Terms of Reference listed the principal evaluation questions as the basis of the work to be conducted:

- a) What are the characteristics and achievements of the different types of program with regard to local employment development?
- b) How do the different types of program support local employment development?
- c) Apart from the direct foreseen effects, what other effects do the different types of program generate in relation to local employment development?
- d) What is the complementarity between the different types of EU programs?

- e) How do the different forms of partnership within the different types of programs contribute to the effects of the actions with respect to local employment development?
- f) How sustainable are the effects of the different types of programs with regard to local employment development?
- g) To what extent are lessons relating to local employment development under the different programs disseminated and do such lessons influence national policies in this area at local, national and European level?
- h) Can the positive effects of the different types of programs with respect to local employment development be achieved through other means?
- i) How can EU LED policies and programs be made more effective?

While these evaluation questions are guiding the evaluation work, the information basis and the evaluation methodology had to be developed following eight objectives of the evaluation:

1. Documentation on how the EU local employment approach has developed since the Delors White Paper, regarding the historical background, identification of the respective EU programmes, analysis of the evolution of concepts/definitions, the complementarities and consistencies of these programmes, and analysis of their logics;
2. Identification, analysis and synthesis of the several evaluations related to local employment development;
3. Identification and preparation of case documentation, covering the widest range as possible of different LED approaches, according to a predefined territorial typology and linked to the respective NAPs and to the EES;
4. Documentation and analysis of approaches, development processes, results and impacts of EU Programmes in the local employment development in pre-selected territories;
5. Development of a definition of local employment development as a result of the analysis of the policy and evaluations review, the existing theoretical framework and the cases;
6. Drawing up of operational lessons concerning the effectiveness of EU programmes and their respective influence on national and European policies;
7. Development of proposals to improve the performance and political impact of Structural Funds, ESF Innovative Actions and other EU programmes in relation to local employment development;
8. Drawing up conclusions and proposals aiming at policy development within the EES and the social inclusion process.

The research and evaluation design is focused on finding how the several European, national and regional/local programmes have contributed to foster local employment in European territories as well as the influence of these results on employment policies at the different levels.

The evaluation includes the following analytical steps:

- (1) Policy analysis, which is named the methodological phase in the Terms of Reference. This is based on the review of the EU policies and EU pro-

grammes focussing on their impact in relation to local employment development along the lines of the programmes' objectives, the evaluation analysis already existing and the existing literature.

- (2) Field investigation (field work in the Terms of Reference), which is based on 15 country reports and the empirical research on 20 territorial cases in which local employment development exists under different forms (projects) related with the several European, national, regional or local programmes in each territory selected.
- (3) Cross analysis of the results of both former elements. This analysis will bring together the literature, the evaluation, the policy evolution concepts in relation to local employment development and the concrete processes and outputs investigated by 20 case studies.

The Terms of Reference specify two major steps of the evaluation, a methodological phase analysing the theoretical and political aspects, and the fieldwork phase establishing the empirical basis. It defines 10 tasks to be accomplished by the project:

Methodological phase

1. Review of EU policy towards local employment development
2. Inventory of EU programs
3. Analysis of programme logics (intended and achieved influence on local employment development)
4. Analysis of evaluation methods
5. Typology of types of policy action
6. Synthesis of evaluations
7. Review of academic and policy papers on local employment development
8. Typology of geographical areas to be selected for the fieldwork

Case study fieldwork

9. Case studies in a number of geographical areas
10. Synthesis of case studies

1.1.2. Analytical framework

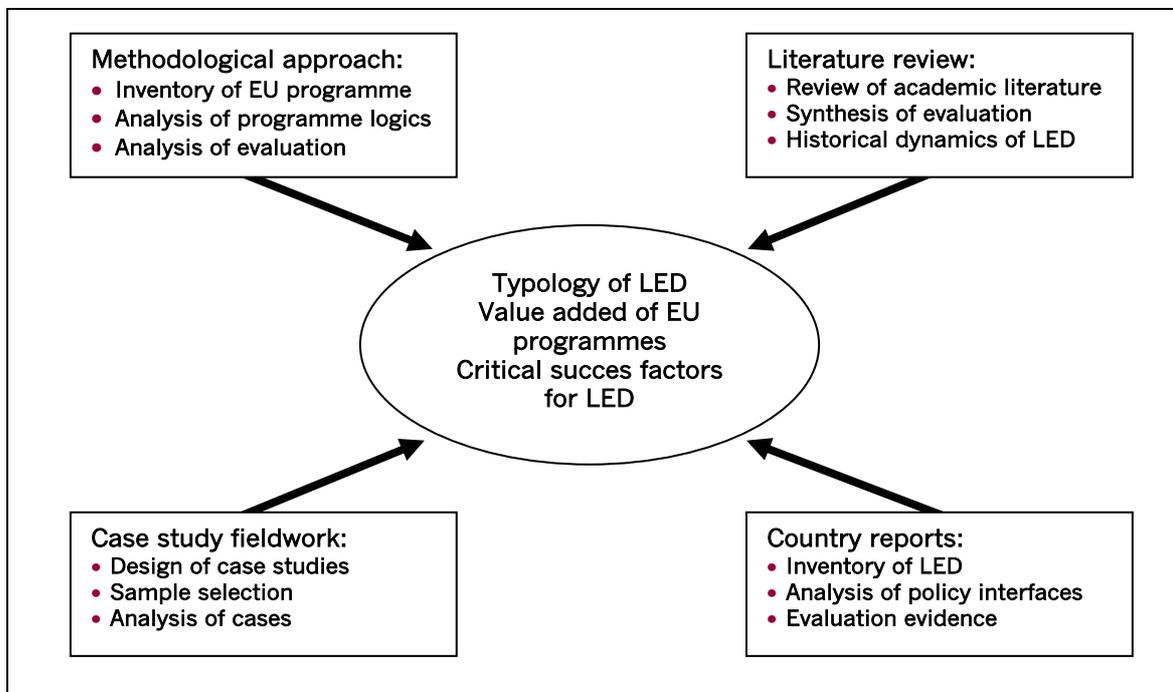
While the evaluation strongly complies with the evaluation tasks, the methodological approach was amended by two points:

Firstly, it was driven by the principle to integrate empirical evidence in all parts of the evaluation, in particular in the analysis of program logics, the development of the typology, and the recommendations for LED policy at the EU level. This appeared as an additional desideratum as the review of literature and of policy documents did not provide a sufficient information basis to accomplish the evaluation tasks. Therefore, the strong separation of theoretical and case study fieldwork was modified to an integrated approach.

Secondly, for the purpose of identification and classification, national reviews of LED approaches were required. These reports had to describe the national decentralisation approach in the domain of employment and social policies, to provide an overview on the LED activities of the Member States, and to review available evaluation literature. These country reports established an informa-

tion basis which so far was not available in the research and evaluation literature.

Chart 1.1 Analytical framework



Source: Economix

Chart 1.1 describes the analytical framework of the evaluation which is based on four information elements. The methodological approach established the inventory of EU programmes, and analysed the programme logics and the evaluation evidence for various EU programmes related to local employment development. This was based on the analysis of programme documents. In addition, the review of academic and evaluation literature amended theoretical arguments and contributed to the historical dimension of local employment development.

The empirical work consisted of the analysis of overall 20 LED cases throughout the European Union (fieldwork element) and the description of LED approaches in the Member States (country reports element).

The evaluation does not apply usual quantitative evaluation methods as local employment development is a highly heterogeneous policy field, and the evaluation concept did not allow establishing a comprehensive statistical review of LED cases. Local employment development is a strategic concept rather than a policy framework with well-defined targets, instruments and evaluation methods. This required adjustments of the evaluation methods, concentrating on context evaluation and the analysis of programme logics. For the purpose of the case study synthesis, a databank was created to extract a set of 61 variables from the case study reports. This allowed systematising the qualitative information contained in the reports.

The evaluation has been developed by the following steps:

- The inception phase was used to develop a common analytical framework for the evaluation, to elaborate the definition of local employment development, and to prepare the selection of cases in the Member States.¹ The first inception report was discussed on the workshop of the research team on 25 January 2003 in Munich. The Commission was represented at this workshop.
- 15 country reports for all EU Member States were written by the national experts on the basis of the common structure.
- 20 cases of local employment development were selected on the basis of specified selection criteria, and analysed by the country experts. Two cases were selected for France, Germany, Italy, Spain and the UK, one case for the other Member States.
- A second workshop with the national experts was held in Munich on 30 June 2003 to discuss the results of the case studies and the draft interim report. The Commission was represented at this workshop.
- The interim report of the evaluation was presented on 25 July 2003.

1.1.3. Structure of the evaluation report

The report accomplishes the tasks of the evaluation in five Chapters.

Chapter 1: Evaluation tasks and principles

This Chapter explains the evaluation approach and the principle understanding of local employment development.

Chapter 2: Review of EU policy for local employment development

Against the background of scientific literature on decentralisation, governance and networking theories (Step 7 of the methodological phase) the Chapter develops a historical perspective of EU policy for local employment (Step 1), and the inventory of EU Programmes related to local employment development (Step 2). It provides the analysis of programme logics (Step 3) and develops a typology of types of action at EU level (Step 5). Evaluation evidence (Step 6) is presented in combination with the EU programmes.

Chapter 3: Local employment development under the national framework

Contributing to both, the methodological basis and the background of the field work, the Chapter contains the analysis of programme logics from a national perspective (contribution to Step 3), the development of a national typology of types of policy actions and measures (contribution to Step 5), and the additional analysis of the role of EU programmes in the national context (contribution to Step 1). The Chapter also contains a review on national evaluation evidence (contribution to Step 6).

¹ See “Horizontal Evaluation of Local Employment Development – inception report”, presented by Economix on 4 April 2003.

Chapter 4: Typology of local employment development – synthesis of case studies

Based on the case study evidence (Steps 8, 9, 10), the typology of LED approaches at local level is developed (Step 5). The typology is established by the analysis of principal dimensions of LED approaches: economic background, policy programme, organisation, and financial structure. The Chapter reviews the impact of EU funding and results concerning the efficiencies and inefficiencies of local approaches.

Chapter 5: Conclusions and answers to the evaluation questions

This final Chapter presents the synthesis of previous Chapters by analysing the logics of the LED approach at EU and the local level, and identifying the success factors. It gives a summary of evaluation findings by answering the nine evaluation questions of the Terms of Reference.

The main report is amended by two volumes which contain the country reports and the case study reports as internal papers of the evaluation:

Volume B 15 Country reports
Volume C 20 Case study reports

The evaluation is structured by an inductive approach, starting with the review of EU policies and national policies, creating the information base by case studies and reviewing evaluation evidence. On this basis, the conclusions and the synthesis are developed. The answers to the evaluation questions are given at the end of the text, based on the previous analysis. Readers who appreciate this bottom-up approach may read the evaluation in the order proposed. Readers who are mainly interested in the answers to the evaluation questions are recommended to read the report from the end to the start.

1.2. Evaluation principles

1.2.1. Definition of local employment development

Local employment development can be defined as employment and social inclusion policy action, based on self-governing local actors, interlinking programmes and initiatives of these actors in a selected geographical area, and integrating the programme into the development process of the territory. The constitutive elements of this definition are policy coherence, self-governance, and comprehensiveness.

The constitutive elements of the LED definition are characterised in the following way:

- *Policy coherence:* The policy concepts of local employment development are arising from several angles, like labour market policy, human resource policy, social inclusion policy, change of governance, economic and environmental development. While separated actions on these fields were undertaken ever since, the links at local level between these policies are nec-

essary not only to improve policy performance as regards employment and economic growth. They are also required to achieve single targets like the reduction of unemployment or the improvement of social inclusion, due to the strong interdependence of policies. Thus the coherence of the LED approach is a constructive and qualifying element of the definition. Sectoral policy approaches which do not primarily target policy integration are therefore excluded.

- *Self-governance*: The spectrum of local employment development is very broad, ranging from individual actions of local organisations to formalised local employment policies managed and implemented by regional or national authorities. The involvement of local actors in the process of policy design appears as one of the necessary conditions for the existence of a LED approach. This involvement might be without voting rights, but requires at least consulting rights. Thus, local employment development is linked to various types of self-organised policies at local level, and excludes models where local actors are restricted to pre-determined policy administration. Self-governance in its different forms, therefore, is the second constitutive element of local employment development.
- *Comprehensiveness*: LED activities can be observed in forms of inter-regional or intra-regional co-operation. It can be organised at regional, local or even sub-local levels. The definition of the appropriate territory depends on the policy programme, its targets and the operational scope of its actors. The territorial dimension therefore can hardly be determined in terms of administrative territories. Local actors have to select the geographical scope of their policy according to their policy programme and the optimal organisation of actions. However, their policy needs to be comprehensive in the sense of including all types of LED activities within this territory rather than splitting activities into various sector-related policy domains. The development of an integrated policy approach for the selected territory appears as the third element of the definition. Comprehensiveness of the policy programme demands for an overarching local concept for all relevant policy domains and excludes singular policy actions.

Local employment development can be seen as an important step of integrating employment and social inclusion policies into the wider context of local development. Local employment development is also the opportunity to tackle the unemployment problem by self-governed action at local level. Like many areas of environmental and cultural activities, self-governance therefore is a strong momentum for local actors in the field of labour market and social policies.

While partnerships are involved in many cases of local employment development, local employment development is not perfectly identical with the partnership approach. LED policies can be developed by singular organisations – municipalities or regional authorities – without establishing a partnership with local actors. As far as these organisations are democratically controlled and dispose of a political decision powers, such an approach is covered by the element of self-governance at local level. The definition of local employment development is therefore independent from the specific type of organisation.

The element of the financial structure of local employment development is also not included in the definition. While financial regulations are certainly of great influence on local employment development, they do not directly determine whether employment policy action can be classified as local employment development or not. Financial instruments, in particular EU funding resources, are used by local actors in a great variety of combinations and can therefore hardly be used for definition purposes.

Local employment development is the horizontal integration of employment and social inclusion policies at local level. It requires the vertical integration with national and regional policies as there are many dependencies, and decentralisation policies have a strong influence on the emergence of local employment development. However, it should be separated from vertical integration as this blurs the political and organisational identity of local actions. In particular, vertical partnerships which are partnerships between national, regional and local actors are not organisations of local employment development. By contrast, LED organisations might be members of such vertical partnerships.

Of course, the definition proposed by this evaluation is a suggestion which might be discussed in the course of the further debate on local employment development. Its emphasis is on the identification of the central principles of local employment development which could be the basis for a consistent policy approach. Considering the great variety of LED approaches and support programmes it might be too early to try such a definition. Also from the policy perspective a restrictive definition might appear as a limitation to further policy action. The purpose of this definition, however, is to reduce the degree of entropy and to contribute to a clearer understanding of local employment development. This understanding is the basis for the development of policy recommendations.

While the definition of local employment development defines the set of cases which are classified as LED approaches, the “real” cases of local employment development can range within a wide spectrum of types including cases which only show rudiments of the definition. The presentation of cases in Chapter 4 will reveal the divergence of cases but also their conformity with the definition.

The set of cases covered by the definition is characterised by various attributes like the economic background, programme priorities, type of organisation, or the structure of funding. These are the descriptive dimensions of local employment development which will also be developed in more detail in Chapter 4.

The definition of local employment development was used to identify the cases to be observed in the fieldwork. The classification of LED cases follows the principal dichotomies of this definition:

- *Coherent policy approaches versus singular action.* LED activities can be integrated into a local or regional development framework by which different policy areas are co-ordinated, or it can be a set of separated policy strains undertaken by different actors. The power of local employment de-

velopment and its efficiency is expected to increase with the coherence of policy actions.

- *Self-governed local policy action versus pre-determined policy administration:* local employment development can be developed by local partners or authorities independently from national influence or it can be pre-determined by national policy. The degree of self-determination of the local partners may vary but a minimum level of decision power in the area of policy design is required.
- *Comprehensive territorial approaches versus single projects.* Local employment development is seen as the combination of all projects undertaken in a specific territory. Single and isolated actions are excluded. However, the combination of different activities can be loose or stringent.

1.2.2. Typology of local employment development

While the definition of local employment development describes the set of LED cases to be considered, the typology has to identify the most important attributes of LED approaches. The categories of the classification have to be exclusive and should be able to describe the internal structure of the set of LED cases. The evaluation identified four principal attributes which are used for the typology (Table 1.1):

- The economic restructuring trend of the region which classifies the *dominant restructuring types of local employment development*. As local employment development addresses long-term policy effects rather than short-term policy reaction, LED cases can be classified according to the restructuring targets: rural modernisation, reversal of industrial decline, modernising private and public services. These principal targets of LED activities are linked to the basic trends of industrial transition in the region which force local actors to develop their specific employment strategy. It is associated with the long-term transition of employment from agricultural and industrial to service activities. As these phases of economic transition are a continuum rather than separated steps, the dominant restructuring type can only indicate the dominating trends considering a wide area of overlaps between the categories. Nevertheless, the type indicates the prevailing change of economic structures.
- The degree of integration of local employment and social inclusion policy with other areas of local restructuring leads to the *integration types of local employment development*. Integrated LED approaches are distinguished from interlinked or isolated approaches. Integrated means that employment policy is part of a local development programme. This may also be expressed by the representation of national or regional labour market or social policy institutions in a LED organisation. Interlinked approaches are aware of the interfaces with other policy domains but remain specialised on their specific policy domain. Isolated approaches operate independently and are defining the border line of local employment development.

Table 1.1 Typology of LED

<p><i>Dominant restructuring types of LED</i></p> <ul style="list-style-type: none"> • <i>Rural modernisation:</i> the LED approach in remote agricultural regions accelerating the speed of restructuring and transforming into a service-oriented economy. • <i>Reversal of industrial decline:</i> the LED approach to overcome the negative effects of industrial crises. • <i>Modernising private and public services:</i> the LED approach to develop the service sector, social services in particular, often connected with decentralisation of policy action rather than employment policy as such. <p><i>Integration types of LED</i></p> <ul style="list-style-type: none"> • <i>Integrated LED approaches,</i> which establish a coherent policy programme, identify integrative policy measures or establish integrated organisations through partnerships representing different policy domains. • <i>Interlinked LED approaches,</i> which establish interfaces with other policies but remain specialised on their specific policy domain. • <i>Isolated LED approaches,</i> which operate independently without significant policy links to other domains. <p><i>Organisational types of LED</i></p> <ul style="list-style-type: none"> • <i>Institutional LED organisation,</i> which is steered by a public authority and managed by a centralised organisation. This is the LED case without a partnership approach. • <i>Top-down institutionalised partnership,</i> which involves local partners steered or supervised by a public authority. Local partners can decide on policy issues within public guidelines. • <i>Centrally managed partnership,</i> which is a self-governed organisation, supervised by the partners or stakeholder, but operating on its own behalf in cooperation with local partners. • <i>Bottom-up decentralised partnership,</i> which is a partnership of independent local actors, deciding on their policy concept without public intervention and implementing policy action as the responsibility of the partners. <p><i>Funding types of LED</i></p> <ul style="list-style-type: none"> • <i>EU-funded LED,</i> which is mainly funded by EU Structural Funds in regions with a strong impact of EU regulations. • <i>Complementary EU funding of LED,</i> which is combined with substantial contributions by national and regional funds. • <i>Non-EU-funded LED,</i> which is independent from EU sources and uses EU funds if at all indirectly.

Source: Economix

- The type of decision and consultation rights of the agents and partners separates the *organisational types of local employment development*. While institutional LED organisations are organised by single agents, all other types are based on partnerships. Top-down institutionalised partnerships include local partners steered by public authorities. Centrally managed partnerships are self-dependent LED organisations supervised by a board of partners or stakeholders. Bottom-up decentralised partnerships are organisations of independent partners coordinating their policy but implementing the policy individually.
- While funding is not part of the definition of local employment development, its impact on local employment development is important. The degree of EU intervention through funding can therefore be used to classify the *funding types of local employment development*. There are LED approaches strongly influenced by EU funds (Objective 1 in particular) as opposed to approaches where EU funding plays a complementary role

(e.g. through Community Initiatives). The third funding type is independent from EU funds.

The typology is applied and developed in more detail in Chapter 4 of this evaluation where the selected LED cases are classified.

1.2.3. Logics of local employment development

By a process of almost a decade, the European Commission has not only developed its local employment approach but implemented the idea by mainstreaming the target of local employment development in the European Employment Strategy, the Structural Funds Objectives and the Community Initiatives. As Chapter 2 will demonstrate, the principal ideas of a decentralised employment approach were summarized by the White Paper on Growth, Competitiveness and Employment which has not only received strong support from different groups of actors, but was developed and extended by several strategic Communications of the European Commission.²

The logics behind this strategy can be described by three arguments: the specific diagnosis of the state of employment policy and governance in the Member States, the conclusions for policy action and reform (the therapy), and the impacts expected from the policy changes suggested (the prospects). These three levers and their linkages are presented by Chart 1.2.

The diagnosis started from four principal anchors which will be described in detail by the review of EU policy for local employment development (Chapter 2.1):

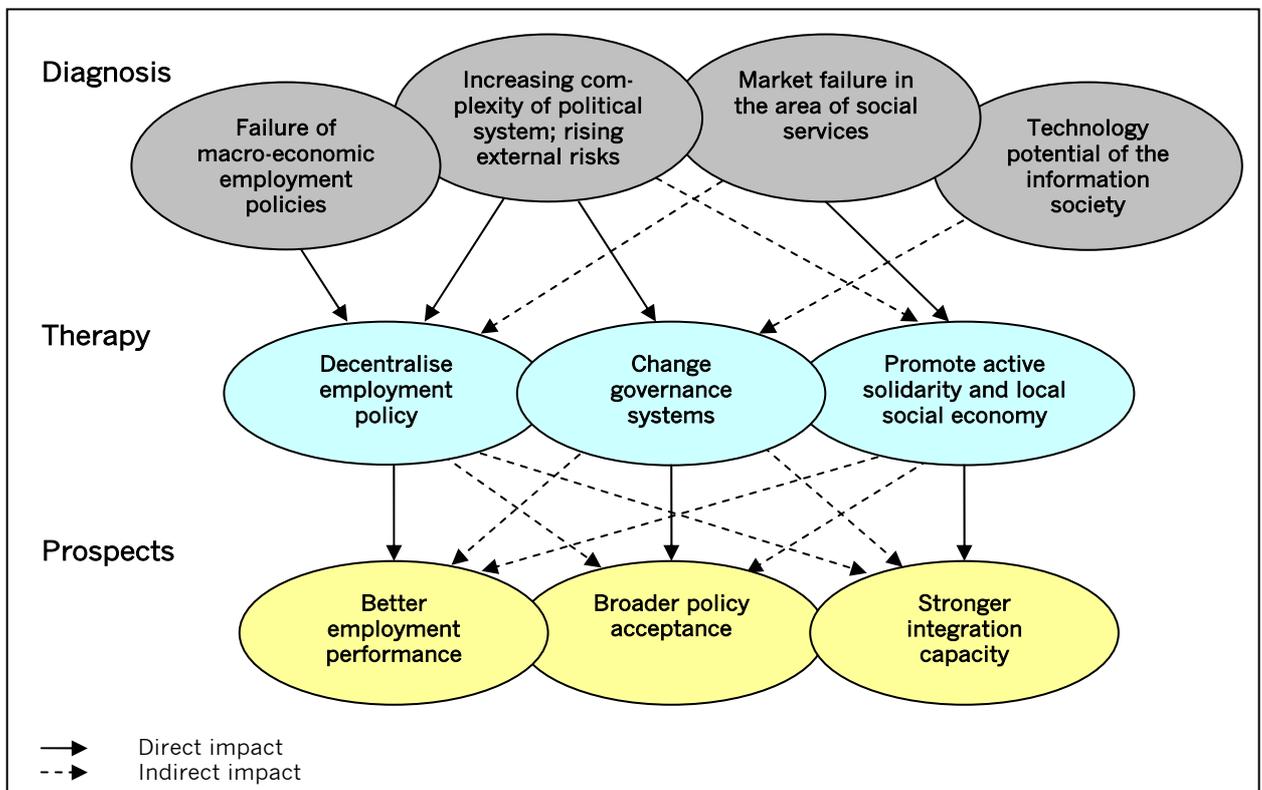
- There is a clear perception that in many EU countries macro-economic employment policy has failed to achieve labour market equilibrium without strengthening supply-side elements of economic development. The local level is directly addressed by this argument as important actor of economic restructuring while the macro-level is expected to restrict policy action to the framework conditions of the economic process.
- The complexity of political and legal systems is increasing continuously while coherence with local needs is decreasing. This trade-off is all the more important as the local dimension of policy action – in particular employment policy – was not developed in the same way as many of the sectoral approaches. The local level is expected to reduce the complexity of policy action by integrating different policy domains according to local needs and preferences. This is seen as a matter of political governance rather than economics, including the strengthening of co-operative policy development by partnerships of local stakeholders. The theory of networking implies that rising external risks make co-operative strategies superior to individualised action. The emergence of local partnerships is therefore

² European Commission 2000 and 2001: Acting locally for employment; Strengthening the local dimension of the European Employment Strategy; European governance – a white paper.

also addressed to globalising economies and the weakening centralised policy approaches.

- The persistent scarcity of social services is identified as the consequence of market shortcomings, compromising the principles of solidarity in the European Union. The creation of a “Third System” producing social services at local level is seen as both, a compensation of these market failures and a new source of employment.
- Finally, the potentials of the information and communication technology are an important basis on which decentralised policy concepts can be implemented and organised. This addresses all levels of policy management: involvement of local actors in policy design, participation in policy decision, implementation of policy actions, and evaluation.

Chart 1.2 Logics of LED



Source: Economix

This diagnosis resulted in three major domains for policy action: the decentralisation of employment policy, the change of governance systems, and the promotion of active solidarity and the local social economy. Chart 1.2 contains these domains and indicates the direct and indirect impacts of the diagnosis on the definition of policy action and the associated prospects. It also indicates that none of the identified areas are standing alone. They are overlapping and interlinked in many ways. The separation of these areas is a heuristic method rather than a precise description of policy realities.

Decentralised employment policies

The demand for decentralised employment policies is the consequence of both, the difficulties encountered by macro-policies and the rising complexity of political and legal systems. Many Member States realised that the efficiency of labour market policy cannot be raised without involving local actors. The difficulties integrating precarious groups into the labour markets and to improve social inclusion by standardised policy instruments became obvious. Moreover, the links of employment policy and regional economic development could only be achieved by improving coherence at local level. As the central role of human capital for regional development gradually became evident, the integration of employment and human resource policies in regional development plans was a necessary and indispensable step. Such a local combination of social integration, labour market services, training provision and economic development was expected to generate a superior employment and inclusion performance as compared to a centralised policy approach.

Change of governance systems

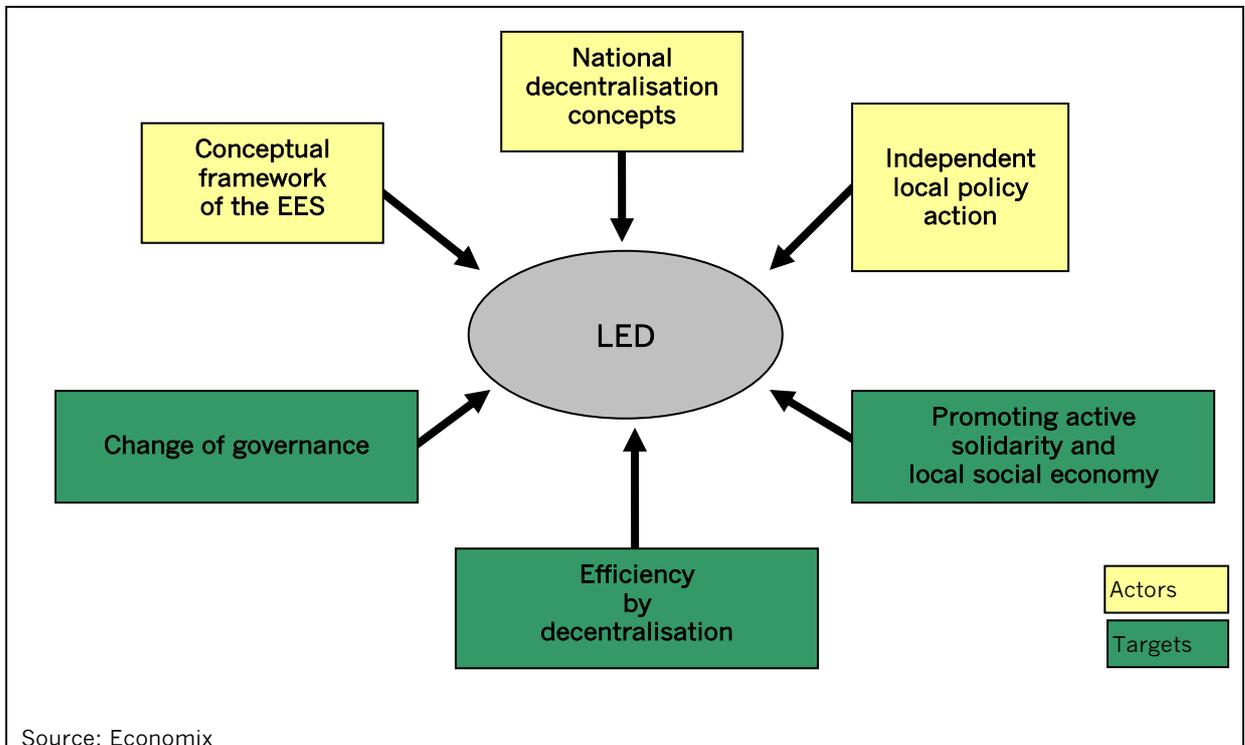
Coherent policy development apparently is more than an intellectual task for policy designers. It has to be based on the involvement of local stakeholders in order to identify the set of concordance (or the borders of compromise) and to legitimise policy decisions democratically. Integrated policy approaches therefore had to be based on the involvement of local stakeholders by co-operative models of policy development, by local partnerships in particular. On the one side, this idea was strongly supported by grassroots movements in various fields of policy action, like social inclusion and environmental protection. On the other side, some Member States like Austria or Denmark have developed co-operative models as a general principle of policy decisions, being open to transmit this model to the local level.

The change of governance systems, therefore, is related to civil society movements. In fact, this grassroots origin gives a further if not a pivotal momentum to the decentralisation of employment policies. The combination of these two strong factors can explain why local employment development became a mainstream element of both, the European Employment Strategy and the debate on governance. And it can also explain the strong forces at local level to establish a new and integrated approach for local development.

The case studies presented in Chapter 4 exemplify the two-sided process of local employment development as regards its initiators: one group of LED approaches was guided by the concept of Territorial Employment Pacts proposed by the European Commission and reinforced by co-operative structures in some Member States. The other group promoted local employment development largely without help from EU programmes, based on partnerships and supported by national governments with a strong commitment to local employment policy. In some of these cases, a serious local development crisis was the background of the initiative. In other well-developing cases, the LED approach appeared as the superior policy concept compared to nationally

governed policies. Chart 1.3 demonstrates the combination of policy targets and policy actors promoting local employment development.

Chart 1.3 Supporting factors for LED



Promotion of active solidarity and the local social economy

Many local initiatives in the European Union can be characterised as developing projects to promote active solidarity among citizens and to establish new enterprises, to extend the provision of social services and to develop a local social economy as an alternative to profit-oriented economic activities. The strong demand for social services was one argument to foster these activities, the chance of creating additional jobs the other.

Most of the LED cases observed by this evaluation included elements of social inclusion policy, but only a few concentrated on this policy domain. Supported by the European Commission, the Third System Programme was launched. National approaches remained to be very different, ranging from the promotion of neighbourhood help in the UK, to state-guaranteed social benefits and social care services in Germany.

In this context, the creation of solidarity in market-related societies opened a third interface between economic and social development at local level. This is very much linked to the debates on the economic impacts of local social capital on the one side and rising financial burdens of welfare provisions on the other. The importance of the social services for the labour market was widely

stressed. Solidarity and the provision of social services, which is the genuine task of municipalities in many Member States, were strengthened as an integrated part of local employment development.

The following analysis will follow this principal view on local employment development and explain it in more detail. In particular, it will analyse the history of local employment development, the implementation of local employment development by EU policies and by the Member States and evaluate the LED cases from this angle. The principles will be the basis for the conclusions and recommendations given in the last Chapter.

2. Review of EU policies for local employment development

Since the early days of the European Economic Community, there was the political will to reduce the differences in regional development by a pro-active cohesion policy. The preamble of the Treaty of Rome (1957) refers to the need “... to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions” and the Amsterdam Treaty (1997) strengthens the cohesion target: “In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion. In particular, the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas.” (Article 158).

In this context, three points need to be recognised (Emmerling 2002):

- The Treaty claims that the European Union follows a self-contained cohesion policy rather than redistributing financial funds by a process of financial equalisation, as some countries suggest.
- The cohesion policy aims at reducing the *differences* in development levels between regions, without defining the levels of welfare.
- The Article refers to the differences among *regions* rather than nations.

This is the basis for European policy to urge for a cohesion policy narrowing the differences in living conditions among its regions. The Structural Funds are based on this demand, and have achieved substantial progress in the less developed parts of the European Union. It took a long time, however, until the focus of cohesion policy turned on to local employment development. The idea of decentralising employment policy to the local level emerged from two principle trends:

On the one side, the cumulating importance of the unemployment problem prompted the European Commission to develop the European Employment Strategy and to put employment policy in Lisbon on top of the European policy agenda. This was based on the principal perception of the failure of macro-economic employment policy approaches to solve the unemployment problem.

On the other side, the debate on governance raised the question how to overcome the vanishing confidence of European citizens in a poorly understood and complex system of policy decisions at the national and European level. One of the major conclusion from this debate was to respond to the need for “... a stronger interaction with regional and local governments and civil society”, and to “... establish partnership arrangements going beyond the minimum standards in selected areas committing the Commission to

mum standards in selected areas committing the Commission to additional consultation in return for more guarantees of the openness and representativity of the organisations consulted.” (European Commission 2001a). By tradition the local level plays an important role in social inclusion policy and a strong grass-root movement exists throughout the European Union asking for more political influence. These organisations are strongly promoting the present debate on governance in the European Union (Prodi 2002).

Local employment development is at the intersection of these two trends. It is seen as a major pathway to overcome both, the insufficient employment performance and the exclusion of large parts of the European society from communication with European policy institutions.

2.1. Scientific background

The formation of the conceptual framework for local employment development was strongly supported since the nineteen eighties when the European Commission started to promote the LEDA network and the OECD initiated the LEED Programme. Both initiatives were and are promoting scientific research and the exchange of experience among local actors.

The Local Employment Development Association (LEDA Partenariat) was initiated by the European Commission in 1986. Employment problems are addressed through a network composed of pilot areas including industrial regions facing decline, large urban areas, less developed rural areas and others. LEDA aims at developing new approaches and techniques for more effective local employment strategies, disseminating good practices in local development, and strengthening inter-area cooperation. The principle is to organise meetings and information exchange between local actors, local authorities and academics involved in this field. Among the various outputs, practical handbooks and materials, the two-annual LEDA schools were the most important. In 1995 the 300 local actors involved in LEDA all over Europe decided to create a non-profit organisation registered in the United Kingdom.

The OECD founded the Local Economic and Employment Development (LEED) Programme in 1982 and re-enforced these activities by the Jobs Study (OECD 1994). In addition to 24 OECD member countries, the programme is supported by the European Commission, the World Bank, the Inter-American Development Bank, and the European Bank for Reconstruction and Development. Following its own presentation, LEED formulates innovative ideas for local development and the social economy (LEED 2002). The general objectives of the LEED Programme are to improve the quality of public economic, labour market and social policies designed and implemented at local level, to promote the exchange of experience and information and the diffusion of innovation in local economic and employment development, and to assist Member States in the design, implementation and assessment of local development strategies.

A number of scientific contributions were published within the framework of these two organisations and a series of conferences were organised. The fol-

lowing section provides a review of the principal findings on local employment development including the debate on European governance.

2.1.1. Importance of the local level for employment and social inclusion

The argument that local initiatives can offer effective responses for combating joblessness and exclusion is based on several principal considerations (Greffé 2002):

- There are *substantial geographical variations* in employment growth, and the concentration of unemployment, especially long-term unemployment. Both variations are associated with differences in economic activity within the Member States and across the European Union. Local employment action can improve structural adjustments and the performance of labour market policies at local level and can, in common, contribute to the solution of the unemployment problem at the national level.
- *Labour markets are locally based* in comparison to globalising product markets and capital markets. The continual restructuring and adjustment of labour markets to economic change primarily takes place in and is experienced at local level: company closures and redundancies as well as openings and hiring occur locally. Job search, particularly amongst more disadvantaged groups, is primarily local.
- The local level has the *advantage of proximity* to problems and stakeholders. Local differences in the character and nature of employment problems give rise to the need for local 'sensitivity' in policy design. In order to ensure that such sensitivity is possible, the development and use of sound local labour market intelligence is a precondition to tailoring policy to the specific needs of different localities.
- The involvement of local actors (employers, workers, agencies, NGOs) can be a *powerful instrument to build ownership of and legitimacy for employment and social inclusion actions*. Particularly in regions which have been burdened rather than favoured by economic restructuring, such participation can be a crucial factor enhancing policy effectiveness.

One of the principal findings of LED analysis was that the differences between regions stem only very partially from disparities in the composition of economic activities (OECD 1998). A strong 'behavioural' factor determining territorial dynamics had to be used in order to explain regional variation of economic and employment growth. These results pointed to the idea that local actors, their common spirit and their type of co-operation might be central to change employment performance. A sectoral and centrally governed labour market policy, by contrast, will hardly be able to capitalise on these factors. Policy measures affect local labour markets differently, depending on the specificities of the region and its economy. The differentiating determinants at local level are the contextual factors rather than the quantitative importance of target groups: the dynamics of local labour markets (i.e. job opportunities and mobility of workers) and the way how labour market policies are implemented (partnerships, policy interfaces etc.). These processes by which labour market policies are applied on the territorial level are highly differentiated.

In addition, the need for policy integration at local level became increasingly relevant, as research on re-integration of vulnerable labour market groups identified the multi-dimensional character of the problem: *“Most of the long-term unemployed are not only faced with the problem of joblessness, but have to contend with a series of further personal and social difficulties (educational problems, difficulties in the family, debts, housing problems, alcohol, etc.). Successful vocational and social re-integration is only possible if the entire range of these personal and social problems is addressed and tackled systematically”* (Otte, Schlegel 1992). The range of relevant personal and social services was (and is) organisationally fragmented. Effective ways of dealing with the problem require a high level of co-ordination and collaboration between all agencies involved. Case management was the answer at the level of individual actions, and partnerships of local actors were suggested at the territorial level.

As this evaluation will show in Section 4.2.5, a similar co-ordination problem is caused at local level by sectoral employment policy programmes, by EU programmes in particular. The variety of programmes working in parallel are difficult to manage at local level as eligibility criteria, programme schedules and policy targets do not fully coincide with each other. As improvements of local labour markets are also demanding for a multi-dimensional approach including economic, educational and social inclusion measures, local actors are facing the task to develop a coherent policy with these ingredients. There is no mechanism which automatically co-ordinates these policies if the local actors are not taking this responsibility.

Summarizing these considerations *“...action on employment at local level is of potentially considerable significance to the development and implementation of employment policy”* (Campbell 2003). A range of implementation benefits is identified for localised employment policies, bringing public agencies closer to the ‘grassroots’, increasing information exchange, and building local social capital. Given the relatively large number of agencies tackling employment problems, the risk of fragmentation can be reduced by dialogue and coordination. This is most easily done at a local level where ‘networking’ and the building of partnerships can be established. Local action can mobilise many local resources – the social capital of the area, its trust relations and day to day cooperation between people and organisations. Partnerships can coordinate and integrate actions so that they are effectively ‘joined up’. Also, the tendency for labour market agencies to ‘contract out’ or delegate functions to local actors and partnerships contributes to local responsibility and legitimacy. In sum, *“localised policies bring policy close to people and their needs”* (Campbell 2003, p.4).

However, decentralising employment policies raises a series of fundamental questions which were described as the “decentralisation trade-offs” (OECD 1998, p. 44). It was said that *“decentralisation is not a solution per se to the problem of unemployment”*. The advantages associated with decentralising employment policies may partly be offset by counter-effects, or give rise to new problems:

- *Inequality*: Unequal treatment across regions as a result of the devolution of power is one of the main concerns which led to the maintenance of national standards in many countries.
- *Impacts of an increasing funding burden*: Inequality may be amplified when the responsibility for funding is decentralised. In disadvantaged areas, the funding burden may translate itself into poorer-quality services or higher taxes. When the financial burden is shared between different government levels, conflicting actions may occur as each level tries to minimise its total disbursement of benefits.
- *Management skills and inefficiencies*: Decentralised powers may reduce control that governments have on management skills at local level. Considerable regional variation of the impact of policy measures may be the result. In addition, inefficiencies may arise from duplicated or even conflicting activities at local and national level, or among local territories.
- *Legitimacy and accountability*: Autonomy granted through funding mechanisms raises the problem of legitimacy of the activities undertaken with the use of public funds. This aspect is linked to the problem of accountability of actions at local level if there is not clear regulation of competences, obligations and liabilities. Non-hierarchical networks in particular face such difficulties.

As a result it can be concluded that decentralisation of employment policies requires a complicated set of regulations which co-ordinate the political autonomy of local actors and the distribution of funds. While the OECD urges for gradualism of decentralisation according to regional conditions and asymmetry of autonomy and funding, the negative risks of such an approach cannot be neglected. Difficulties arise in the context of interregional equity (or solidarity among regions), and anomalous incentives within a parallel system of decentralised and centralised policy strains. There is a strong argument that decentralisation can hardly be achieved in a single policy domain like active labour market policy, neglecting social welfare provisions or unemployment insurance. Decentralisation demands for a broad integration of employment policy action which might be extended to economic development, tax treatment and decision-making at local level. It will give an additional impulse to competition among regions but simultaneously raise financial and political risks at local level.

2.1.2. Governance and the partnership approach

While corporatist structures existed in several Member States, the partnership concept was identified at the beginning of the nineteen eighties as a way of maximising mobilisation, increasing resources and impact, and helping responses to crisis situations such as plant closures and problems in deprived urban areas. *“Today it is generally accepted that globalisation in the world economy through free trade and free capital movements have created powerful centrifugal forces in the European economy. It is observable that these forces have created strong demands for industrial restructuring and raised the problems of peripherality and social exclusion for many population groups. Flexible, targeted, integrated and strategic regional responses are now gener-*

ally considered to be the most appropriate public policy response to industrial change and employment” (Tavistock Institute 1999, p. 20). As the OECD reports (2001), partnership has been a recurring feature of local employment and development initiatives.

In the European Union partnership was initially understood as a statutory relationship between the Commission and the Member States. It has been developed to a wider formal mechanism for programme monitoring involving social and other sectoral or regional partners, now being a complex nexus of strategic and operational relationships concerned with programme development and programme management. Beyond formal arrangement for consultation, coordination and decision making, partnership emerged as a significant capacity for multi-organisational action at local level. In many European regions, particularly those without formal structures of regional government, partnership is the form in which regional capacity is operationalised. The Commission sees itself as a partner moving away from operational decision making responsibilities to playing a more strategic role (Tavistock Institute 1999).

Broadly, three related purposes were discerned by the evaluation of the partnership principle undertaken by the Tavistock Institute:

- *better targeting of programme actions* – as local partners are familiar with needs of their areas they are able to direct programme actions at those areas which will most effectively overcome the barriers to regional development,
- *more effective policy implementation* – by drawing in those bodies responsible for programme implementation partnerships are better able to secure co-ordinated actions of an eligible nature,
- *enhancing local development capacity* – working in partnership often has spill-over benefits gained through partners learning from each other.

Network theories

Partnerships are based on the principles of network theories which were developed as an interdisciplinary approach of analysing social behaviour (Mitchell 1969). Network analysis observes individual behaviour against the background of structural relations (Granovetter 1985). Networks can be opposed to market-based relations on the one side and hierarchical administrative relations on the other (Jansen 1999).

In general, strong ties among individual actors are differentiated from weak ties. Strong ties are networks of similar actors as regards values, educational levels or social status. These networks are expected to be largely immune against external impacts, innovation in particular. Regional modernisation can hardly rely on such networks. Innovative networks therefore require a well balanced set of similarities and differences among actors, of familiarities and novelties. Such a balancing is important as weak ties do not dispose of the same set of similar values. Rapid decoding of the information exchanged among partners appears to be more difficult.

The existence of networks can be explained by the theory of transaction costs, costs which are necessary efforts for social and economic transactions. Market related transaction costs are separated from policy related transaction costs. As search and information costs can be high, as like the costs of negotiation and decision, the costs of controlling and the operational costs of a social system, actors target at minimizing these transaction costs. Networks allow sharing these costs among the partners. Thus a reduction of individual risks is achieved which is particularly important if sunk costs are important for the implementation of the system. Sunk costs are irretrievable investments necessary for the creation of the system. Networks may contribute to lowering transaction costs by establishing more efficient organisational units with lower costs of controlling. However, this depends on the pre-condition of functional management structures and co-operative behaviour among actors. In addition, networks can accelerate the learning curve of actors (Genosko 1999).

Networks, however, also create transaction costs, in particular costs of information exchange and decision-making. The net-effect of saved and created transaction costs is important for the existence of networks. In game-theory, this decision problem of participating in a network is well-known as the prisoners' dilemma, where actors might be better off, if they co-operate. The rise of new challenges and the expectation of negative externalities create such a situation where co-operation among partners may be the better solution. Compared to market-related systems or hierarchical administrative systems networks can better internalise such negative externalities (Mayntz 1993).

The network theory underlines that co-operation among network actors requires individual investments of actors in form of time and money. The effect of such investments is strengthened if these investments create reputation for the network, at which individual partners will only participate within the network. Similarly, partnership investments which have a higher value within the partnership than outside are able to achieve a "lock-in" effect (Hart 1987).

The emergence of regional networks can be related to the globalisation of markets from which negative external effects on local economies may arise. While traditional network approaches targeted at improvements of policy coordination at local level, in particular within a centrally governed regional policy, modern regional networks are used to create innovative and dynamic regions. The underlying principle is that the economic and social environment is the source of innovation and dynamism rather than innovative enterprises. The synergy among actors is important. Empirical research revealed that universities can provide substantial contributions to regional development as they create the human capital basis and operate as innovators. In addition, information and communication processes and infrastructure are important (Foray 1988).

Regional networks are elements of a long-term policy rather than short-term reaction. They are therefore less applicable for interventionist policy processes. A clear programming of networks is required to keep them alive. They are one of the organisational alternatives of local development policies, however, *"... there is no empirical evidence which tells whether and at which ex-*

tent regional networks contribute to (positive) regional development and economic growth." (Genosko 1999, p. 14).

The White Paper on European Governance

While local partnership was introduced as a basic principle of employment policies in the European Employment Strategy and the Structural Funds, a new angle of partnership was identified at the beginning of this decade by the rising debate on European governance. Realising the gap between the European institutions and the citizens, in 2001 the European Commission presented the „White Paper on European Governance“. The paper started with the diagnosis that *“Today, political leaders throughout Europe are facing a real paradox. On the one hand, Europeans want them to find solutions to the major problems confronting our societies. On the other hand, people increasingly distrust institutions and politics or are simply not interested in them.”* (European Commission 2001a, p. 3). To overcome the alienation of the citizens, the paper suggests improving involvement of people and their organisations in policy design and implementation, to develop better policies, regulation and delivery, to develop global governance, and to refocus European institutions.

Five principles for good governance were suggested:

- *Openness* of EU institutions to actively communicate what the EU does and the decisions it takes;
- *Participation* throughout the policy chain from conception to implementation;
- *Accountability* for greater clarity and responsibility regarding the roles of the different institutions in the legislative and executive process;
- *Effectiveness* which should also be achieved by implementing EU policies in a proportionate manner, i.e. taking decisions at the most appropriate level;
- *Coherence* to ensure a consistent approach within a system with growing complexity.

The paper reinforced the principle of proportionality and subsidiarity: *“The choice of the level at which action is taken (from EU to local) and the selection of the instruments used must be in proportion to the objectives pursued. This means that before launching an initiative, it is essential to check systematically (a) if public action is really necessary, (b) if the European level is the most appropriate one, and (c) if the measures chosen are proportionate to those objectives”* (European Commission 2001a, p. 11). These principles were reinforced by the follow-up “Report from the Commission on European governance” (European Commission 2003b).

Without reviewing the whole spectrum of policy action, the principles of openness and participation appear to be most important for local employment development. The idea was *“... following a less top-down approach and complementing policy tools more effectively with non-legislative instruments”* (European Commission 2001, p. 4). The Commission expressed the needs for a stronger interaction with regional and local governments and civil society. It suggested to

- Establish a more systematic dialogue with representatives of regional and local governments through national and European associations at an early stage in shaping policy.
- Bring greater flexibility into how Community legislation can be implemented in a way which takes account of regional and local conditions.
- Establish and publish minimum standards for consultation on EU policy.
- Establish partnership arrangements going beyond the minimum standards in selected areas.

This aims at reaching out to citizens through regional and local democracy. It was suggested by the White Paper that the Commission should insure that regional and local knowledge and conditions are taken into account when developing policy proposals. For this purpose, it should organise a systematic dialogue with European and national associations of regional and local government. There should also be more flexibility in the means provided for implementing legislation and programmes with a strong territorial impact. In addition, overall policy coherence should be improved by avoiding a sector-specific logic of EU policies with strong territorial impact (transport, energy, environment etc.), and in the same way by making regional policies consistent with broader sets of principles.

The EU Convention included the ideas of proportionality and subsidiarity in its proposal for an EU constitution (European Convention 2003). Following this proposal, the Treaty will recognise regional and communal autonomy as an element of national identity and will include the communes into the principle of subsidiarity. It will oblige EU institutions to follow an open, transparent and regular dialog with representative associations, and it will give the Committee of Regions the right to sue in cases infringing the principle of subsidiarity.

Academic debate on governance

In the academic debate, the White Paper on European Governance was seriously criticised due to its pragmatic approach. As Eriksen formulated, *“The White Paper is rather modest. It is about instruments and methods. There is no clear vision or agenda of what to do with the basic problems of trust and legitimacy. What is the EU’s mission beyond that of creating a free market? Without an understanding of the entity and its peculiar characteristics, there can be no adequate diagnosis.”* (Eriksen 2001, p. 3) The role of the “civil society” is criticised to remain unclear. Open dialog, participation and the open method of co-ordination are seen as forms of governance which will create substantial problems of legitimacy. As legitimacy is the second crucial criterion to be met for a political system to be recognised as valid, the White Paper is said omitting an important aspect. Legitimacy and efficiency are essentially interdependent and intertwined. *“This implies that the institutional reforms of the EU should be tested both with regard to their legitimacy and their functional salience. The White Paper is mostly about the latter.”* (Eriksen 2001, p. 8).

The questioning of openness and participation by the argument of legitimacy is formally correct. The White Paper remains rather unclear in that point and does not suggest changing the existing distribution of political powers: the participatory

role of the organised civil society is in the process of policy design and implementation rather than in policy decisions. However, the White Paper correctly addresses the changes in the civil society, leading to increased access to information via electronic information sources, improving the knowledge base of the citizens and creating new potentials of participation in policy action. These evolutions are not yet fully developed but they are strongly growing.

Therefore, a process-oriented governance approach is suggested, in which interested citizens would be given a say in the post-legislative, bureaucratic phase: *“Unlike other approaches, this one attaches less importance to the quality of the inputs received by decision-makers (citizens’ votes, legislative mandates) than to the fairness of decision making procedures: what matters is not that the eventual decision can be formally reconducted to the will of the citizenry, but rather that those who so wish be given a chance to express their views. Not only would such an approach, with its emphasis on transparency, openness and participation, appear to be more finely tuned to the evolution of European governance, but it could also contribute to inform the citizenry of the problems that are addressed at the European level, thereby facilitating the development of public deliberation, which is as essential an element of democracy in a transnational system as it is in a national one.”* (De Schutter et al. 2001, p. 187)

The problem of legitimacy is still important for principle legislative decisions, but the decentralised partnership approach is much more focused on policy design and policy implementation than to create a new legal system of decentralised democracy.

2.1.3. Vertical decentralisation policies and horizontal integration

“Decentralisation movements are all based on one simple idea - that our society can be governed more effectively and more democratically if decisions are taken at a level that is as close as possible to the needs of the population and the communities they affect, and if the resources deployed are flexible enough to adjust to those needs.” (Grefe 2003, p. 2). Following this idea, a series of reasons were identified which prompted Member States to shift the centre of gravity of employment policies to local partners. Decentralisation in part is associated with moves to decentralise public employment services. It also includes the delegation of employment policy competence to local actors to utilise their resources and to develop a policy mix appropriate to regional conditions. This is paralleled by ‘management by objectives’ methods, wherein the ‘centre’ sets various employment policy targets for the region but it remains to the region to decide on the most effective measures to meet these targets.

Vertical decentralisation approaches

The implementation of local employment development requires the outbalancing of a range of aspects which in practice appeared to be quite complex. A variety of approaches have been developed:

- *'Gradual and asymmetric' regionalisation* in some Member States, where powers are transferred gradually but not on a uniform basis, either through negotiation with regional and local authorities or as a result of asymmetrical devolution. This results in a differentiated distribution of competencies between different forms and levels of government, often with a high degree of discretion in the design of policy as well as in its implementation.
- *Decentralisation of government functions* or agencies to the regional or local level, as exemplified by PES decentralisation.
- *Increasing the autonomy of local actors* as regards the allocation of budgets.
- *Sharing responsibilities with social partners* at regional or local levels because of their acknowledged understanding of the specificity of local conditions and of the importance of building consensus to find solutions.
- *Assignment of responsibilities to local actors*, in particular to municipalities with respect to actions dealing with the long term unemployed and other socially excluded groups, including welfare recipients.
- *Development of new financing mechanisms* to achieve greater flexibility. These mechanisms have taken various forms including separate funds for 'additional' local initiatives which are either allocated according to 'need' or to which promoters submit bids. Another means of flexibility of financing has been the grouping together of separate programme budgets into a 'block grant' giving the local/regional authority the flexibility to use the budget in accordance with local/regional conditions.

However, most of the "de-concentration" moves (Sabel, O'Donnel 2001) to raise local/regional flexibility are associated with strong performance related management systems. In the case of the UK the system is called Public Service Agreement, in the case of Germany it is labelled as "Eingliederungsbilanzen" (Section 3.1.1). These control systems tie local/regional action to nationally determined outcomes and impacts. This is not the type of local employment development defined in Section 1.2.1 which delegates political competences rather than administrative tasks. Horizontal integration of policies and actors, therefore, is required for establishing an effective LED approach.

Horizontal integration by partnerships

The second main aspect of governance which affects the effectiveness of local employment development is: *"The relationship between different actors at local level. It is important that relations at this horizontal level are clear. In particular it is important to work in partnership to ensure coherent, comprehensive and effective design and delivery of local action."* (Campbell 2003, p. 27)

There are four main drivers of the nature of local partnerships (OECD 2001):

- *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 allow-

ing further representation of local interests in the decision-making process.

- *Tripartite organisations* involve actors with different perspectives, providing a forum to discuss policy options, which may lead to binding agreements. Recent and ongoing developments in some countries have increased the relevance of tripartite mechanisms in addressing co-operation and co-ordination issues.
- *The role of local authorities.* Local governments are, 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. 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, and education – 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, inconsistencies of the different objectives pursued and in the programmes implanted across sectors have led to inefficiencies at local level. Some policy areas like labour market policy are themselves segmented, and few mechanisms can effectively co-ordinate actions when agencies operate under different jurisdictions. The 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.

Based on this, two major obstacles to partnerships were identified (Geddes 1998):

- Firstly, 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. The effect of inconsistencies in national policy frameworks is reinforced by the adoption by public service 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.

- Secondly, the issue of accountability: Partnerships have generally failed to evaluate their work 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). However, most partnerships have been allocated few resources to achieve significant results on these criteria.

As Geddes formulated: *“In practice, the theory of partnership proved rather neater than the reality”* (Geddes 1998, p. 34). A series of documents published in the UK by the Poverty 3 central and local teams (Conroy 1994, Bruto da Costa 1994, Estivill et al. 1994) also highlight some of the costs, dilemmas, barriers and problems encountered by these local partnerships:

- The danger of getting trapped in legal tangles and wrangles over the constitution for partnership bodies;
- The diversity of values, interests and styles between the different bodies represented in the partnership;
- The disparities in power, knowledge, expertise and resources available to the different stakeholders in the partnership;
- The need for training, development and technical advice to enable partners from the voluntary and community sectors to play their full part in the joint venture.
- The identification of problematic issues ranged from the depth of the contributions made by key partners to the difficulties of evaluating the outcomes and impacts of partnerships, and problems in sustaining them over the long term.

Geddes concluded *“.., that local partnerships are not a replacement for mainstream policies. Local partnership by itself is a valuable but not sufficient answer to localised problems of poverty and exclusion. The more that problems in local areas are structural-rooted, for example in major weaknesses of the local economy and employment prospects, in severe deficiencies in the physical and social infrastructure, or in the poor performance of mainstream policies – the less likely it is that local partnerships will be able, by themselves, to provide solutions. Such structural issues may well be beyond the remit or competence of local partnership.”* In addition, partnerships have been instituted on a short-term basis. They do not exist in all areas. Competitive bidding processes adopted in both EU and some Member State programmes confirm the selective nature of partnership initiatives, and mean that the partnership approach is not necessarily focused on areas of greatest need. Moreover, partnerships are very hard to establish in local contexts where a supportive socio-political environment does not exist. Finally, the area-based nature of local partnerships means that local partnerships do not help to tackle more dispersed problems of exclusions, such as the problems of excluded groups within largely prosperous areas (Geddes 1998, p. 143).

2.2. Historical review of EU policies for local employment development

The White Paper on Growth, Competitiveness and Employment summarised many of the ideas on local employment policies in 1993. This can be seen as

the official start of a European local employment approach, based on both, the change of employment policies and the change of governance. The idea of a European local employment approach was then implemented by a series of Council resolutions and pilot programmes. Based on the principle of subsidiarity, the Essen European Council decided in 1994 to suggest the promotion of initiatives, particularly at regional and local level, that create jobs which take account of new requirements, e.g. in the environmental and social-services spheres in order to improve the employment effectiveness of growth (European Council 1994). The Madrid Summit extended the proposal and suggested to promote local employment initiatives in general (European Council 1995).

At the Amsterdam Summit in 1997 the breakthrough for employment policy was achieved. Shortly afterwards the Member States launched the European Employment Strategy (EES) at the Luxembourg Job Summit in November 1997. The EES is the commitment of the EU to co-ordinate employment policies and create more and better jobs. At the same summit the Employment Guidelines were officially adopted which are based on four areas for action, the so-called 'pillars': employability, entrepreneurship, adaptability and equal opportunities.

In early 2000, at the Lisbon European Council the objective of full employment was put at the centre of a new integrated policy agenda. In the presidency's conclusion under the chapter "Implementing a new open method of coordination" it was stated that *"A fully decentralised approach will be applied in line with the principle of subsidiarity in which the Union, the Member States, the regional and local levels, as well as the social partners and civil society, will be actively involved, using variable forms of partnership"* (European Council 2000). Although the role of the regional or local level for local employment development was not addressed in detail, the Lisbon Summit had a central role which led to the Commission's more active approach towards local employment development.

Before presenting the idea of a local employment approach by the Communication on "Acting locally for employment" (European Commission 2000a), the concept of local employment development was shaped by several pilot programmes and initiatives which tested the different approaches. The most important were the foundation of LEDA as described earlier (Section 2.1), the Territorial Employment Pacts, and the Third System projects. In 2000, "Acting locally for employment" draw important conclusions from these experiences and combined the idea of local employment development with the European Employment Strategy.

With the funding period 2000-2006 of the Structural Funds local employment development was mainstreamed in the Structural Funds Objectives and the Community Initiatives EQUAL, LEADER+, URBAN, and INTERREG. In addition, the programme for Innovative Actions undertook additional steps to implement local employment development.

The historical policy milestones and the major programmes and actions are described by Charts 2.1 and 2.2. The following sections will give further details to the programmes.

2.2.1. Delors' White Paper

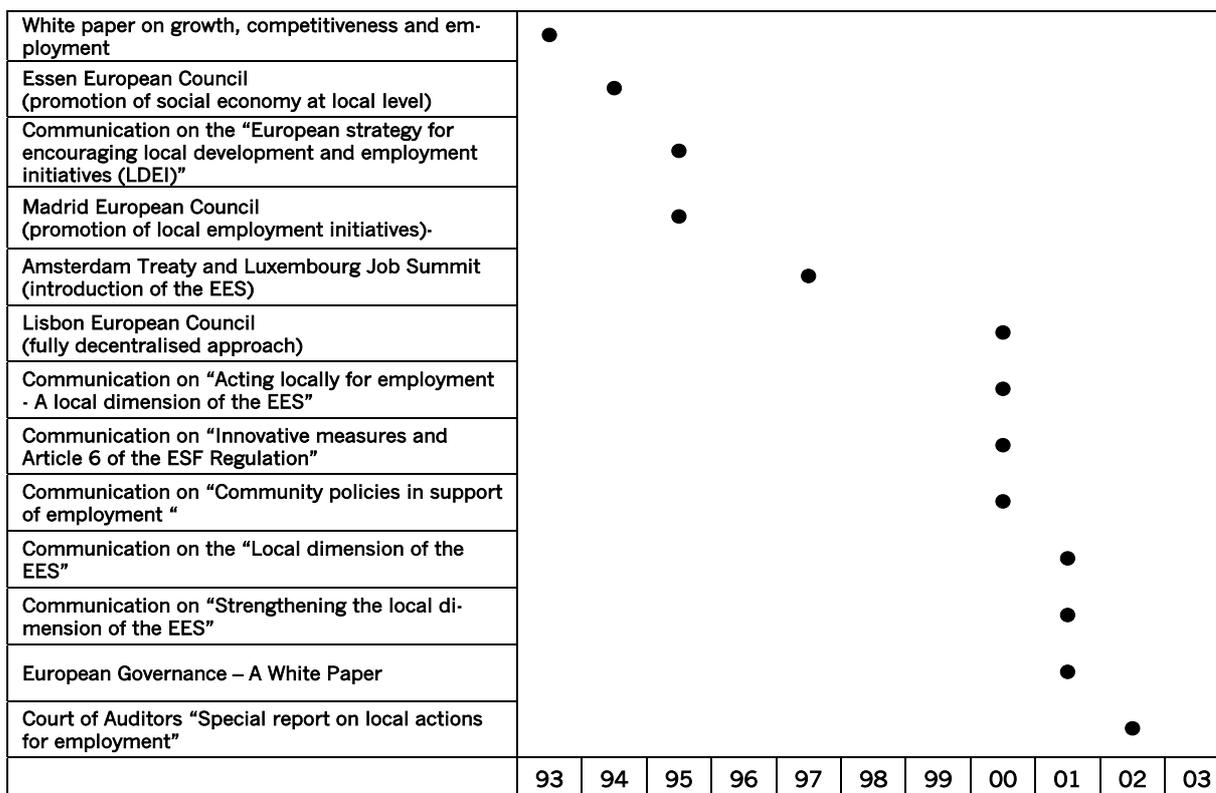
The White Paper on Growth, Competitiveness and Employment (European Commission 1993) summarized many of the ideas presented in the previous Section and made a proposal how to involve local actors in employment policy and how to exploit the synergies at local level. It took however further seven years until the Lisbon European Council suggested applying a fully decentralised approach to modernise the European social model, to invest into human capital and to create an active welfare state (European Council 2000). Based on this decision, local employment development became a common strategic element of employment policy in the Member States and at EU level.

The White Paper took a major step to develop a policy concept addressing the employment and the governance issue within a broad context of economic, environmental, technological and societal trends. Starting from the core problem of unemployment and the diagnosis of hitherto insufficient policy reactions, the White Paper urged for fundamental reforms in the Member States, enabling them to return to higher growth, to adjust their economy to new competitors and new technologies, and to exploit the job potentials of their labour markets. The economic strategy aimed at creating a “healthy economy”, without inflation, with low budget deficits and rising investment. Moreover, an “open economy” was perceived as the *conditio sine qua non* to adjust to changing markets and new technologies, and thus to improve competitiveness. The “decentralised economy” – which was the target of the precedent “single market” project – was expected to set free the dynamism and the creativity inherent in competition.

The White Paper can be seen as the official dismissal from macro-economic policy concepts to manage growth and to achieve declining unemployment by centralised macro-policies. Action was shifted back to companies, workers and the multitude of local actors. Decentralisation therefore was not purely related to markets but to the society in general. As the White Paper formulated (European Commission 1993, Part A):

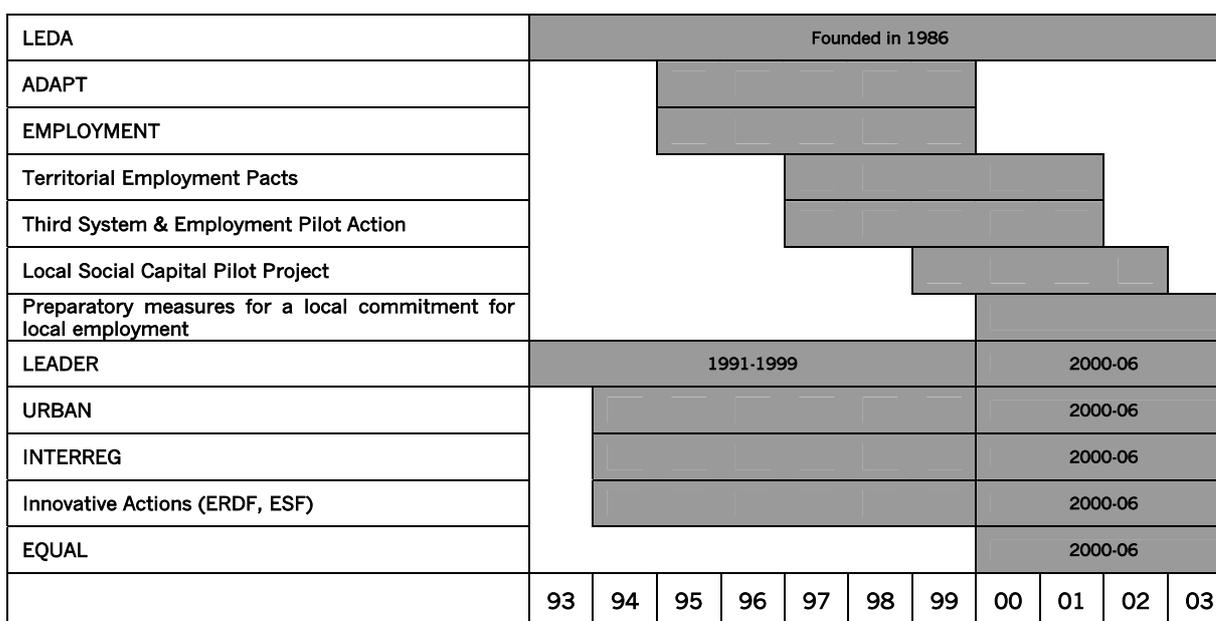
“Decentralization now also reflects a radical change in the organization of our societies, which are all confronted with the growing complexity of economic and social phenomena and the legislative or regulatory framework. ... Hence the growing importance of the local level at which all the ingredients of political action blend together most successfully and partnership networks are developing. Hence also the decentralization movement affecting the business world. SMEs are often cited as models because they embody operational flexibility and a capacity for integration which the units which make up the big companies are now trying to imitate. Hierarchical and linear systems are gradually giving way to interactive organizations. This movement towards decentralization, supported by the new technologies, is taking us towards a veritable information society. The corollary to decentralization is information sharing and communication.”

Chart 2.1 Policy milestones



Source: Economix

Chart 2.2 Programmes



Source: Economix

The failure of macro-economic policy was already identified during the nineteen-eighties and a rising number of Member States switched to different types of supply-oriented economic policies. The creation of the Single European Market resulted from this diagnosis. As a consequence, local actors had to compensate at least partially for the retreat of macro-economic policy from market intervention. However, at the time of the White Paper, local employment development was not yet a concept and local actors were not prepared to take on the new responsibilities. Nevertheless, the reform of macro-economic policies leading from fiscal and monetary reforms in the Member States to the creation of the European Monetary Union at the beginning of the new millennium permanently raised the pressure on local actors to develop their individual strategy for economic adjustment.

A second anchor of the White Paper was “... *an economy characterized by solidarity*”: Starting from the experience that the market is not without its failings, underestimating what is at stake in the long term, and creating inequalities, it demanded for joint flanking policies as part of economic and social cohesion. The new model of European society should be characterised by less passive and more active solidarity: solidarity between those who have jobs and those who do not, solidarity between men and women, solidarity between generations, and solidarity between more prosperous and poor regions. The confirmation of economic and social cohesion was identified as an essential pillar of the European societal constitution. Most importantly, solidarity was the fight against social exclusion. This was seen as a matter for the Member States, but also as the business of each citizen to practice “*neighbourly solidarity*”.

Local services were thus identified as an important source of job creation. There was the expectation, that some 3 million new jobs could be created in the Community, covering local services, improvements in the quality of life and environmental protection. These were all jobs with a strong link to the regional population and economy. Many of them were to be managed by local authorities or organisations, which upgraded the local level in the context of the European cohesion policy.

The idea of a state guarantee on social security had just proved its impracticality by the collapse of the socialist countries in Central and Eastern Europe. In parallel to the withdrawal from macro-economic policy, the idea of centrally managed social services was abandoned and many local organisations emerged to provide social assistance and social services, which by tradition were the responsibility of municipalities in many Member States.

The origin of local employment development therefore can be traced back to the inefficiencies of centrally organised policy approaches, which were not able to solve the unemployment problem, which reshaped solidarity into the abstract form of monetary transfers, and which were managed by institutions, that many citizens recognised as remote and at the same time too intrusive.

Based on the White Paper, the Forward Studies Unit in the President’s office provided several papers continuing the debate on local policy approaches (European Commission 1995). The broad analysis of the employment potentials at local level

revealed a multitude of opportunities: First of all, the unsatisfied need for social services was identified as an important source of employment which voluntary initiatives and non-profit organisation had already developed to some degree. Secondly, the information technology was on the way to affect all parts of working life. The growth and job potentials had to be used in all regions, and the danger of a societal split had to be counteracted. Thirdly, the improvements of housing, and public transport were expected to offer additional job potentials, as well as the growth potentials of tourism, culture, and environmental protection. Local employment, and in particular social services at local levels seemed to offer a lot of vacant jobs which had to be put on the labour market by promoting a local development strategy.

2.2.2. Testing the local employment development approach

During the nineteen-nineties two major initiatives were undertaken by the European Commission in order to test some principal aspects of the LED approach. Territorial Employment Pacts were an initiative launched in 1997 by the then President of the European Commission, Jacques Santer, with the aim of increasing the impact of the Community Structural Funds on regional and local employment. Following a recommendation of the European Parliament, the pilot action, “Third System and Employment” (TSEP), was also launched by the European Commission in 1997 in order to explore and promote the employment potential of the social economy.

Territorial Employment Pacts

The general aim of TEPs was to concentrate and intensify employment efforts in circumscribed geographical areas through a global and integrated approach, mobilising all parties concerned with employment around a joint project. The pacts should improve coordination of job-creating actions in a given territory. The involvement of the social partners was explicitly called for, preferably starting with the initial elaboration phase. The geographical areas covered by TEPs had to be eligible for European Social Fund funding under any one of its Objectives. Thus, TEPs did not have their own financial means to pursue actions but receive an annual 200,000 EURO technical support subsidy for their management. A total sum of 1.6b EURO was allocated to this programme.

For the funding period 2000-2006 Territorial Employment Pacts can be established under all Objectives of the Structural Funds and in some cases they are indeed acting as mechanisms for mainstreaming. Actions have to be developed within the four pillars of the European Employment Strategy. Within the ESF the new regulations give priority to strengthening human resources and the development of local labour markets. This includes the creation of small companies within the social economy providing neighbourhood services (European Commission 1999a).

The evaluation of the former TEP Programme clearly shows that success varied widely across the countries (ECOTEC 2002). Major differences were identified in the design of the TEPs as regards the dimension of the territorial area covered and number of partners involved. The Member States were responsible for selecting the Pacts in their countries. This certainly added to the diversity of the TEPs as they had to be integrated in the Member States' policy orientation towards local development and had to fit into the national institutional framework. According to the evaluation report, the different Directorates General adopted different approaches in the administration of the TEP Programme.

The evaluation pointed to management weaknesses. This may be due to the fact that partnerships at local level often needed to be built up and the pact partners first had to gain experience in co-operation. With regard to labour market achievements the overall assessment of the pacts shows that less than half of the pacts seemed to have achieved their own objectives. Direct job creation by the pacts was an exception rather than a rule.

The positive effects of the TEPs seemed to be more indirect resulting from the policy framework provided by the European Employment Strategy and the creation or fostering of partnerships. In some cases existing partnerships were continued and strengthened. However, in other cases the TEPs could contribute substantially to institution building and to the development of partnership capacity. The evaluation showed that for a successful implementation of TEPs sufficient competencies of local actors in the area of employment and related policies were important. Furthermore, the attitude of the national governments was found to be crucial for partnership building.

According to the evaluation, the added-value of TEPs can be seen in partnership development, implementation of innovative action and in some cases "sponsorship" of other labour market activities, and finally in the co-ordination and streamlining of policy programmes. It seems that building integrated strategies needs a long time to develop. Nevertheless, the TEPs have contributed to the development of a more integrated policy approach at local level. The evaluation found that the cost effectiveness of the TEPs programme was very satisfactory: only a little amount of money has been spent bringing about interesting results in a number of countries.

Third System

From the very beginning, the intersections between social policy, employment policy and local governance had an important role for local employment development. This was also determining the activities to develop the "Third System". A diverse array of organisations had emerged from various initiatives that in general were autonomous, and non-profit undertakings.

The decision to launch the pilot action was based on three considerations:

- the existence of a series of unsatisfied needs to which neither the State nor the market seem to be able to respond satisfactorily, in particular in the fields of social services, services to improve the environment and the quality of life, as well as cultural and leisure services;
- the need to promote new avenues for employment growth that are labour rather than capital intensive and can fight unemployment more effectively;
- the appearance of thousands of initiatives which combined social and economic objectives, and which offered an effective response to unsatisfied needs while simultaneously creating jobs.

The Third System was expected to add value to the process of local development in a range of different ways (Campbell 1999): It builds local social capital, enhancing trust relations, and civic engagement through wider participation in society, it helps to stimulate greater social cohesion and community confidence by reconnecting many 'outside the loop' of local development, and it widens the structure of local economics in terms of organisational form and economic structure.

According to the evaluation of this pilot programme, the added value is the improvements of the quality of employment and enhanced training opportunities rather than net job creation. Net employment gains could be found when more labour-intensive techniques could be promoted through the pilot action and when Third System Organisations (TSO) were able to stimulate demand through fostering the emergence of unexpressed personal and social needs (ECOTEC 2001, p. 21). Thus, the main contribution to local development might be linked to the promotion of social inclusion. This includes also the creation of social links and local partnerships. According to the evaluation report, the Third System pilot action was able to contribute to local development by (ECOTEC 2001, p. 28):

- defining new goods and services related to the specific needs of the local territory,
- generating integration and creating jobs,
- improving the atmosphere and the attractiveness of the territory,
- consolidating partnership and empowering local actors,
- emphasising "the long run" and therefore consolidating sustainable projects.

Following these results, the Third System can be regarded as an element towards a more integrated local development strategy linking social policy, employment policy and the promotion of the economic development. This view has already been expressed in a study carried out by Campbell (1999). According to his report, the Third System contributes to the process of local development as it builds local social capital and enhances trust relations. More generally, it helps to stimulate greater social cohesion and community confidence. Finally, the Third System widens the structure of local economies in terms of organisational form and economic structure.

Preparatory measures and innovative actions

The Preparatory Measures for a Local Commitment to Employment were financed by the European Commission and aimed to demonstrate the potential for employment policy and job creation at local level within the framework of the European Employment Strategy (EES). A first phase of 33 experimental projects was financed during 2001. 13 of the projects involved the creation of Local Action Plans for employment (LAPs) in the framework of the EES. LAPs are territorial employment strategies at local level – for example covering part or all of municipal authority area – managed or steered by local partnerships. They aim to create a synergy between local interventions on employment and regional, national and European employment strategies, in particular the EES and National Action Plans for employment (NAPs). 20 other projects – supported under Measure 3 of the Preparatory Measures - concerned the identification and dissemination of good practices concerning local actions on employment.

The evaluation of the Preparatory Measures has been carried out to assess the effectiveness of these measures, to highlight innovative aspects and to put forward proposals for the transfer of good practice (INBAS 2002). One of the major findings of the evaluation was that local activities were strongly concentrated in the areas of the employability and entrepreneurship pillars (Pillars I and II). The evaluation showed that the EES pillars were useful for developing local action plans and structuring the process of debate. In particular, the EES had appeared to be a useful diagnostic tool. However, detailed individual guidelines seemed to be less appropriate as often the scope of individual guidelines did not reflect the reality faced by projects.

A further lesson was that the measure for supporting Local Action Plans “... was innovative and original, but was unable to address only very partially the different aspects and phases of local action plans for employment. Monitoring and evaluation requires particular attention.” The evaluation recommends that “...further experimentation is required to determine the most appropriate and effective structures and processes for LAPs in different contexts”. The contexts of the Local Action Plans are not only set by national regional framework, but also by the different territorial scope. The evaluators conclude “... that a larger territorial zone ... is more appropriate for the analysis and the coordinating resources and local strategies, while a smaller zone is appropriate for the design and implementation of interventions that match local needs and engage local actors.” Finally, the evaluators stress the importance that the Local Action Plan has to fit in the overall set of strategies developed at local level. In this context, the Local Action Plan can help to foster coordination at local level and to build up cross-policy articulation.

In addition to the Community Initiatives, the Structural Funds are used to finance innovative projects. The regulation states that Innovative Actions contribute to the development of innovative methods and practices aiming to improve the quality of measures implemented under the priority Objectives. Technical assistance measures consist mainly of studies, exchanges of experi-

ence and information, and the development of computerised management, monitoring and evaluation systems. Innovative Actions can be submitted by Member States, regional or local authorities or by private individuals. They generally follow a Commission call for proposals in specific areas of activity. In the 2000-2006 period 0.65% of each fund (1.27 billion €) will be used to finance Innovative Actions and technical assistance measures at Community level. Innovative Actions are taking place under ERDF, ESF (Art. 6) and FIFG. The details of these measures are presented in Section 2.3.7.

2.2.3. Formulating the action plan for local employment development

Acting locally for employment

The Communication with the title “Acting Locally for Employment – A Local Dimension for the European Employment Strategy” (European Commission 2000a) was an important step for both, entering a debate on the development of local employment strategies and creating a new policy approach, based on preceding initiatives and pilot programmes. It was addressed to the European Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions. The Commission indicated that the idea was not to launch a new separate programme on local employment as financing from the EU level was available through the Structural Funds and the EAGGF Guarantee. The Commission hoped to achieve a broad consultation which would result in a new Communication from the Commission, suggesting ways of enriching the EU’s action and boosting employment within the present institutional settings and financial provisions (European Commission 2000, p.4).

The diagnosis of the policy context identified three important facts:

(1) The institutional fact given on the one hand by the implementation of the European Employment Strategy and the central importance of employment policy, and on the other hand by the shortcomings of the policies applied: *“The realisation that the structural changes were too complex to be handled by central policies alone has helped to speed up the processes of institutional and administrative decentralisation that were already going on in most Member States. This ‘devolution’ brought certain number of decision-making levers closer to local communities, and has made them more responsive to their needs. ...Indeed, socio-economic characteristics vary more within a given Member State than between Member States. ... Centrally designed policies have proved too inflexible to allow for these variations, so solutions that allow for local particularities have proved indispensable.”* (European Commission 2000, p. 15)

(2) The economic fact, realizing the rise of competitive pressure and the changes in lifestyle and consumption: *“The opening up of markets has accelerated the mobility of investment and the concentration of capital. The parallel rise in the use of new technology in production, distribution, and consumption has made possible the creation of a global market and the advent of the knowledge society. This has led to considerably stiffer competition. To cope with this new situation, local players are now forced to develop strategies based on their specific strengths.*

Changes in production systems allowed by technology have made the development of endogenous potential much easier. This trend is suitable for micro-economic development and for the formation of local production systems composed of small-sized enterprises. Other aspects like demographic evolution (ageing), changes in lifestyle and growing urbanisation have led to changed consumption choices. The share of the household budget spent on health care, personal services, environmental protection, leisure, training, culture, communication and transport is surging.” (European Commission 2000, p. 5)

(3) The information gap at local level: *“Recent consultations of the main national associations of local authorities by the Commission revealed a considerable information gap. This concerns not only knowledge about the EES, but also about the types of action that lend themselves to local commitment, and indeed how to act locally in employment matters.” (European Commission 2000, p. 7)*

The Communication suggests mobilising the powers of the local actors, in particular:

- Local authorities, which are the first level of democratically elected governments (in some Member States with considerable power and financial resources), which are often major employers, and which are relevant to go for the knowledge-based society.
- Private enterprises – SMEs in particular – which are important sources of new jobs but which also face specific problems at local labour markets, and whose competitive position depends to a certain extent on the competitiveness of the territory.
- Social enterprises (Third System), which face growing but unmet demand for their services, and which are usually small and well-rooted in the local community, and often work with a view to the long-term development of their local areas.
- Local offices of public employment services, which have a crucial role in promoting a balanced territorial development, and are key actors in the implementation of the activation and prevention strategy.
- Social partners, which have formal and informal roles across the whole of the labour market, and exercise a significant influence on the way the labour market is managed.

A whole list of success factors was identified for local employment development (European Commission 2000, p. 20)

- The use of a flexible definition of the local dimension;
- The development of an integrated approach, including all policies at local level;
- A partnership approach, bringing together all important actors;
- The bottom-up approach based on the analysis of local needs and local skills;
- A supportive environment, including the adoption of appropriate fiscal policies;
- Integrating administrative practise, overcoming the segmentation of administrative practises;

- Financing suited to local needs, in particular for micro-enterprises and social purposes;
- Intermediate support structures, such as local development agencies and local employment observatories;
- Appropriate vocational training systems at local level;
- Mutually supportive economic, structural and social policies.

The “open method of co-ordination” of the European Employment Strategy regulates the co-operation of Member States; however, it is also the master piece for co-ordinating employment policy at the sub-national level:

- *Subsidiarity* leaves the definition of means and conditions under which Programmes and policies are implemented to a large extent at the disposal
- *Convergence* takes all partners into the overarching goal of achieving full employment.
- *Management by objectives* allows the use different policy instruments, evaluated by common indicators.
- *Surveillance* creates open access to information and the identification of best practices
- *Integrated approaches* make sure that labour market policies are related to social, educational, tax, enterprise and regional policies, involving various public authorities and stakeholders.

The paper avoids a clear definition of the territorial dimension of local employment development. By contrast, it states that the local area is not limited by administrative boundaries. The appropriate territory for local intervention might be defined by the cultural affinities with which local people identify, by local production systems and trade flows, and the travel-to-work area (European Commission 2000, p. 20).

From this follows, that there is also no suggestion how to regulate the accountability for employment development at local level. This is committed to the local partnership without providing a clear structure. The openness of the organisational framework of local employment development was a precondition for involving the variety of local actors and exploiting their strengths. There is however, a trade-off between organisational freedom and accountability, which the Court of Auditors identified as one of the critical points of the approach (Court of Auditors 2002).

Strengthening the local dimension of the European Employment Strategy

At the end of the year 2000 the Commission summarized the debate on “Acting locally for employment”, draw basic conclusions for the development of the local employment approach and worked out an operational plan for local activities. This was published in the Communication named “Strengthening the local dimension of the European Employment Strategy” (European Commission 2001b).

During the process of evaluation and debate of the Communication “Acting locally for employment”, various suggestions were submitted by its addressees. The Commission’s summary of this debate, referred to several suggestions (European Commission 2001b, p. 27):

- The need to respect the principle of subsidiarity was underlined, and possible conflicts between local action and national objectives for labour market policies were mentioned.
- The consultation procedure and benchmarking of the Luxembourg process was generally considered to be a suitable tool.
- The Committee of the Regions and the European Parliament, as well as many other actors, considered that both local and regional government organisations should be involved in drawing up and implementing the NAPs.
- The European Parliament called for the NAPs to clearly indicate the degree of participation of the local and regional authorities, as well as the distribution of competencies and responsibilities between the different levels.
- Local actors should not remain as a mere delivery level, and there was a general plea from in favour of co-operation between all decision-making levels.
- Most comments emphasised the need for integrated approaches and for working in partnership. Employment policy instruments should not be considered in isolation, and that employment strategies should be placed within broader strategies for sustainable development.

Following the Commission’s assessment, “*The consultation highlighted a broad political consensus as to the desirability of strengthening the local dimension of the European Employment Strategy (EES).*” (European Commission 2001b, p. 3) However, the consultation also confirmed that – while there is a general trend towards a greater consideration for the local dimension of employment – many obstacles identified in the past still persist. “*To this end, in line with suggestions made by the European Parliament, Member States and Community institutions should play a supportive role, notably by: being more accessible to local actors; ensuring better information of local actors and a more coherent use of existing policies and instruments; promoting capitalisation, evaluation, and the exchange of best practices and experience.*” (European Commission 2001b, p. 4).

Following the Commission, these strategies should be structured and formalised into Local Action Plans (LAPs) within the framework of the existing National Action Plans established by Member States. This should be achieved within the existing process and institutional mechanisms within Member States, and in full compliance with the principles of subsidiarity and proportionality:

- by strengthening the links between different territorial decision-making levels;
- by increasing the effectiveness and co-ordination of existing Community policies and instruments;
- by empowering local actors, especially women drawing on their views and experience, and developing the factors for success of a local employment approach as outlined in the "Acting Locally" Communication.

These plans should be established by a coherent process of policy development, consisting of:

- targeting a local area; the paper gives a principal definition of a local area, referring to three criteria: “*the territory has to be large enough to give the ac-*

tion for employment a sufficient critical mass; it has to be sufficiently small to use the assets of proximity, and it has to be coherent and compatible with existing administrative structures. A strategy can thus coincide with zones of economic activity, travel-to-work areas, territorial divisions of social partner organisations, areas retained for the implementation of the Structural Funds or other European or national programmes such as the Territorial Employment Pacts." (European Commission 2001b, p. 22)

- establishing a local diagnosis of strengths and weaknesses;
- identifying potential actors and developing mechanisms to co-ordinate their inputs;
- analysing opportunities and threats regarding employment in the targeted territory;
- involving regional and national authorities, drawing from the relevant National Action Plan for employment.

In order to increase their potential for a sustained impact on employment, local strategies should be consistent with the objectives and priorities of NAPs, be agreed between the various levels of competent authorities and local actors, on the basis of a shared diagnosis of problems and assets, and be translated into a specific action plan. While local authorities and actors must build on the Employment Guidelines and NAPs when drawing up their strategies, the process should be two-way: Community, national and regional actors should in turn inform and involve local players in the NAP process.

The second element of the strategy was to build on the available experience and to mainstream local employment development in the Community programmes and initiatives. Based on the experience with the Territorial Employment Pacts, the EURES cross-border contribution to local development, the Leonardo da Vinci programme as well as the URBAN Community Initiative, it was suggested to further promote integrated strategies in the mainstream Community policies and programmes. The new regulations for the Structural Funds for the 2000-2006 period stated that the Funds should play a particular role in favour of local economic development. The creation of a broad partnership, encompassing a wider range of institutional, private and associative actors at regional and local level was seen as a key feature of the new round of Structural Funds programmes. A clear trend in the Member States towards greater involvement of regional and local authorities in the whole programming cycle was discerned. Local authorities were on the way to increase their participation in implementing operations co-financed by the Structural Funds, especially in those Member States where local partners played a key role in the delivery of policies selected for support from the Funds. The suggestion was that *"Local development will be thus supported by a dual approach: as a cross-cutting theme to be mainstreamed throughout the planned priorities, and as a specific measure for promoting local employment initiatives and the social economy."* (European Commission 2001b, p. 11)

It was intended to integrate and to promote the local dimension into the ESF-financed programs, in particular by

- EQUAL, promoting the partnership approach;
- The innovative actions under ESF Article 6;
- Pilot actions for the implementation of the EES at local level;

- A global evaluation of local employment development.

A third focus was on gender equality in local employment strategies. Following the Commission's assessment, gender equality had not only received insufficient attention in the past, but it was at local level that gender equality measures could be most effective. The Employment Guideline, the ESF and local employment strategies therefore should have included gender mainstreaming as well as specific gender equality measures, and local actors should have been involved in gender equity.

2.2.4. Implementing LED in the Employment Guidelines

Local employment development was gradually integrated into the European Employment Strategy by the amendment of the Employment Guidelines. Campbell describes the evolution of the local dimension in the European Employment Strategy in detail (Table 2.1 based on Campbell 2003).

Starting from the support of the social economy, the local dimension was extended step by step. It added

- the involvement of local authorities (1999);
- the involvement of other partners at regional and local levels, as well as the social partners and the development of public employment services (2000);
- the mobilisation and encouragement of all actors at regional and local level to develop strategies, and the promotion of partnerships (2001);

The 2002 Guidelines, however, were more cautious on the mobilisation of local actors and obliged the Member States to take the regional development dimension into account, where appropriate.

Table 2.1 Evolution of the local dimension in the Employment Guidelines

Year	Reference to local employment development
1998	<i>Member States will investigate measures to exploit fully the possibilities offered by job creation at local level in the social economy and in new activities linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles in the way of such measures.</i>
1999	<i>Member States will promote measures to exploit fully the possibilities offered by job creation at local level, in the social economy, in the area of environmental technologies and in new activities linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles in the way of such measures. In this respect, the special role of local authorities and the social partners should be taken into account.</i>
2000	<i>Member States will promote measures to exploit fully the possibilities offered by job creation at local level and in the social economy, especially in new activities linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles in the way of such measures. In this respect, the special role and responsibility of local and regional authorities, other partners at the regional and local levels, as well as the social partners, needs to be more fully recognised and supported. In addition, the role of the Public Employment Services in identifying local employment opportunities and improving the functioning of local labour markets should be fully exploited.</i>
2001	<p><i>All actors at regional and local levels must be mobilised to implement the EES by identifying the potential of job creation at local level and strengthening partnerships to this end. Member States will</i></p> <ul style="list-style-type: none"> <i>• Encourage local and regional authorities to develop strategies for employment in order to fully exploit the possibilities offered by job creation at local level.</i> <i>• Promote partnerships between all actors concerned including the social partners, in the implementation of such strategies at local level.</i> <i>• Promote measures to enhance the competitive development and job creation potential of the social economy, especially the provision of goods and services linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles in the way of such measures.</i> <i>• Strengthen the role of the Public Employment Service at all levels in identifying local employment opportunities and improving the functioning of local labour markets.</i>
2002	<p><i>Member States will:</i></p> <ul style="list-style-type: none"> <i>• Take into account, where appropriate, in their overall employment policy the regional development dimension.</i> <i>• Encourage local and regional authorities to develop strategies for employment in order to exploit fully the possibilities offered by job creation at local level and promote partnerships to this end with all the actors concerned, including the representatives of civil society.</i> <i>• Promote measures to enhance the competitive development and the capacity of the social economy to create more jobs and to enhance their quality, especially the provision of goods and services linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles to such measures.</i> <i>• Strengthen the role of the public employment services at all levels identifying local employment opportunities and improving the functioning of local labour markets.</i>
2003	<p><i>Member States will ensure the effective implementation of the Employment guidelines, including at the regional and local level.</i></p> <p><i>Involvement of parliamentary bodies, social partners and other relevant actors: Good governance and partnership are important issues for the implementation of the European employment strategy, while fully respecting national traditions and practices. The European Parliament will play an important role in this respect. Responsibility for implementation of the European employment strategy lies with the Member States. In accordance with national traditions, relevant parliamentary bodies as well as relevant actors in the field of employment at national, regional and local level have important contributions to make.</i></p>

Source: Campbell 2003, European Commission 2003e.

2.3. Implementing the European local employment development concept

As an important achievement, the European Employment Strategy and the local partnership approach were implemented as basic principles of the European Structural Funds – its main Objectives and the Community Initiatives. While this was partly achieved during the 1994-1999 funding period, the following 2000-2006 period made a major step in this direction. Thus employment policy became an integrated part of European regional policies and local development an element of European employment policies. The following Section reviews the implementation of local employment development in the Structural Funds.

2.3.1. Mainstreaming the European Employment Strategy in the Structural Funds

The First Cohesion Report from 1996 stated that income disparities between the regions of the Union have remained largely unchanged over the period of 1983 to 1994 however, *“Across the Union as a whole, the incidence of unemployment has become much more uneven.”* (European Commission 1996, p. 6).

The report also recognised a concerted effort among Member States to bring about improvements, concentrating on the five priority areas agreed at the Essen Summit in 1994: improving labour skills, promoting more employment intensive growth, reducing non-wage labour costs, improving the effectiveness of labour market policies and assisting those hardest hit

For the purpose of clarity, the following Table describes the interrelation between Structural Funds and Structural Funds Programmes which will be used in the following Section.

Structural Funds and Structural Funds Programmes

Structural Fund	Structural Funds Programmes and scope of programmes
ESF	<ul style="list-style-type: none"> Objectives 1, 2 and 3 (primary target) Community Initiative EQUAL
ERDF	<ul style="list-style-type: none"> Objectives 1 and 2 Community Initiatives INTERREG & URBAN
EAGGF	<ul style="list-style-type: none"> Expenditure arising from the CMOs and agricultural prices, Rural development measures accompanying market support, Rural measures outside Objective 1, Expenditure on certain veterinary measures, and Information measures relating to the CAP
	<ul style="list-style-type: none"> Other rural development expenditure not funded by the Guarantee Section, including the LEADER Initiative
FIFG	<ul style="list-style-type: none"> Regional Development Policy Common Fisheries Policy

Source: European Parliament

by unemployment. However at that time, employment policy and its local dimension remained as a singular policy area among other issues. The changes in employment and patterns of work were related to the consequences of global change in production and financial markets rather than to the endowment of economies with human capital. The knowledge society was not yet visible in the policy concepts and labour market problems were a matter of social policy.

This view is also visible in the definition of the objectives and the financial distribution of the Structural Funds (Table 2.2). In the period from 1994 to 1999 some 30 % of the Structural Funds were spent on infrastructure investment like transport, telecommunications, energy, water supply, and environmental protection. Another 40 % went into productive investments, building a dynamic business environment, and supporting investment aid schemes for industry, in particular for small and medium sized enterprises. The remaining 30 % were devoted to strengthen education and training systems and to support labour market policies (European Commission 1996, p. 9).

Table 2.2 Structural Funds expenditure by Objectives

	1989-93	1994-99	2000-06
	%		
Objective 1 (<i>development and structural adjustment of regions whose development is lagging behind</i>)	69.6	68.0	74.5
Objective 2 (<i>converting regions affected by industrial decline</i>)	9.7	11.1	12.3
Objective 3 (<i>combating long-term unemployment and facilitating integration into working life</i>)	10.6*	9.4	-
Objective 3 (<i>new: adaptation and modernisation of policies and systems of education, training and employment</i>)		-	13.2
Objective 4 (<i>adapting the workforce to industrial changes</i>)		1.6	-
Objective 5a (<i>adjusting agricultural and fisheries structures</i>)	6.5	4.4	-
Objective 5b (<i>developing rural areas</i>)	3.5	5.0	**
Objective 6 (<i>developing regions with an extremely low population density</i>)	-	0.5	-
Total (%)	100.0	100.0	100.0
Total (billion €)	63.0	138.2	182.5
Community Initiatives (% of Total)	8.4	10.1	5.7

* including Objective 4; ** included in Objective 2

Source: European Commission 1996, 2001.

In addition, two major Community Initiatives were started in 1994. ADAPT was targeted at adapting workers in Europe to industrial change. It was planned to play an important role in encouraging practical project activity, assisting anticipation and adjustment to the impact of industrial change on specific occupations, local and sectoral markets, and groups of workers; especially those most threatened by change. EMPLOYMENT concentrated on the groups most at risk: Women, young persons, disabled workers, and persons excluded from the labour market. Compared to the Structural Funds Objectives, the Community Initiatives were established with small financial resources. Their contribution, however, was to test and to develop new policy approaches and new types of governance.

The First Cohesion Report summarised: “*The primary purpose of Community transfers is not to redistribute money. Instead they are intended, through investment, to strengthen the economic base in recipient regions, including human capital formation*” (European Commission 1996). The expected added value was related to the emphasis on innovation linked to the specific qualities of the delivery system itself. It was expected to help Member States to target resources on the worst-affected areas and problems. Solutions should be organised to regional and social problems through medium-term programmes which were focused on investment and innovation. The devolution of responsi-

bilities should be encouraged, in particular through partnerships formed with those who benefit most from the programmes. Additional financial resources should be levered from public and private sources. A European-wide framework of opportunity should have been created through co-operation across borders.

The major step to integrate the European Employment Strategy was made for the planning period 2000-2006 of the Structural Funds. The new Objective 3, assigned to support the adaptation and modernisation of education, training and employment, should function as (European Commission 1999b, p. 22):

- a policy frame for all measures to promote human resources across the whole of a national territory, irrespective of the Objective status of the regions.
- a programming and financial instrument, through which the European Social Fund will intervene financially and horizontally in a given geographical area in support of National Action Plans for Employment (NAPs).

Throughout the whole human resource strategy proposed, three general elements were defined as being of particular importance: a mainstreaming approach for equal opportunities between men and women; the employment potential of the information society; the contribution of the European Social Fund to promoting local development, for example via the territorial employment pacts.

This approach was expected to allow the actions undertaken in the framework of the NAPs to be completed and reinforced on the appropriate territorial level. It was amended and strengthened by the Community Initiatives EQUAL, URBAN II, LEADER+, and INTERREG III. As Chart 2.3 indicates, the employment-related measures (training, job creation, social inclusion) play an important role during the 2000-2006 period, not only for Objective 3 measures but also among Objectives 1 and 2, and the Community Initiatives. They are not relevant within the Cohesion Fund and the Instruments for Pre-Accession.

The European Employment Strategy was included in the Guidelines of the Structural Funds programme for 2000-2006 by a separate chapter. Active labour market policies should contribute to the development of "tailor-made" measures, based on early identification of individuals at risk, training measures, and the promotion of the employability of young people. In particular, "*Regional and local employment services have a key role to play in preventing skills bottlenecks and exclusion, and in supporting adaptation to structural change.*" (European Commission 1999c, p. 23). Measures to promote employability, skills and mobility should involve a more innovative use of the ESF than has traditionally been the case, including a variety of services such as pre-training, counselling, community employment, job search assistance, job support, and employment aids, all combined in a flexible comprehensive approach. In regions lagging behind, improving the capacity and effectiveness of education and training systems as a whole was identified as an important element in up-grading their competitiveness.

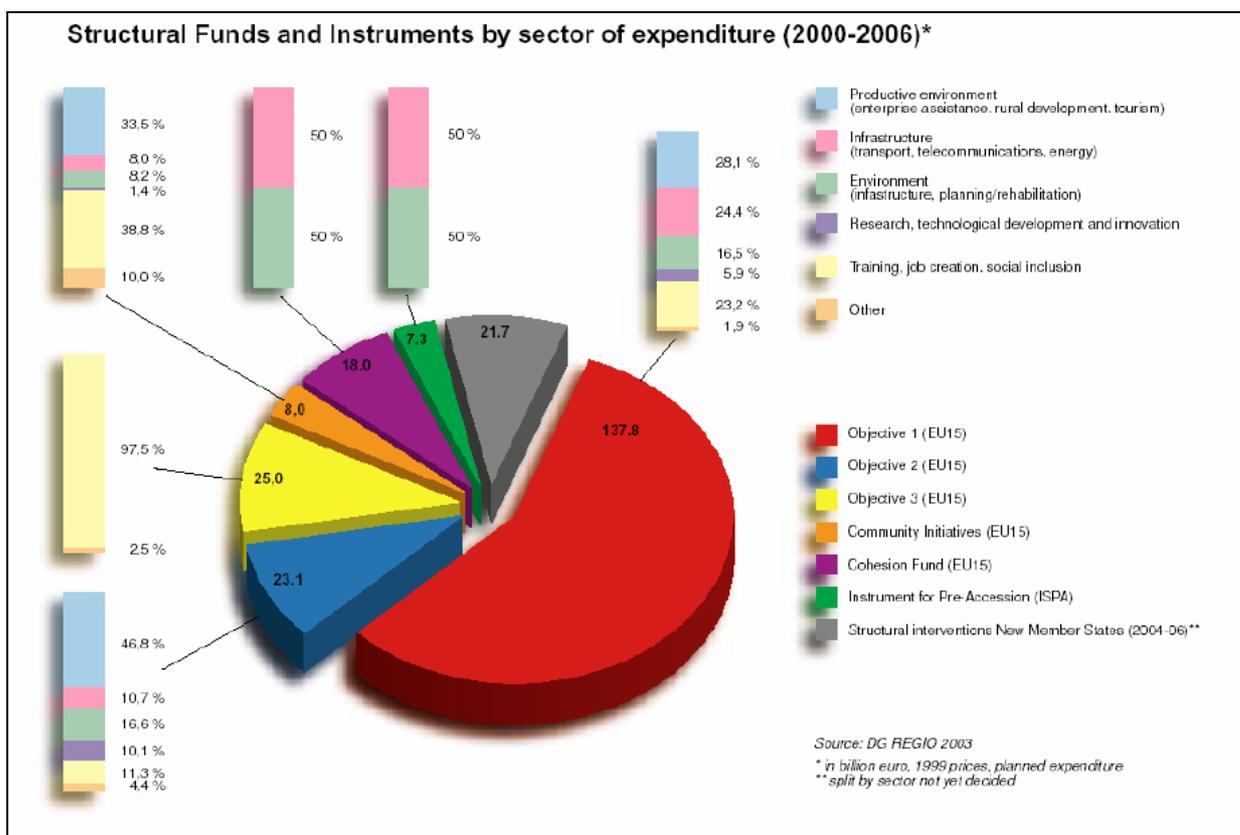
The Structural Funds Guidelines clearly stated that "*The European Employment Strategy is not solely implemented by national policies; regional and local authorities have a role to play in implementing the Employment Guidelines within their own sphere of competence. There is therefore scope for a strong regional dimension in the implementation of these Guidelines ...*" (European Commission 1999c,

p. 27). The essential characteristics of programming in the employment and human resource development fields at local level were that:

- it must respond to a local or regional assessment of need and be the result of a bottom-up programming arrangement;
- the activities supported should be integrated with activities supported by other Structural Funds;

The measures financed by Objective 1 and 2 must avoid all risk of double financing of measures or actions financed under Objective 3.

Chart 2.3 Structural Funds expenditures 2000-06



Given this strong anchor in the European Employment Strategy and the mainstreaming of local governance, the Structural Funds Guidelines for 2000-2006 provide a broad scope for regional and local development planning with significant potentials for local employment development. This is not restricted to the measures undertaken under the title of Objective 3 and the European Social Fund, as the regional development policy of Objectives 1 and 2 has evident direct and even stronger indirect employment effects on local labour markets.

Table 2.3 Structural Funds priorities and LED

Structural Funds priorities		Link to local employment development	
Priorities	Sub-targets	Direct link	Indirect link
Creating the basic conditions for regional competitiveness			
Investments in transport infrastructure	Efficiency Modal balance Accessibility Sustainability	Weak <i>Management and construction of large networks is highly concentrated in specific regions</i>	Strong <i>Accessibility of transport systems; Reduction of transport cost</i>
Investment in energy infrastructure	Energy networks Energy efficiency Renewable energy sources	Moderate <i>Positive employment effects in small scale energy production</i>	Weak <i>Most regions are well equipped with infrastructure for energy production</i>
Investment in telecommunication infrastructure	Stimulation of new services and innovative applications; Equipping potential users	Weak <i>Management and construction of large networks is highly concentrated in specific regions; Rising regional concentration of internet business;</i>	Strong <i>Positive employment effects in E-commerce and Internet; Training of specialists and potential users; Application of IT technology has broad effects on economic development: new products and services, new production technologies, knowledge management; Broad access to information contributes to human capital formation and makes education and training more efficient</i>
Investment for a high-quality environment	Water Waste management	Weak <i>Positive employment effects in SMEs</i>	Weak <i>Negative employment effects by rising prices</i>
Research, technological development and innovation	Promoting innovation; Networking and industrial co-operation; Developing human capabilities; Consolidating RTD and innovation through effective policy management	Strong <i>Promotion of start-ups; Improvements of the skills basis of SMEs; Support of training and mobility of trainees; Support of life-long learning;</i>	Strong <i>Creation of industrial and commercial clusters; Improvements of policy management (performance-oriented schemes, statistics, score systems)</i>
Competitive enterprises for employment creation			
Support of enterprises: priority to SMEs	Shifting the emphasis from capital grants; Improving the delivery of assistance; Involvement of the private sector in the formulation of strategies;	Strong <i>Increasing emphasis on work force skills; Identification of bottlenecks in the regional labour markets and risks of redundancies; Significant contributions of SMEs to employment creation; Targeting of assistance on micro-business and specific groups (young, women entrepreneurs, disadvantaged groups); Support of broad partnerships;</i>	Strong <i>Strengthening the fields of competence in the region; Support of large enterprises should be related to the added value for the regional economy; HR strategies should target increases in the productivity of company networks;</i>

<i>Table 2.3 continued</i>			
Business support services: helping the creation and development of enterprises	Identification of the needs of companies; Exploitation of synergies; Reinforcement of international co-operation	Moderate <i>Positive employment effects in business services; Balanced availability of business services among regions; Efficiency improvements of recruitment services; HR formation for business services;</i>	Moderate <i>Improvements in business planning; Synergies with service providers, research institutions; Dissemination of best practice; Encouragement of customer orientation;</i>
Areas with particular potential: environment, tourism and culture, social economy	Environmental improvement;	Strong <i>Positive employment effects in supported areas; High HR intensity; Service quality depends on training; Support of local partnerships and business-to-business partnerships; Weak sustainability without public support;</i>	Moderate <i>Strong positive interlink between environment, tourism, and culture;</i>

Source: European Commission 1999c, Economix.

Table 2.3 presents the list of regional development measures as given in Part A of the Structural Funds Guidelines and tries to assess their direct and indirect local employment effects.

In particular, investments into research and development, the support of SMEs and of specific areas like environmental protection, tourism, culture and the social economy are directly linked to local job creation. Additional indirect effects can be expected from investments into telecommunication infrastructure, and research and development as well as SME promotion contribute indirectly through the creation of industrial (or economic) clusters and raising the competence areas of regions.

2.3.2. European Social Fund supporting local employment development

The European Social Fund – set up in 1958 – is the Structural Fund established for the longest time and since 1997 is the main financial tool through which the European Union translates its strategic employment policy aims into action. Today it is the key financial instrument to support the European Employment Strategy. The ESF is investing around 59 billion € in modernising and reforming labour markets over the 2000-2006 period and can prove quite a success in fighting unemployment (Table 2.4). The key priorities of the Fund are: preventing the drift into long-term unemployment, reintegrating marginalised groups into society, promoting equal opportunities, and helping in the transition towards the knowledge-based economy by the promotion of lifelong learning.

In the context of programme implementation the Commission mentions also the need to tailor the ESF to the “*very specific needs of regional and local la-*

bour markets” and claims *“an approach that reflects the regional and local dimension.”* However, in this communication the Commission clearly addressed the problem of the missing link of ESF monitoring (which should also be improved) and the annual reporting process through the National Action Plans (NAP). *“It is not enough for ESF programmes to incorporate the priorities of the EES if National Action Plans fail to fully integrate the contribution of ESF and other Structural Funds to the EES.”*³ (European Commission 2001c, p. 14).

Table 2.4 ESF support for EES goals, 2000-2006

Pillar of EES	Content	ESF support under Objective 1 and 3 (billion €)
Employability	Improvement of employability Fight against social exclusion	25 9
Entrepreneurship	Leverage for new business start-ups and job creation in the service sector	8
Adaptability	Development of continuous learning, information and communication technologies use, SME-oriented activities	11
Equal opportunities	Mainstreaming and specific actions	4

Source: European Commission 2001c

With the current programming period the ESF *“... has shifted its focus from an essentially training-based programme to a policy-oriented instrument with a wide range of measures to invest in people.”* (European Commission 2003a, p. 1). Among these measures are improvements of governance through activation of civil society organisations, increasing the role of the social partners, and better involvement of parliamentary bodies. Participation of all interested stakeholders should be fostered, in line with the Commission principles on minimum standards for consultation. *“A forceful and sustainable implementation of the EES requires a raising of awareness amongst the population and an increased visibility”* (European Commission 2003a, p. 8).

The partnership principle is central to achieve this objective: *“Partnership at the local and regional level is essential to fully exploit the potential of job creation and to develop strategies to address skill gaps more effectively. The role of the Public Employment Service is also important both to identify regional and local opportunities and to improve the functioning of the labour market by addressing skill gaps and bottlenecks. Finally more could be done to enhance the capacity of the Social Economy to create more jobs and enhance their quality.”* (European Commission 2003a, p. 16).

³ Since their first adoption in 1998, the Employment Guidelines have centred on four pillars reflecting the main political priorities: improving employability, developing business spirit, encouraging adaptability in business and the work force, and strengthening the policies for equal opportunities. These priorities were spelled out in a set of 21 guidelines, which have been further adapted and developed, in line with the assessment of national action plans and the employment situation, in order to incorporate new objectives. In 1999, the guidelines included new objectives such as lifelong learning, access to the information society, involving of the social partners in improving work organisation, and gender mainstreaming.

As these sources suggest, the ESF will be the most important source of funding for local employment development in the time beyond 2006. ESF weights in the actual funding period can be seen in Table 2.5.

2.3.3. ERDF – regional development and LED

In 1975 the European Regional Development Fund (ERDF) was created to re-distribute part of the Member States' budget contributions to the poorest regions. From the 1970s until 1997 the ERDF was mainly used for cohesion policy with a focus on the support of projects in the fields of the environment and transport in the least prosperous Member States. While employment was addressed more indirectly in these years, it became a mainstream policy by the Treaty of Amsterdam (1997). In the 2000-2006 programming period the ERDF aims to reduce inequalities in socio-economic development between the regions in the Community, by supporting infrastructure projects, job-creation investments, local development and aid for SMEs. It is the regional complement to the employment-oriented programme of the ESF and thus an important promoter of local employment development.

Table 2.5 Structural Funds and ESF Funding by Country 2000-2006

Country	Objective 1 + 2 + 3			ESF		
	Structural Funds (million €)	ESF (million €)	ESF % share	EQUAL (million €)	ESF + EQUAL (million €)	% per country
AUT	1,522	631	41	102	733	1.2
BEL	1,857	1,007	54	74	1,081	1.7
DE	29,089	11,108	38	515	11,623	18.6
DK	568	434	76	30	464	0.7
EL	21,321	4,241	20	104	4,345	6.9
ES	44,518	11,401	26	515	11,916	19.0
FIN	1,873	802	43	72	874	1.4
FR	14,921	6,534	44	320	6,854	10.9
IRL	3,172	1,017	32	34	1,051	1.7
IT	26,256	7,980	30	394	8,374	13.4
LUX	81	40	49	4	44	0.1
NL	2,700	1,784	6	208	1,992	3.2
PT	19,179	4,415	23	114	4,529	7.2
SW	1,919	956	50	86	1,042	1.7
UK	16,076	7,100	44	400	7,500	12.0
Total	185,050	59,449	32	3,163	62,612	100.0

Source: European Commission (2003d)

With the new provisions on the 2000-2006 Structural Funds programmes (Regulation 1783/1999, Article 1) “...the ERDF shall contribute towards the financing of productive investment to create and safeguard sustainable jobs, ... the development of endogenous potential by measures which encourage and support local development and employment initiatives and the activities of small and medium-sized enterprises, ... support structures providing neighbourhood services to create new jobs ...”

The regional development concept is strongly related to economic development through infrastructure investment, research and development activities, promotion of the information society, and environmental improvements. But it includes equal opportunities and – most importantly – governance issues through the promotion of local initiatives.

The management plans of the Directorate General Regional Policy for 2002 and 2003 declare: *“Our mission is to strengthen economic and social cohesion. That means reducing disparities between the levels of development of the regions of the EU. Regional development policies and programmes aim to promote a high level of competitiveness and employment. By part-financing infrastructure projects, developing the information society or supporting the creation of new businesses, we help regions that are less prosperous or suffering from structural problems to generate sustainable development.”* (European Commission - DG Regional Policy 2002 and 2003).

While the management plans give a detailed picture of the regional policy measures to be implemented, they do not directly address employment policy or local employment development. Interestingly, the wording “employment” is mentioned only twice in the entire 2003 plan.

With the new programming period ERDF supports Objective 1, Objective 2 and the Community Initiatives INTERREG III and URBAN II. Objective 3 does not receive means from the ERDF.

2.3.4. EAGGF – rural development and LED

The European Agricultural Guidance and Guarantee Fund (EAGGF) set up in 1962 uses about half of the general budget of the European Union (approximately 45 billion € in 2003). The Fund is administered by the Commission and the Member States, cooperating within the EAGGF Committee. The Fund's Guarantee Section finances expenditures on the agricultural market organisations, the rural development measures that accompany market support and rural measures outside of Objective 1 regions, certain veterinary expenditure and information measures relating to the Common Agricultural Policy (CAP). The Guidance Section finances other rural development expenditure (e.g. the LEADER initiative). The mechanisms of CAP underwent a large-scale reform in 1992 and further reforms in 1999 as part of the Agenda 2000, concerning the Commission's proposed strategy for strengthening and enlarging the EU. The reform aimed to fulfil agriculture's three basic functions simultaneously which are described as:

- its economic function in its traditional role of producing food for the consumer and raw materials for industry, thus contributing to economic growth, employment and the trade balance;
- its regional planning function based on diversification (agriculture being complemented by other activities such as industry, trade and tourism);
- and its environmental function of land conservation, maintaining biodiversity and protecting the countryside, which depends on sustainable agriculture through encouraging farming methods which respect the environment.

In the Agenda 2000 package, it is recognised that *"a common rural development policy should accompany and complement the other instruments of the CAP and thus contribute to the achievement of the policy's objectives (...)"*. Referred to as "second pillar" of the CAP, rural development policy (that consumes about 10% of the EAGGF or approximately 4.5 billion Euro each of the seven funding years) has the following aims (Council Regulation (EC) No 1257/1999):

- 1) Investment in agricultural holding
- 2) Human resources: start-up assistance for young farmers, early retirement support, professional training
- 3) Compensatory support for less favoured areas and areas with environmental restrictions
- 4) Agri-environmental measures
- 5) Improving processing and marketing of agricultural products
- 6) Developing and exploiting forest resources
- 7) Promoting the adaptation and development of rural areas

Article 2 of the same Regulation lists more generally the measures of potential rural development support. Some touch employment development issues. *"The support may concern ... the development of economic activities and the maintenance and creation of employment with the aim of ensuring a better exploitation of existing inherent potential, ... the improvement of working and living conditions, ... the removal of inequalities and the promotion of equal opportunities for men and women, in particular by supporting projects initiated and implemented by women."*

The Council Regulation of 1999 showed a slight connection of rural development policy with employment related tasks. Looking back, the evaluation of rural development programmes under Objective 5 (1994-1999 funding period) discussed briefly the employment effects of these programmes but only tentative results could be given due to the interim character of the evaluation: *"It should be stressed that one of the main objectives of the scheme is to enhance the competitiveness of agricultural products so as to ensure outlets for them in the future. The discussion of employment effects of this measure, which are of special importance in the context of structural policy in rural areas, often neglects the impact of the scheme on agricultural employment. The direct employment effects in the processing and marketing industries are quite limited, since most of the operations involve modernisation and rationalisation. Nevertheless, the aid scheme has an indirect employment impact in the agricultural sector. Competitive and high-quality products ensure outlets for agricultural products and thus stabilise employment for the producers of the basic products."*

In the guidelines for the evaluation of rural development programmes 2000-2006 supported from the EAGGF, indicative common evaluation questions were published which give an indirect hint on (local) employment tasks of the programmes (European Commission, DG Agriculture 1999). Some evaluation questions directly address employment maintenance and job quality enhancement.

The mid term review CAP reform agreed in June 2003 indicates a shift in funding from first pillar direct aids to rural development. This is a clear sign that three years after its introduction, the Agenda 2000 has introduced significant changes to agri-structural policies and rural development. However, it was not yet discussed to what extent the rural development policy overlaps with the employment or local dimension tasks of the EU. As the available literature suggests agri-specific aims shape the existing rural development programmes and local employment development – up to now – was neither a specific target nor a source of rural development programmes. The important exception from this is the LEADER+ Initiative which strongly promoted local employment development as it is discussed below. There is the impression that mainstream measures undertaken within the EAGGF are income related rather than employment related. An ex-post evaluation of single programmes might be the only way to find out if and how rural development programmes affect local employment development.

2.3.5. Local employment and the partnership approach within the priority Objectives of the Structural Funds

Objective 1 1994-1999

Active labour market support was part of almost all programmes in Objective 1 areas but their appropriateness was seen quite differently in the Member States. The programme evaluation agrees that substantial numbers of new jobs have been created and also significant numbers of jobs maintained.

Total planned expenditure on human resource development activity was some 30,491 million Euro or 14% of all allocations. The financial allocations for human resources development varied across the Member States from 7.6% to 23% without accounting for training measures within specific sectoral programmes (Table 2.6). Although the amount seems high, the evaluation found out about concerns in some Member Countries that ESF funding was criticised as too low “... with insufficient resources for labour market, education and training and social inclusion measures ...” (Kelleher et al. 1999, p. 79).

While local employment development was not a dedicated aim of Objective 1, the principle of partnership underlay continuously the operation of the Objective 1 programmes. Already in 1993 economic and social partners designated by the Member State were integrated within the competent bodies and authorities. The Monitoring Committees are the most obvious instances of partnership working in the implementation of Objective 1. Vertical partnerships were implemented in the 1994-1999 Objective 1 programme, and horizontal partnership working was welcomed as one of the ‘added-value’ aspects of European programming. Next to the formal representation of partnerships through Monitoring Committees, there is a “*vertical element (consisting of the relationship between the European Commission, national authorities and regional partners) and a horizontal element (broadly, the relationship between different partners at the regional level). This is partnership viewed in a very hierarchical manner but reflects the subsidiarity ethos of the EU.*” (p. 188).

Table 2.6 Planned expenditure by country and policy field in Objective 1, 1994-1999

Policy Field	Micro-Regions			Macro-Regions		Member States			
	AUT %	BEL %	NL %	DE %	IT	ES	EL	IRL	PT
Transportation, Communication Energy Infrastructure	-	3.2	10.7 ¹	-	16.1	21.7	22.7	19.3	. ²
Environment	-	-	-	4.8	20.9 ³	16.3 ⁴	9.0	-	6.6 ⁵
Business Support and Infrastructure	76.3	86.1	61.9	63.9	37.9	32.3	15.0	35.8	58.4 ⁶
Regional/Local De- velopment	-	-	-	-	-	-	25.7	4.1 ⁷	18.3
Human Resources	7.6	10.4	8.7	11.8	9.8	18.1	14.5	23.0	15.6
Agriculture, Rural Development & Fish- eries	15.0	-	18.0	18.7	14.9	11.1	12.9	18.9	-
Technical Assistance	1.0	0.3	0.8	0.7	0.4	0.5	-	0.1	1.0

Source: ECOTEC adapted from National Evaluation Reports

1) Includes energy infrastructure 2) See note 6 3) Includes R&D and energy infrastructure 4) Includes R&D, energy and health facilities 5) Includes health 6) Includes agriculture and fisheries, OP breakdown not provided for planned expenditure 7) Includes rural development

Some anomalies are present, such as the apparent lack of planned expenditure on Rural Development or Infrastructure investment in Portugal. The lack of data for a particular field should not be taken as an indication that no investment of this type was undertaken. No comparable analysis was possible for the UK or France. These allocations do not take into account Cohesion Fund expenditures and this may have influenced the balance of the programme strategy in practice. Expenditure on health care facilities and telecommunications was broadly focused on the Cohesion Countries. (p. 76f)

The socio-economic partners have played an important role in the development and delivery of Objective 1. Sometimes as part of the vertical partnership but more often in the horizontal partnership arrangements adopted for particular programmes (p. 190). A number of alternative routes were also taken to involve socio-economic partners in Objective 1 including consultations and discussion groups. Indeed, the Evaluation *Thematic Evaluation of the Partnership Principle* (Kelleher et al. 1999) concluded that the most important contribution of partnerships to programme effectiveness comes through informal forms of consultation and co-option. Although the partnership approach is established in all EU countries, the depth of the integration is very diverse from country to country.

Objective 1 2000-2006

The Berlin European Council decided to allocate 195 billion Euro to the Structural Funds for 2000-2006 of which almost 70% (127.5 billion Euro) would go to the regional development programmes under Objective 1. 114 programmes are being implemented in the 13 Member States affected by Objective 1 and

its transitional support. The programmes focus on three categories of projects aiming at generating a process of sustained endogenous growth:

- infrastructures (28% of the funds), of which approximately half is for transport infrastructures;
- human resources (30% of the funds), with priority given to employment policies and education and training systems;
- aid for the production sectors (42% of the funds).

The expansion of human resource related expenditure was associated with the expectation *"... that support for the European Employment Strategy, mainly from the European Social Fund, will boost human resource development and help respond to local labour market requirements and job opportunities. This will make it easier to improve the productive capacity of regions and to expand employment in accordance with the employment rate targets set out in Lisbon and Stockholm."* (European Commission 2001e, p. 18) The stronger link between the ESF and the European Employment Strategy can be seen most obviously in the greater focus on the preventive action, in the form of support for those most at risk of becoming long-term unemployed. In addition, the programmes have now a firmer commitment to gender equality, social inclusion and wider access to information and communication technologies. In most Member States, the ESF has been extended beyond a narrow focus on training to wider support of measures designed to improve the effectiveness and responsiveness of labour market policy.

The general understanding of vertical partnership is unchanged in 2000-2006, but its composition is extended, including now: the Commission; the Member State; the regional and local authorities (including the environmental authorities); the economic and social partners, and other relevant organisations (including those working to protect the environment and to promote equality between men and women). (European Commission DG Regio, p. 18) In the Communication on Objective 1 for the new funding period the partnership approach was stressed again: *"It is to be hoped that the decentralisation of programme management to the Member States will militate in favour of the involvement of partners other than the national authorities, particularly in the Monitoring Committees with their expanded role. Such an approach should mean that the specific knowledge which these partners have of their region, and its socio-economic problems and opportunities, can be put to good use in operational terms. The mid-term evaluation should help in the assessment of the impact of the partnership in this regard."* (European Commission 2001e, p. 9).

Objective 2 1994-99

In the 1994-1999 funding period Objective 2 ("Industrial regions in decline") eligibility criteria were all related to employment indicators, i.e.

- an unemployment rate above the Community average,
- a percentage share of industrial employment higher than the Community average,
- a decline in this employment category.

The design of the 1994-99 Objective 2 programmes was in general a shift away from investment in physical regeneration and other forms of 'direct' intervention in favour of measures aimed at improving the business environment and 'intangible' regional assets such as the R&D capacities, technology transfer, and the knowledge-base. Further, new themes emerged as significant aspects of programmes, in particular 'cross-cutting' priorities relating to equal opportunities, sustainable development, and information society (Centre for Strategy & Evaluation Services 2003, p. 74). Key priorities included promotion of the productive environment, physical regeneration, and human resources development.

More in detail, there was a shift away from investment in physical regeneration (down from 36% of total allocations in 1989-93 to 29% in 1994-99) with more emphasis being placed on interventions relating to the 'productive environment' (up from 41% of total allocations in 1989-93 to 49% in 1994-99). The proportion of Objective 2 resources invested in 'human resources development' remained more or less constant. Together with investment in physical regeneration, business support measures accounted for the single largest expenditure item in the 1994-1999 period (27% of total Objective 2 allocations). ESF interventions accounted for a very significant proportion (some 22%) of overall Objective 2 expenditure during the 1994-1999 period. During this period, the ESF was used increasingly to support the promotion of knowledge-based activities in SMEs. This was reflected in the reduced proportion of unemployed making up the total number of beneficiaries and correspondingly higher focus on improving the skills of those already in jobs. Community Economic Development (CED) was introduced as a new theme in the 1994-1999 Objective 2 programmes. CED interventions were a way of improving the spatial targeting of ESF measures within the context of Objective 2 programmes and, more specifically, were designed to help disadvantaged communities by improving access to training and enhancing 'pathways' to employment.

Table 2.7 Objective 2 – Financial Commitments by thematic measures, 1994-1999

Priorities	Objective 2 Allocation			
	ERDF (million €)	ESF (million €)	Total (million €)	Total %
Business Support Services	2,596.2	305.7	2,901.9	17.4
Financial Engineering	1,195.9	22.2	1,218.1	7.3
R&D Support and ICT	1,404.2	145.8	1,549.9	9.4
Physical Infrastructure	3,950.7	.	3,950.7	23.7
Environmental Measures	889.6	60.7	950.3	5.7
Training & Skills Development	412.3	2,829.2	3,241.4	19.5
Community Development	903.3	206.6	1,109.3	6.7
Other priorities (incl. tech assist)	1,496.2	224.8	1,721.0	10.3
Total	12,848.3	3,794.3	16,642.6	100.0

Source: Centre for Strategy & Evaluation Services (2003, p. 79/80)

The ex post evaluation suggest that Objective 2 interventions during the 1994-99 period made a significant contribution to job and wealth creation, and regional development generally. (Centre for Strategy & Evaluation Services 2003, p. 170)

About the partnership approach and programme management practices the evaluation states: *“Partnership and programme management practices had a considerable influence on how effectively the Objective 2 programmes were delivered (...) (Centre for Strategy & Evaluation Services 2003, p. 119).” During the 1994-99 period there was a general trend towards devolving greater decision-making powers and administrative autonomy to agencies and partnerships in the Objective 2 regions. Thus, by the end of the period, most countries with Objective 2 programmes adopted broadly similar systems. (...) Later the report says: “As well as being a prerequisite for efficient programme delivery, Objective 2 encouraged the formation of more coherent local and regional structures.” (p. 125) Yet, the report admits that “This process of decentralising Objective 2 programme management proceeded at different speeds in different countries.” (p. 121)*

In the evaluation’s conclusion the partnership approach is recognised again: *“The 1994-99 period also saw responsibility for operational aspects of Objective 2 programmes increasingly devolved to regional and sub-regional partnerships. A key development was the introduction in many regions of more decentralised structures for the delivery of programmes. Even in countries with a tradition of centralised structures, steps were taken during the 1994-99 period to devolve greater decision-making powers and administrative autonomy to the regions and sub-regions. (...)The tendency for Objective 2 management responsibilities to be devolved to regional and local partnerships created greater scope for a wider range of social and economic partners to engage with programmes.” (Centre for Strategy & Evaluation Services 2003, p. 168/169)*

Narrowly connected with the strengthening of regional development is the question of the programmes’ ‘Community added value’. The evaluation gives a positive assessment and names some of the effects of this influence: *“Feedback from the research in most countries suggests that the ‘Community method’ provided a much more comprehensive and structured approach to the design of regional development programmes than comparable non-Objective 2 funded schemes. The combining of different types of interventions into a single framework, with an emphasis on partnership working, helped to introduce a more integrated approach to regional development than tended to exist in purely national schemes. (...) These manifestations of Community added value were most apparent in the new EU Member States but were also considered significant in other Objective 2 regions. (...) In some countries, Community added value was demonstrated by the fact that Objective 2 helped to accelerate the process of regionalisation. (...) Objective 2 status conferred a legitimacy and status on regional and local partnerships that would have been difficult to acquire otherwise. The research also suggests that Community added value was demonstrated in many regions and countries through the transfer of programme management know-how, improved evaluation prac-*

tices, and institutional capacity building generally." (Centre for Strategy & Evaluation Services 2003, p. 173).

Objective 2 2000-06

In 2000-2006, the areas concept was changed through the integration of former 5b areas what implies some new textual foci. Now the areas eligible under Objective 2 are those undergoing socio-economic change in the industrial and service sectors, declining rural areas, urban areas in difficulty and depressed areas dependent on fisheries. A total of 96 programmes are being implemented in the 13 Member States affected by Objective 2 and its transitional support. Under "Objective 2 – Perspectives" DG Regio states that during the last programming period (1997 to 1999), employment became more visible as an objective both in the formulation of policies and in the quantification of results. Less assistance went to infrastructure than in the past, while programmes to create alternative activities and to strengthen the productive environment in areas with serious problems of restructuring gave rise to uneven results. Technology transfer centres, adapted to the needs of local business, have been set up to disseminate know-how to SMEs. Accordingly, the creation of active and diversified partnerships is seen as beneficial effect of the adoption of the Objective 2 interventions.

Objective 3

In the 2000-2006 funding period Objective 3 ("Adapting and modernising policies and systems of education, training and employment") integrates the former Objective 3 ("Combating long-term unemployment and facilitating occupational integration") and Objective 4 ("Adapting the workforce to industrial changes"). The content of Objective 3 is:

- Promoting active labour market policies to reduce unemployment;
- Improving access to the labour market, with a special emphasis on people threatened by social exclusion;
- Enhancing employment opportunities through education programmes and lifelong learning;
- Promoting measures which enable social and economic changes to be identified in advance and the necessary adaptations to be made;
- Promoting equal opportunities for men and women.

This Objective serves as a reference framework for all measures to promote human resources measures in a national territory without prejudice to the specific features of each region. It takes account of the Title on employment in the Treaty of Amsterdam and the new EES (DG Regio, p. 7). Objective 3's goal is to modernise education and training policy and systems and promote employment. Because the ESF mainly provides assistance under the European Employment Strategy, an assessment of Objective 3 is more or less identical with the ESF analysis (see above).

2.3.6. Community Initiatives

As an important instrument to implement the approaches developed in the European Employment Strategy, several Community Initiatives were launched in the nineteen-nineties. One group – consisting of ADAPT, EMPLOYMENT and EQUAL – was mainly ESF-financed, the other group (INTERREG, LEADER and URBAN) was supported through ERDF and EAGGF resources. The following section describes the importance of these Community Initiatives for local employment development and gives a general overview on the features.

ADAPT and EMPLOYMENT

Though the ADAPT initiative addressed local actors, it followed a sectoral approach, the main targets of which can be summarized under: “adaptation of work force”, “education and training”, “SMEs”, “transnational partnerships” and “information society”. Local employment development was not an objective or even a sub-target of the programme (PLS RAMBOLL Management 2000).

The alignment of the initiative EMPLOYMENT was very much targeted to specific labour market groups (women, youth, disabled, excluded) which integrated local actors by a sectoral rather than regional approach. As the regional approach was nevertheless seen as important, a Thematic Focus Group (TFG) on Territorial Approaches was built up and presented its findings at the European conference in Northern Ireland in 1999 entitled 'Building Territories for the Millennium'. The conference brought together some 200 representatives of ADAPT, EMPLOYMENT and PEACE projects as well as key actors working at local, regional, national and European levels. The results of the conference were a collection of fiches outlining the six key principles of a territorial approach and a website containing about 40 case studies of best practice projects.

Recapitulating, ADAPT more than EMPLOYMENT was able to get broad attention of workers, businesses and local actors. Both initiatives affected the regional level through learning and information effects. For the first time local actors were informed about EU support instruments, backgrounds, objectives and funding procedures. Their main effects at local level were an increasing interest in EU initiatives and funding, strong incentives to build up networks and a willingness to develop local activities in accordance with the European Employment Strategy.

EQUAL

Compared to its prequels, EQUAL shows a clearer support for regional development mainly through the obligatory use of *development partnerships* in which all important local actors should be included. Not speaking of “regional development” the Commission states that “*Most partnerships will bring together the key players from one particular geographical area, such as a city, a*

defined rural area, a local authority area, or a travel-to-work-area (geographic partnership)" (European Commission 2000e). However, it seems that the share of geographical and sectoral partnerships differs widely between Member States. The major form of partnership seems to depend on the context in each Member State, e.g. the existence of a general decentralisation strategy or an institutional link between administrative level implementing EQUAL and the regional level. Sectoral partnerships often have a strong local base (through the involved actors) and therefore contribute to the regional development concept. A detailed analysis and a discussion of these findings will be given by the up-coming Synthesis Interim Report on EQUAL. Moreover, a European Thematic Groups (ETG) on partnerships is planned and is expected to give more information on the inclusion of local actors, their work manner and their regional implementation.

The question if and how far EQUAL supports local employment development can not be answered until the national mid-term evaluation reports (December 2003) and the Synthesis Report are finished which include content analysis of the development partnerships. Only a case-by-case evaluation will be able reveal the influence of EQUAL on local employment development and vice versa.

INTERREG III

Interreg III is the initiative with the highest financial support of the EU (over 4.8 billion Euro from 2000 to 2006). Its focus is sustainable territorial development – cross-border, transnational and interregional. In contrast to EQUAL, beneficiary units can exclusively be local, regional or national authorities, whereby local partners might be involved: *“National authorities, in partnership with the relevant regional and local authorities are responsible to establish the joint strategy and priority axes for the development of the geographical area covered by each programme. This should be done in partnership also with the relevant socio-economic actors and organisations.”* Compared to EQUAL and LEADER+, INTERREG is not so much locally organised – understood as a funding eligibility of local networks or partnerships.

In terms of employment, only Strand A defines “Labour market integration and social inclusion” as one of its seven priority actions; therefore, employment-related projects can only be found under this Strand. Strand B seeks to improve the spatial planning of large areas while strand C promotes cooperation and experience exchanges among those involved in regional and local development projects. There are no hints that INTERREG III supports local employment development directly. However, indirect effects should not be excluded at this point.

LEADER+

The EU Initiative LEADER+ that is designed to help rural actors consider the long-term potential of their local region places more emphasis on the local level than other initiatives. The strong focus on local partnerships and net-

working may be the most important characteristic of this initiative. The “Commission Notice to the Member States of 14 April 2000 laying down guidelines for the Community Initiative for rural development (LEADER+)” already stated that the major programmes and the Structural Funds Regulations “cannot by themselves address all the problems confronting rural areas, given these areas’ local scale and the need to take greater account of initiatives launched by local people”. (European Commission 2000f)

Leader+ is structured around three actions. Action 1 which supports integrated territorial development strategies of a pilot nature based on a bottom-up approach makes up for almost 87 % of the financial volume. It requires local action groups (LAGs) which must consist of a balanced and representative selection of partners drawn from the different socioeconomic sectors in the territory concerned. At the decision-making level the economic and social partners and associations must make up at least 50 % of the local partnership.

The partnership approach is as important as the focus on the local level in LEADER+. E.g., the Commission states that the strengths of the Leader approach are among other things “the mobilising of local actors to reflect on and take control of the future of their area”, and “its decentralised, integrated and bottom-up approach to territorial development”. Further the new initiative is supposed to complement the mainstream programmes by promoting integrated schemes conceived and implemented by active partnerships operating at local level (European Commission 2000f, p. 2).

URBAN I

URBAN I was launched in 1994 as a response to the challenges facing Europe’s towns and cities: high unemployment, the risk of social exclusion, and a neglected physical environment. 118 URBAN programmes (covering 3 million inhabitants) were funded by 900 million Euro, 83% of which was from the ERDF, and 17% from the ESF. In July 2003, the actual level of EU expenditure was 721.4 million Euro (GHK 2003). Priority was to be given to towns and cities located in Objective 1 regions. According to this evaluation, 38% of actual expenditure at the EU level went on physical and environmental regeneration; 32% supported activities in entrepreneurship and employment; 23% financed initiatives relating to social inclusion; 4% was spent on technical assistance; and 2% went into activities concerning ICT or transport. The national reports show significant variations in the type of expenditure by Member State (GHK 2003, p. 21f).

The majority of programmes (almost 75%) were judged to have been successful. The most commonly cited factors supporting success were:

- The combination of URBAN with existing regeneration programmes.
- The synergies between the combinations of selected projects within the URBAN programme.
- The active participation of the local community in aspects of the management and implementation of the programme.

On the other hand, the most commonly cited factors hindering success were the lack of participation of the local community in aspects of the management and implementation of the programme, next to the lack of private sector support and the difficulties in understanding EC documents and procedures by those involved in the programme. (Executive Summary)

Through detailed evaluations of some URBAN programmes, the key factors affecting the success of implementation and management are known:

- Participation of the local community in aspects of project selection, management and implementation.
- Integrated and straightforward approaches to programme management and implementation.
- Strong partnerships and cooperation.
- Leadership in the day to day management and overall implementation of the programme.
- Capacity and experience.

Impacts on the physical environment, improvements in socio-economic conditions, and social capital impacts were all cited in over 80% of the URBAN programmes as being significant. Further the evaluation states that *“one of the most sustainable impacts from URBAN was the lasting change in the approach to urban regeneration. URBAN encouraged a move away from the usual practice of single sector working, to the integration of various stakeholders across different departments, including the community.”* According to the evaluation, Community added value of URBAN I was that it helped to raise awareness and consciousness of the EU economic, cohesion and social inclusion policies. The influence was greatest at the local and municipal levels where key actors had until then less experience with EU policies and funding instruments. Because URBAN used the partnership principle, stakeholders from different levels of government were involved in decision-making. *“This process built capacity at the municipal level, as well as within local communities, bringing empowerment to those not usually involved in managing and implementing programmes.”*(GHK 2003)

The evaluations were able to show a strong link – especially in strategy – between URBAN and the Objective 1 and 2 programmes and points out the positive impact of this link: *“Strategic links were mainly one-directional, with URBAN linking into the other mainstream strategies. These links were often facilitated by a common management structure at the city level, which ensured coordination and complementarity between European programmes.”* (GHK 2003, p. 22f) Only few links existed with the Objective 3 programmes, although many of the activities funded through URBAN were consistent with the aims of Objective 3.

As the evaluation suggests, URBAN I was already an initiative that integrated – knowingly or unknowingly - plenty aspects of local employment development. In particular, the overall integration of different departments and sectors including local authorities is one fundamental column of local employment development. While employment creating or maintaining measures were not a

focus of URBAN I, the initiative is highly engaged in social inclusion (almost 25% of the expenditures).

URBAN II

The new URBAN Initiative (URBAN II, 2000-2006) that consists of 70 programmes integrating 2.2 million inhabitants has the following objectives:

- to promote the design and implementation of highly innovative strategies of economic and social regeneration in small and medium-sized towns and declining areas in major conurbations;
- to reinforce and share knowledge and experience on regeneration and sustainable urban development in the European Union.

Between 2001 and 2006, the European Union will invest more than 728 million Euro of the ERDF in these areas. Adding local and national cofinancing, including the private sector, this makes a total investment of 1.6 billion Euro. Funding concentrates on physical and environmental regeneration, social inclusion, training, entrepreneurship and employment.

Due to its selection of small and mid-size cities URBAN is based on a small-size local approach. In one third of the URBAN programmes the managing authority is the city council, making it obvious that small (local) actors are in charge of the programmes (compared to the application through the Member States). In another third the local authority is the key player even if the managing authority resides on a higher regional or national level. In the most of the remaining programmes the city council is in the monitoring committee. In over 80% of the programmes, local partners were consulted in the drafting of the programme document (EU Commission 2002d, p. 18).

The Commission states clearly its positive assessment of URBAN's decentralised method of implementation: *“There is a high degree of partnership with local authorities and local community groups, with specific measures to develop the capacity of the latter. Once such a partnership is formed and mobilised, it has benefits beyond the URBAN programme and can contribute to local development more generally. Partnership and citizen involvement has been a key factor in the success of all the Community Initiatives.”*

In its conclusion the Commission names the URBAN approach *“an inspiration for the future of Cohesion Policy at the European level”*. First of all, the integrated approach is valued that combines social inclusion and training with physical and environmental regeneration measures, thus accompanying measures to boost competitiveness, entrepreneurship and employment. Then, strong focus on a local partnership is appreciated. *“This builds local capacity, making the programmes more effective and bringing Europe closer to its citizens. This could be taken further in the next period, building on current experience.”* (EU Commission 2002d, p. 23)

2.3.7. Innovative Actions

ERDF Innovative Actions 1994 – 1999

Innovative Actions in 1994-1999 supported 350 operations relating to eight different themes: new sources of employment, culture and heritage, spatial planning (Terra), urban pilot projects, internal and external interregional co-operation (Recite II and Ecos-Ouverture), promotion of technological innovation (RIS and RTTs) and the information society (RISI I and II). This first phase served as testing ground to experiment with new ideas for assistance and organisational methods. It brought about new public-private partnerships, forged direct links between the regions and the European Union and stimulated interregional cooperation both inside the Union and with the accession countries. Moreover, it provided experience which has shown how relevant the regions can be in terms of promoting innovation and contributing to the general debate on innovation in regional policy.

ERDF Innovative Actions 2000-2006

The regions eligible for Innovative Actions under the ERDF are those which are also eligible in whole or in part under Objectives 1 or 2 of the Structural Funds. The budget for Innovative Actions for the entire period is 450 million € whereby the bulk of this will be spent on co-funding regional programmes (strand A). In total, the Innovative Actions comprise three strands:

- A) Regional programmes of innovative actions based on three strategic themes, which are:
 - regional economies based on knowledge and technological innovation;
 - e-EuropeRegio: the information society at the service of regional development;
 - regional identity and sustainable development.
- B) Accompanying measures: support for exchanges of experience and the creation of interregional networks;
- C) Organisation of competitions aimed at identifying and developing best practice.

The selection of regional programmes for co-financing under Strand A will be on the basis of ten criteria. Criterion six stresses the commitment of the partnership in preparing the regional programme and its ability to enlist other regional and local agents, particularly small firms.

Under strand B the Commission focus on the build-up of networks between regions: *“The European Commission strongly encourages the regions implementing innovative actions to exchange experience and best practice among themselves, in particular by creating networks.”* Furthermore, the regions will be responsible for the management and implementation of their approved actions: *“Management and implementation of the programmes will be carried out by the regions. A managing authority to be responsible for financial man-*

agement will be designated in each region. A steering committee comprising the main regional actors will be responsible for the selection of individual projects and for overseeing the progress of the programme.”

ESF Innovative Actions 1994-1999

The ESF also supported Innovative Actions to assist the development of future policy and programmes by exploring new approaches to the content and/or organisation of employment, including vocational training, and industrial adaptation. Known as "Article 6" measures, the types of projects supported under this allocation include pilot projects, studies, exchange of experience and information activities.

During the 1994 to 1999 period projects were supported in three areas: social dialog, employment creation and vocational training and regional information society initiatives. 264 projects were supported by 235m €. In parts the projects had a focus on local activities or at least local initiatives were the testing grounds of the programme. Particular importance was given to the Local Social Capital Pilot Project (1999-2002). The LSC Pilot had the dual objective of testing both a method of decentralised delivery for certain types of ESF operations (through global grants and NGOs as intermediary bodies) and the potential contribution of local social capital to social inclusion.

ESF Innovative Actions 2000-2006

Under the point Partnership the Commission writes in its 2001 communication: *“Priority will be given to proposals based on the principle of partnership under which different actors (public authorities, private sector, social partners, third system, etc.) can work together with common objectives. In principle, and depending on the theme covered, proposals for projects could be submitted by social partner organisations, private companies, non-profit organisations, national, regional and local authorities, and education or training bodies located in the European Union.”* (European Commission 2001d)

The Commission decided that the calls for proposals during the 2001 to 2002 period will focus on two topics:

- Adaptation to the new economy within the framework of social dialogue
- Local employment strategies and innovation.

In its 2002 report on the implementation the targets are described in more detail: *“The aim of the call for proposals on the priority theme of “Local employment strategies and innovation” is to support innovative actions in developing local employment strategies in order to support the implementation of the European Employment Strategy at a local level. The call for proposals, therefore, aims to co-finance innovative projects, which may include the following activities:*

- *Analysis of the existing local employment situation;*

- *Development of partnerships at local level which include relevant actors from different sectors;*
- *Relevant studies and research to prepare the local employment strategies;*
- *Development and implementation of the local employment strategies;*
- *Monitoring, benchmarking and evaluation;*
- *Exchange of information, dissemination and networking.” (European Commission 2002a, p. 15).*

Innovative Actions under ESF-funding must have these common elements:

- Each employment strategy must be developed, refined and implemented through a specific partnership, including representatives from as many of the relevant actors as possible.
- Each local employment approach must be based on an analysis or diagnosis of the local labour market and employment situation. This will act as a baseline of the situation against which progress can be measured and evaluated (local employment baseline analysis).
- The eventual strategy or strategies must address each of the four pillars of the European Employment Strategy.
- The gender dimension/equal opportunities should be integrated into the local employment approach at all stages, including the baseline analysis and diagnosis of the territory.
- Links with other sources of Community and national financing, and other Community programmes: the local employment approach should act as an overarching framework for all employment activities in the territory.

The organisations eligible to apply under the call were competent public authorities and territorial public administrations acting in territories at NUTS levels 2 or 3.

2.4. Typology of measures

Local employment development is the decentralisation approach of employment and social inclusion policies, but it is more than the implementation of national policy programmes at local level. Local employment development is strongly linked to the activation of local actors, the change of governance, and the development of coherent local development approaches. The typology of EU measures affecting local employment development has to consider these elements in order to classify the different approaches of EU programmes.

The following Part will develop this typology on the basis of three criteria: the relevance of employment and social inclusion policies (i.e. the European Employment Strategy), the comprehensiveness of local development approaches regarding the integration of actions into a wider local development concept, and the commitment of programmes to the change of governance and local partnership.

The information basis for the assessment of these criteria is provided by the Tables 2.8 to 2.11 which are a synthesis of the programme description of the

previous Sections. The Tables contain the stylised facts from the Structural Funds Programmes. These are based on three levels of regulations:

- The Council Regulation 1260/1999 of 21 June 1999 laying down general provisions on the Structural Funds;
- The Council Regulations 1257/1999, 1783/1999, 1784/1999 on EAGGF, ERDF and ESF;
- Guidelines from the Commission concerning the programming of the priority Objectives of the Structural Funds, of Community Initiatives and Innovative Actions.

2.4.1. Employment and social inclusion targets

Under the broad umbrella of the Structural Funds Provisions it is predominantly the ESF that has the task to implement the European Employment Strategy and the Annual Guidelines on Employment. Across the priority Objectives of the Structural Funds, the ESF supports measures to prevent and combat unemployment and to develop human resources and social integration into the labour market (EC Regulation 1784/1999, Article 1). It promotes active labour market policies, improves training and education, and contributes to the creation of a skilled, trained and adaptable workforce. It promotes equal opportunities and improves women's access to the labour market. In the field of economic development, the focus is on adaptation of the work force, entrepreneurship and the improvement of the human capital basis. This represents the broad human resource approach of the European Employment Strategy.

The regional counterparts ERDF and EAGGF/Guidance Section integrate employment and social inclusion targets only as a principal orientation (Table 2.8). The integration itself is achieved by the priority Objectives of the Structural Funds to which the Funds are contributing (Table 2.9). Objective 1 and 2 nominate a list of targets concerning active labour market policies, social integration, education and training, entrepreneurship and equal opportunities through which the integration with ESF funding is achieved.

The ERDF and in particular the measures undertaken under Objective 2 include a series of "soft" measures strongly based on the development of the human capital basis. In particular the *"development of endogenous potential"* of regions is devoted to support local development and employment initiatives, and the abilities of small and medium sized enterprises (Regulation 1783/1999, Article 2(c)).

The EAGGF Regulation similarly includes employment related targets in the context of a structural transition of rural areas. The explicit targets however are oriented to economic restructuring of the agricultural business rather than the adaptation of the human capital basis of rural areas. Emphasis is given to the removal of inequalities and the promotion of equal opportunities for men

Table 2.8 Structural Funds principles

	ERDF	EAGGF/Guidance	ESF/Objective 3
Employment related targets	Contribution to the creation of sustainable jobs;	Human resource development: start-up of young farmers, early retirement support, professional training	Developing and promoting active labour market policies to combat and prevent unemployment Promoting and improving training, education and counselling Promoting a skilled, trained and adaptable workforce
Social inclusion related targets	Equal opportunities	Removal of inequalities and promotion of equal opportunities Maintenance and reinforcement of viable social fabric in rural areas	Promoting equal opportunities with particular emphasis on those exposed to social exclusion Improve women's access to and participation in the labour market
Economic development orientation	Principal regional development orientation Support of productive investment Infrastructure investments Research and technological development investments Information society Tourisms, culture Environmental protection Renewable energy sources	Promotion of adaptation and development in rural areas Support of less favoured areas Development of economic activities Investment in agricultural holding Sustainable forest resources Marketing of agricultural products Agri-environment Conversion and re-orientation of agricultural production potential, introduction of new technologies and improvements of product quality Diversification of activities	Promoting innovation and adaptability in work organisation Developing entrepreneurship and conditions facilitating job creation Enhancing skills and boosting human potential in research, science and technology Harness the employment potential of the information society by ensuring equal access to facilities and benefits
Governance/partnership	Application of the Structural Funds partnership principle	Application of the Structural Funds partnership principle	Application of the Structural Funds partnership principle
LED-related orientation	Trans-national, cross-border and inter-regional cooperation on sustainable regional and local development		Support of local initiatives concerning employment (initiatives and territorial employment pacts)

Source: Council Regulations 1260/1999; 1257/1999; 1783/1999; 1784/1999

Table 2.9 Structural Funds priority Objectives

	Objective 1	Objective 2
Eligibility areas	Areas with less than 75 % of average EU per capita income	18 % of EU population Industrial, rural, and urban areas with high unemployment and serious social and economic problems (industrial decline, poverty, environmental problems etc.)
Employment and social inclusion related targets	Pro-active labour market policies Social Integration Developing education and training Sector specific training Flexibility, entrepreneurial and innovative spirit, new information and communication technologies Positive action to favour women in the labour market	Promotion of knowledge-based activities Training in advanced technologies and ICT skills Training in technology management Equal opportunities
Partnership approach	Vertical partnership (Monitoring Committees)	Centralised (e.g. GE, ES, UK) Decentralised (e.g. DK, FR, AT, NL)
Partners	European Commission National governments (overall responsibility) Monitoring Committee: Regional and local authorities Economic and social partners Other relevant competent bodies	National governments (overall responsibility) Regional governments (operational responsibility) Sub-regional bodies, partnerships (identification of projects, day-to-day management)
LED-related targets	Depends on national governments	Depends on national and local authorities
LED-related added value	Contributions to regional development and human resource policies Strengthening of decentralisation and vertical partnership approaches Transfer of know-how and exchange of experience	Enhanced strategic focus and continuity of programming Improved programme management structures Impact of Community priorities on programming Formation of sub-regional agencies and partnerships More coherent local and regional structures Community Economic Development

Source: European Commission (2001e); European Commission DG Regio; ECOTEC (n.y.); CSES (2003)

Table 2.10 Community Initiatives EQUAL and URBAN II

	EQUAL	URBAN II
EU funding	2.85b EURO (2000-06)	0.7b EURO (2000-06)
Eligible areas	All EU regions	Small areas of severe deprivation
Employment and social inclusion related targets	Opening up the business creation process Strengthening the social economy Promoting lifelong learning and inclusive work practices Supporting the adaptability of firms and employees Reconciling family and professional life Reducing gender gaps and supporting job desegregation Helping the integration of asylum-seekers	Equality of access to jobs and training opportunities Promotion of equal opportunities between men and women
Programme management at CIP level	Approaches vary from centralised to decentralised management	Decentralised
Partnership approach	Strategic partnerships (Development Partnerships) Two types: geographical DPs, sectoral DPs	Wide and effective partnerships
Partners	Regional or local authorities PES Social partners NGOs and Third Sector Business sector	Regional and local authorities Economic and social partners NGOs Residents' groupings (incl. environment and other bodies)
LED-related targets	Partnership approach Empowerment of actors Transnational cooperation Innovation and mainstreaming	Promotion of innovative strategies for sustainable economic and social regeneration Enhance and exchange knowledge and experience in relation to sustainable urban regeneration and development Facilitate transition from innovation into mainstream Commitment to organisational change, participatory governance, empowerment and capacity-building transferable into mainstream practice
Expected LED related added value	Strong support of partnerships Development of more coherent local strategies Focus on innovation of ALMP and social inclusion policies	Strong support of local partnerships Development of integrated territorial approaches (linkage of the strategic plan to the economic, social, environmental and physical network)

Source: European Commission (2000g, 2000h)

Table 2.11 Community Initiatives LEADER+ and INTERREG III

	LEADER+	INTERREG III
EU funding	2.0b EURO (2000-06)	4.9b EURO (2000-06)
Eligible areas	Rural areas (open selection procedure)	(A) areas along internal and external borders, maritime regions (B) listed areas (C) whole Community
Employment and social inclusion related targets		Encouraging entrepreneurship Promoting the integration of the labour market and social inclusion Sharing human resources and local facilities for research, education, culture, communication and health
Programme management at CIP level	Decentralised	Managing authority supervised by Monitoring Committee
Partnership approach	Local action groups	Wide partnership
Partners	Balanced and representative selection of partners drawn from different socioeconomic sectors (social partners must make up 50 % at the decision-making level)	National, regional and local authorities NGOs Social Partners Universities etc.
LED-related targets	Action 1: Integrated territorial rural development strategies of a pilot nature Action 2: Support for co-operation between rural territories Action 3: Networking Reinforcing economic environment Enhancing natural and cultural heritage Improving the organisational abilities of actors Integration of human, natural and financial resources Combination of sectors which are traditionally separate Laboratory for developing and testing new approaches to integrated and sustainable development	Support of (A) cross-border, (B) trans-national and (C) inter-regional co-operation Partnership and a "bottom-up" approach Integrated approach for the implementation of Community Initiatives Developing cooperation in legal and administrative spheres
Expected LED related added value	Mobilising of local actors to reflect and to take control of the future of their area Decentralised and integrated bottom-up approach to territorial development Opening-up of rural areas to other territories by the exchange and transfer of experience and through the creation of networks	Removal of economic, social, cultural barriers between border regions

Source: European Commission (2000i, 2000j)

and women. The maintenance and reinforcement of viable social fabric is supported, a target which is closely related to both, social inclusion and the creation of partnerships at local level (Regulation 1257/1999, Article 2).

These target definitions provide a broad basis for the development of employment and social inclusion programmes at local level. The economic restructuring programmes of the ERDF and EAGGF are strongly linked to labour market and social inclusion targets of the ESF and thus open the opportunity to establish a local labour market policy under their framework.

Policy targets are more concentrated among the Community Initiatives (Table 2.10 , 2.11). EQUAL is specialised to combat discrimination in the labour markets using a variety active labour market measures. INTERREG III concentrates on the integration of regional labour markets and human resource facilities. The programme of URBAN II refers to equal access to jobs and training and the promotion of equal opportunities of women and men. LEADER+ does not directly refer to employment related measures and equal opportunities. All the Community Initiatives, however, address elements of human resource policies indirectly, as many of the economic and regional development targets cannot be achieved without education and training measures and active labour market policies. The same applies for social inclusion and equal opportunities.

The direct and indirect integration of employment and social inclusion policy measures by the Community Initiatives makes these programmes also to a useful and important resource for promoting labour market related policies at local level. The policy programmes are broad enough to allow adjusting activities to local specificities and they are clear enough regarding the priorities for human resource development.

2.4.2. Comprehensiveness of local development approaches

Integrated approaches were defined in Section 1.2.1 as a constitutive element of local employment development. This was done in a double sense as LED approaches should include all relevant actions in a given territory, and approaches should be developed in a comprehensive way rather than splitting activities into various sector-related policy domains. This is seen as the precondition to elaborate coherent policy programmes at local level.

While this principle is supported by the general framework of the Structural Funds, the Structural Funds themselves are organised along the principles of geographical or thematic programme division. This segmented structure supports the clarity of programmes and their operation. However, from the local perspective a complicated funding structure appears – complicated because a variety of programmes exists, because national regulations and programmes are added, and in particular because the economic and social effects of the different measures have to be considered if a coherent and comprehensive should be developed.

The Structural Funds address this problem in different ways. The ESF/Objective 3 programme includes economic restructuring measures for local development, in particular measures to improve work organisation, to support entrepreneurship and to enhance human potential in research, science and technology. Direct measures for economic restructuring and business promotion are not included. ESF/Objective 3 funding provides an important contribution to labour market and human resource related activities but has to be complemented by economic, environmental and other policy elements. Funding by EQUAL is even more constrained to anti-discrimination and equal opportunities policies.

Programmes developed under ERDF, Objective 2 and URBAN are requiring the application of a regional development perspective in a strategic way. The planning therefore has to be comprehensive in the sense of a coherent economic, labour market related and social strategy. While the focus of ERDF funding is still on business and infrastructure promotion, important indirect employment effects can be expected from these measures and, in addition, parts of funding are directly used for human capital development and labour market policies. Regarding comprehensiveness, the ERDF programmes therefore appear to be more adjusted to the needs of local employment development than other Structural Funds. This is particularly the case for URBAN II which strongly supports the development of innovative strategies for sustainable economic and social regeneration, and the exchange of knowledge and experience in regional development.

The programmes developed under EAGGF/Guidance Section are planned to address rural development in a principal way. In Objective 1 regions they can be combined with measures related to regional and labour market development. This opens a broad scope for local development activities. The EAGGF/Guidance Section itself is concentrated on the agricultural business and its adjustment to changes in demand, technology and the economic framework of the sector. From the perspective of rural regions, such a concentration on the agri-sector might be important, it may, however, also appear as a limitation if regional restructuring requires the promotion of non-agricultural sectors. The Community Initiative LEADER+ has a strong focus on local partnerships which will be discussed in the following Section.

From the local viewpoint the Structural Funds programmes and their division of policy domains appears to be redundant. Local actors do not only face a complicated mix of geographical and thematic domains, they also have to adjust to variety of programming criteria and complementarity rules which might appear as an obstacle to comprehensive and integrated approaches. Programmes which allow for the creation of broad local development approaches are closer to the needs of local actors than sector-specific policy programmes.

2.4.3. Structural Funds administration and the partnership principle

Partnership belongs to the principles of the Structural Funds Regulation since 1988 and was reinforced by the Guidelines of the European Employment

Strategy and by the Structural Funds Regulation. It is applied by the priority Structural Funds Objectives and by the Community Initiatives, however, with substantially different concepts.

The understanding of partnership in the General Provisions on the Structural Funds is a vertical partnership between the Commission and the Member States, together with the authorities and bodies designated by the Member States, in particular regional and local authorities, economic and social partners, and other relevant competent bodies (Council Regulation 1260/1999, Article 8(1)). This understanding rules the priority Objectives of the Structural Funds. It is the choice of the Member States to decide how and which partners are involved in the preparation, implementation, and monitoring of the programmes. As the 1994-99 evaluation of Objective 1 showed all types of decentralisation can be observed. Centralised approaches like in Portugal and Ireland, regionally decentralised approaches like in France, UK, Austria, Belgium, and Germany, or mixed approaches like in Greece, Spain and Italy (ECOTEC n.y. p. 204). Most importantly, however, these are vertical partnerships among different administrative levels which do not directly address the importance of horizontal partnerships at local level.

This is also true for the involvement of local actors in the strategic management of the Structural Funds at the level of the Community Support Framework. During the 1994-99 period only in two of the Member States local authorities were represented in the Monitoring Committee for Objective 1. At the level of operational programmes local authorities were involved to a larger extent. However, Monitoring Committees were classified as having functioned most effectively as information and communication bodies rather than decision-making bodies (ECOTEC n.y., p. 196). As this evaluation shows, national governments keep a strong role in policy design and policy decisions and top-down institutionalised approaches are applied in local employment development, particularly if mainstream Structural Funds resources are used (Chapter 3). Depending on the institutional division of powers between the different territorial levels, the degree of decentralisation varies. As regards the mainstream Structural Funds, local actors are involved in implementation rather than strategic decisions (Section 3.2.2).

Community Initiatives do not only provide a broader scope for local activities, they strongly promote the creation of local partnerships:

- LEADER+ applies the most inclusive approach for Local Action Groups which have to represent a balanced selection of partners drawn from socioeconomic sectors. Social partners must make up 50 % of the partnership at decision-making level. In addition, the programme supports the integration of human, natural and financial resources and co-operation of different sectors. Networking is one of its major policy strains. For this purpose it also supports the organisational abilities of actors.
- URBAN II requires strong local partnerships which should be involved in the definition of strategies and priorities, in resource allocations, programme implementation and monitoring. Wide and effective partnerships should be established which should be comprised of economic and social

partners, NGOs and other relevant partners, in addition to regional or local authorities. By its nature as a territorially oriented Community Initiative, programming is decentralised. Emphasis is given to enhance and promote the exchange of knowledge in relation to sustainable urban regeneration, and the commitment to organisational change, participatory governance, empowerment and capacity building.

- EQUAL organises the co-operation in obligatory development partnerships, which can be local and sectoral. There are no rules of representation or majorities as these partnerships have to be strategic rather than representative. Sectoral partnerships can apply local development perspectives but are not obliged to take this view. Similar to LEADER+, an empowerment approach is used to strengthen the abilities of local actors and programme participants.
- INTERREG III concentrates on co-operation among territories rather than local partnerships. Therefore it applies a partnership concept which is horizontal at the regional rather than the local level. The cooperation among regions should nevertheless be based on wide partnerships, including social partners, NGOs, academic institutions etc. These partners should be involved in the activities from the phase of programme elaboration to implementation.

Being strongly promoted by the Community Initiatives, the partnership principle is presently undergoing a serious test phase which will provide more evidence on its efficiencies and shortcomings. Evaluation evidence available up to now suggested positive benefits from partnerships, in particular a greater effectiveness in programme development and monitoring, more effective project selection, greater legitimacy and transparency in decisions, greater commitment and ownership of programme outputs, opportunities for reinforcing innovation, and development of institutional capacities (Kelleher et al. 1999).

These positive effects are partly compensated. The observation of Objective 1 programming was, that "*the more extensive the partnership in the preparation of the programming documents, the more the process was long but perhaps more fruitful. However, in some instances, a broad and active partnership also meant that programming took longer since any changes that were decided required new rounds of discussion and consensus building*" (European Commission 2001e, p. 8). While this observation was made for Objective 1 which is not ruled by local partnerships, the same problem is also observed by the case studies of this evaluation. Local partnerships show a significant inefficiency problem caused by time consuming decision procedures (Section 4.2.8).

The second limitation is related to the choice of partners. As network theories suggest, a selection of similar partners will weaken the innovative and creative potential of the partnership. The selection of partner with great differences will create conflicts (Section 2.1.2). The optimal selection depends on the strategic profile of the programme. Broad local development programmes as those developed under URBAN and LEADER require a broader representation of actors than thematic programmes like EQUAL or INTERREG. From the viewpoint of local employment development which targets at comprehensive and coher-

ent local policy approaches, a broad representation of actors should be preferred.

2.4.5. EU programmes for local employment development

Summarizing the previous arguments, the Structural Funds programmes are far from providing a uniform approach for local employment development. This is indicated by the common view on the three categories of programme priorities – employment and social inclusion policies, comprehensive local development approach, change of governance/partnership. The overall assessment of the relevance of Structural Funds programmes to local employment development as it was developed in the previous Sections is summarized by Table 2.12. The dots indicate the importance of the three categories of LED approaches within the different Structural Funds programmes.

Priority Structural Funds Objectives contribute to local employment development mainly through their programme foci. Objective 1 and 2 measures support the development of comprehensive and integrated LED approaches. Objective 3 promotes employment and social inclusion policies. However, these mainstream programmes do not strongly support the decentralisation of employment policies and the change of governance at local level. It is up to the national and regional governments to which extent decentralised and partnership-based concepts are followed.

This is strongly opposed to the Community Initiatives which all have priorities for local partnerships. EQUAL and LEADER+ in particular promote networking at local level and follow specific concepts for that. The Community Initiatives can be classified by their specific combination of the partnership principle with the thematic focus of the Initiative: EQUAL can be seen as the partnership programme for labour market and social inclusion policies, while URBAN II and LEADER+ are the partnership approaches for regional development. INTERREG III is the partnership concept for interregional cooperation.

From the viewpoint of a coherent local development strategy, the broad scope of policy action which is opened under geographically oriented Initiatives – URBAN II in particular – allows addressing a wider area of regional restructuring measures with positive effects on employment and social inclusion. Programmes with a strong focus on specific policy domains are generally limited as the effectiveness of measures depends on factors outside the selected policy framework. This is particularly the case for all programmes concentrating on active labour market policy which is generally submitted to such limitations. As far as research evidence is available, the evaluations of the Community Initiatives seem to confirm this view. However, only the series of new evaluations which is expected will give the opportunity to further substantiate this argument.

The realisation of the LED approach under the framework of the Structural Funds is partly limited through different thematic priorities and different partnership concepts. Further strong limitations, however, exist through the geo-

graphical selection under Objective 1 and 2 and the Community Initiatives. In addition, national decentralisation strategies and local priorities are determining the outcome of the LED strategy. This is the theme of the following Section.

Table 2.12 Relevance of programme priorities

	Programme priorities		
	Employment and social inclusion	Comprehensiveness of local development approach	Change of governance, partnership
Priority Objectives			
Objective 1	○	●	○
Objective 2	○	●	○
Objective 3	●	○	○
Community Initiatives			
EQUAL	●	○	●
URBAN II	●	●	●
LEADER+	—	●	●
INTERREG III	○	○	●
○ relevant priority ● important priority ● dominating priority – not addressed			

Source: Economix

2.4.6. Filtering EU programmes down to the local level

The linkages between EU programmes and LED action are still rather heterogeneous. This is due to four factors:

(1) The importance of employment and social inclusion policies remains to be different in the priority Social Funds Objectives, Community Initiatives and Innovative Actions, which also differ significantly by volume of funding. The same fact applies to the partnership approach which has different relevance to the Structural Funds Programmes. As will be shown in this Section, the mainstreaming of local employment development has the consequence that local employment development is given a complementary rather than constitutive role. Only relevant elements of the LED approach are implemented, and thus no unified LED approach is applied through all Structural Funds Programmes.

(2) Eligibility criteria for the Structural Funds Programmes are different and thus select different sets of territories which can apply for funding.

(3) Member States follow different administrative models for the Structural Funds, particularly as regards the involvement of local actors. This is also associated with the tradition of regional development policies in the Member States, and thus with the division of political powers with regional and municipal governments. In addition, priority Structural Funds in general are administered more centralised as compared to the Community Initiatives and other programmes. Thus the involvement of local actors is uneven by countries and by programmes.

(4) At local level, employment and social inclusion policies are developed to a very different extent. In some cases, municipalities or even private associations are actively promoting local employment development, in other cases the central governments organises local activities, or local employment policies are not developed at all (see Chapter 4). In addition, the knowledge about Structural Funds Programmes and the ability to raise these funds is unequally distributed at local level.

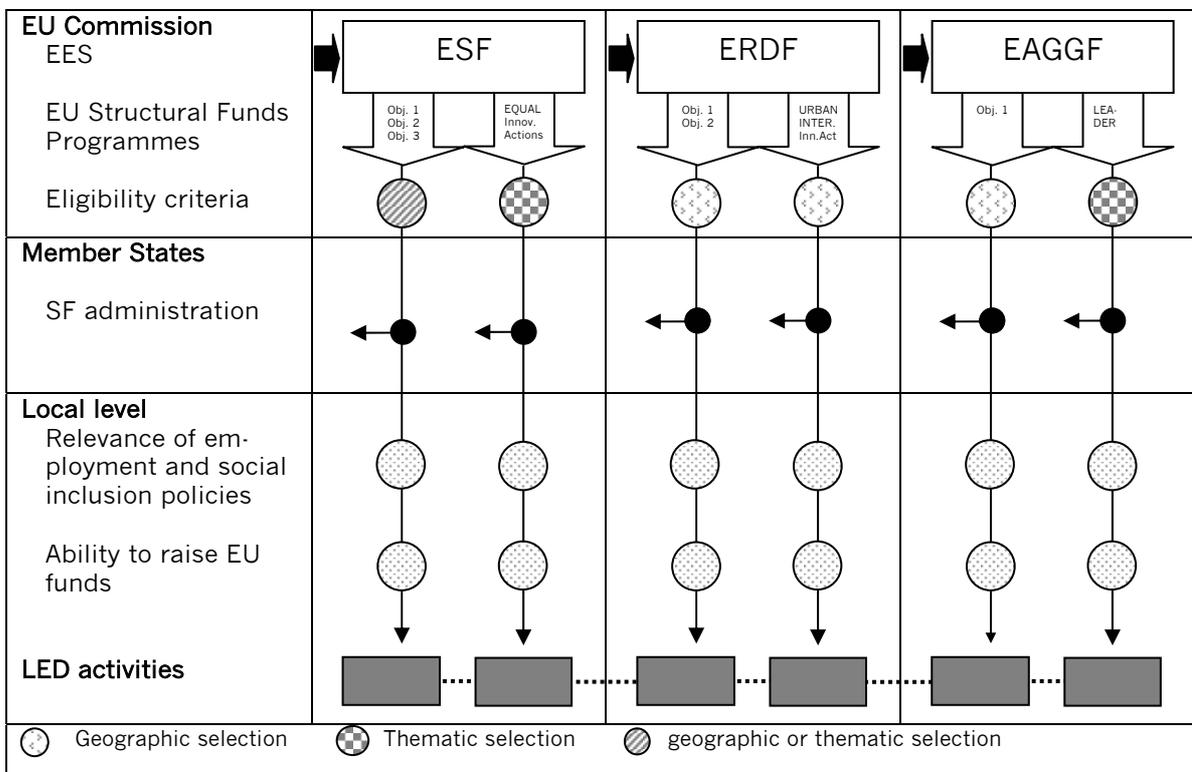
These conditions are graphically presented by Chart 2.4 which shows the filtering of the LED approach on the different stages of policy implementation. The responsiveness of the local level to EU Programmes can be expected to be very different, as the LED approach of the European Commission runs through a multitude of filters with different calibration on the level of EU programming as well as the national and local level. In addition, the coherence of LED policies at local level appears to be a difficult task with a LED approach being transferred through a multitude of channels.

Eligibility filter of the Structural Funds

From the perspective of the European Structural Funds, the overwhelming part of employment and social inclusion policy is financed by the ESF, based on common priorities and rules. This is achieved through ESF contributions to Objective 1 and 2 funding by ERDF and EAGGF (see Chart 2.4). Measures directly related to employment and social inclusion are therefore ruled by the same ESF principles, and LED activities throughout the European Union can profit from these funds.

From the local perspective, however, a comprehensive and coherent LED policy is also driven by various indirect measures affecting employment and social inclusion. These indirect effects may e.g. arise from economic restructuring, capital formation, infrastructure investments or policy reform. As will be shown by the case study evidence (Chapter 4), these indirect effects of an overarching local development strategy are important, if not to say more important than direct human resource and social inclusion measures. At least they create the basis for economic and employment growth. All Structural Funds Programmes are affecting local employment development and have to be seen as an entity of funding resources.

Chart 2.4 Filtering of the European LED concept



Source: Economix

From this follows that the eligibility filter – in particular the Objective 1 status of regions – generates significant differences among regions as regards the accessibility of EU funds for LED purposes. Like human resource development under Objective 3, local employment development is a horizontal strategy which should not be discriminated along the lines of poor regional living standards. By contrast, the decentralisation of employment and social inclusion policies is a target which reveals a totally different regional pattern.

Objective 2 funding is much more related to the regional unemployment and poverty situation and thus coincides better with LED targets. However, only 18% of the EU population are eligible to Objective 2 funding. Again, LED policy does not follow such a selection criterion.

The Community Initiative EQUAL and the Innovative Actions under Article 6 do not select by regional characteristics. LEADER+ and URBAN do select by regional types but are partially complementing each other as regards regional coverage. Only INTERREG III – with the highest financial volume among the Community Initiatives – concentrates on trans-border, cross-border and inter-regional co-operation. However, the innovative approach allows being more selective than the priority Structural Funds Objectives. Moreover, the volume of funding is comparatively small (5.9 % of total budgetary appropriations of the Structural Funds for the period 2000-06).

To summarize, the selective effects of the Community Initiatives are far from being dominant and correspond to the innovative targets of the programmes. The main selection effect on LED approaches comes from Objective 1 funding and – to a smaller extent – from Objective 2 funding. This is amplified by indirect employment effects arising from these programmes. ESF funding of Objective 3 appears to be neutral as regards regional selection.

Financial support to LED

According to the Court of Auditors, the Commission estimated the total amount of funding for local employment development to 5 billion € for the 1994-99 period. This was about 10 % of total ESF funding and 4 % of total Structural Funds expenditures (Court of Auditors 2002, p. 24). The distribution of LED funding among the Structural Funds Objectives is not available. Assuming that this distribution follows the share of human resource funding, most of the LED activities were financed through Objectives 3 and 4 (approximately 4 billion €), and Objectives 1 and 2 only provided a smaller contribution of less than 1 billion €.

The share of LED funding can be assumed to be growing during the period of 2000-06 due to the strengthening of local employment development in the EES and the Structural Funds Programmes. Updated financial figures on LED-related funding however are not available. On the basis of various information pieces available from evaluation studies and Community reports LED-related funding can be estimated as a rough proportion, of course with all the limitations which are associated with such an approach. Table 2.13 summarises these assessments.

From this follows, that Objective 1 and Objective 3 funding probably are the main financial source for local employment development among the Structural Funds Programmes also during the 2000-2006 period. For Objective 1 funding the share of LED-related funding is below 10 % but the important volume of funding makes it a relevant resource. For Objective 3 the share of LED-related funding ranges between 10 and 30 % out of a total budget of 24 billion €.

Table 2.13 Share of LED-related funding

Structural Funds Programme	Total EU funding 2000-2006 (billion €)	Share of LED-related funding (% of EU funding)	Eligible institutions
Objective 1	135,9	< 10 %	Member States
Objective 2	22,5	< 10 %	Member States
Objective 3	24,0	10 – 30 %	Member States
EQUAL	2,8	50 – 70 %	Development Partnerships
LEADER+	2,0	70 – 90 %	Local action groups
URBAN	0,7	60 – 80 %	Local authorities
INTERREG III	4,9	< 10 %	Public authorities
Innovative Actions	1,3	30 – 50 %	Public authorities
Total	194,0	5 – 13 %	

Source: European Commission, Economix

Among the Community Initiatives LEADER+ provides a major contribution to local employment development due to its strong support for local action groups. Action 1 comprising integrated development strategies accounts for 90 % of total EU expenditure of LEADER+. The financial scope of the intersection of local development with employment and social inclusion policies is unknown. As far as these policy domains are part of an integrated local development approach, it can be assumed that the greatest part of Action 1 funding also addresses employment development at least indirectly. The share of LED-related expenditure therefore is estimated to 70 – 90 %.

The focus of URBAN is concentrated on both, employment issues and local partnerships. The share of LED-related expenditure is estimated to 60 – 80 % due to the fact that employment and social inclusion issues had already a share of more than 50 % during earlier funding periods.

EQUAL separates between geographical and sectoral partnerships. Until now the geographical partnerships have a small majority of 54 % (EQUAL Common database 2002 of the European Commission). As parts of the sectoral partnerships might also be related to LED approaches the LED-related share is estimated ranging between 50 and 70 %. This assumes that financial resources are distributed more or less evenly among the partnerships.

INTERREG III is not directly involved in LED funding but the indirect effects of trans-border and cross-border co-operation as parts of LED strategies might be assumed to sum up to 10 % of total funding.

Among the Innovative Actions, ESF funding is particularly important for local employment development. The focus on local partnerships was significantly

strengthened for the 2000-06 period. This justifies the estimate that 30 – 50 % of total expenditure is LED-related.

Taking these assumptions together, the roughly estimated share of total Structural Funds expenditures related to local employment development ranges between 5 and 13 % for 2000-06. Even the lower estimate would indicate a relative increase of LED-related expenditure compared to the 1994-99 period. There are good reasons for assuming that the relative increase of LED expenditure was stronger due to the major policy steps undertaken at the end of the nineteen-nineties. Therefore a doubling of Structural Funds expenditure to 8 % might be a plausible assumption.

Of course, such an estimate has to be treated with caution as it is based on assumptions derived from programming documents rather than the analysis of single projects. Nevertheless, it seems to provide indication that the relative importance of the European LED approach also has grown in financial terms.

Local initiatives

Local actors provide a strong momentum for local employment development and the response to EU programmes depends on their initiative and their knowledge about EU funding procedures. The intention and the willingness of local actors to develop a local employment approach is the essential counterpart to the LED approach of the European Commission. The information about EU programmes is the media which makes both sides work. Initiative and knowledge, however, are unequally distributed at local level.

The relation works in both directions: there are cases in which local actors developed their strategy largely independent from EU programmes, and there are cases in which the EU programmes initiated local activities to a large extent. Both alternatives appeared as successful undertakings, generally supported by a decentralisation strategy of the Member State.

The problems which local actors face when approaching EU programmes are caused by the multitude of programmes and eligibility criteria. This will be shown in more detail in Chapter 4. From the local perspective, the variety of programmes is not required and the integration to a single funding resource or at least a 'one-stop-shop' for LED promotion would certainly reduce the scope of information required and simplify procedures.

3. Local employment strategies under the national framework

During the last twenty years many European Member States have recognised the advantages of LED policies. Employment policies are generally framed at the national level because of their macroeconomic foundation. But the methods of dealing with unemployment are changing. Many local actors are taking initiatives to fight unemployment and increase the efficiency of central employment policies. At the same time, the European Union has recognised the relevance of local action for promoting employment. As a result, the scope of employment policies has changed and we have to consider the specific bases, contents and results of these local policies.

It appears that LED policies have a double foundation: they are used to increase the efficacy of centralised policies and they also give rise to new ways of dealing with unemployment and loss of activity. This does not mean that they are independent from national policies. Much more, a partnership exists between local and central policies. Their perspectives are somewhat different since local employment development is usually long-term development policy whereas central policies activate more short or medium term levers. European programmes for local employment development may influence these policies through the references and processes they manipulate, and their financial scope.

On the one hand, it is believed that the European Employment Strategy has helped disseminating the main themes of local employment development and demonstrating its advantages. Relevant themes have been communicated, such as the importance to increase the rate of activity; the need for partnership; a non-discriminatory employment strategy; the need for continuous evaluation; and more.

On the other hand, it is recognised that the financial contribution is significant but differently effective according to the country. The financial contribution is estimated to be significant as 15 to 20% of the funds allocated to LED policies come in average from European Structural Funds and Community Initiatives. Sweden and Greece seem to offer extreme situations with 2% and 50%. Very often, the impact of such funding depends on the procedures used by a particular Member State to allocate these funds. Sometimes, the procedures for accessing European funding are such that these funds are filtered through traditional national mechanisms in a way that the innovative aspect is watered down and the European funding is dissipated in central bureaucratic processes. The more the allocation of European funds is centralised, the lesser the influence and the lever effect exercised by European programmes on LED policies. But this funding has very frequently a multiplier effect: a certain amount of funding can mobilise and attract other funding, with a 2 or 3 multiplier ef-

fect. Finally, it appears that in order to have a positive impact, the European Union's incentives must fit with the local development project.

Some recommendations will result from this chapter:

- EU funding management should be decentralised at least at the regional level or at a more decentralised level, except for the Community Initiatives. Such so-called 'global grants' are already part of ESF funding but are not used widespread in a majority of countries. National, state or regional authorities should not define these global grants.
- ESF management should be more decentralised.
- EU programs should be more flexible in their design and implementation. Considered from a local perspective, European and national operational programmes seem to be too much detailed, and it is not quite clear if this is originating from national authorities or the influence of the Commission's rapporteurs for these programmes. Apparently regional and local authorities have difficulties to use EU funding for local employment development, because of its stringent rules and missing flexibility in implementation.
- The European funding should allow more funding on already running projects which prove to be successful but need further activities to be developed. Rather than concentrating on innovative projects, existing good practice projects should also be funded, if an increase of positive results can be expected.
- Specific matching funds should be created in order to facilitate the start of the projects or the transition between projects. Such funds could prevent the closure of efficient LED organisation and improve sustainability.
- The European funding should develop a system of external evaluation not oriented to find mistakes or bad governance but oriented to delivering specific proposal for the better use of the funds.

3.1. What LED policy means in the national framework

3.1.1. Increasing importance on public agendas

Various reasons have driven central and local governments to put LED policies on their agenda. We shall concentrate here on reasons directly related to employment.

Central governments could no longer afford costly employment strategies and protection schemes due to reduced tax revenues and budgetary squeeze. They therefore adopted a more pragmatic public approach that allowed local authorities to plan their actions more freely and collaborate with one another even as they continued to lay down guidelines, correct resource inequalities and, if needed, devise systems to evaluate these local programmes. In parts, this explains the general movement towards decentralisation in many Member States during the eighties and nineties even if this change goes beyond the problem of employment.

Public Employment Services (PES) also needed to be reformed. They were hampered by bureaucratic procedures and inefficiencies, and many governments felt that it was desirable to reshape them. Moreover, the Convention of the International Labour Organisation (ILO Convention 181) called for the termination of monopolies benefiting the PES. As a result, most governments decided to reorganise these services by giving greater autonomy to the local level, and to make them more accountable. In some countries, they were decentralised and put under the control of local governments, and in this new context the development of local strategies for employment was facilitated:

- Italian law (L. n. 196 of 24 June 1997) has abolished the State's monopoly of employment services. This reform has led to an increase in the number of employment centres and has been a major resource to re-launch public actors as active mediators. The Employment Centres Reform was accompanied by the decentralisation of all the employment services resulting in the re-location of employment and the labour market function towards regional and provincial levels.
- In Belgium the ILO recommendation has brought about a radical transformation of FOREM, which used to be the traditional public labour market agency of the Walloon region.
- In Austria the reform of the PES has triggered an important decentralisation movement. The agency responsible for the conception and implementation of labour market policies is the PES (*Arbeitsmarktservice (AMS)*) having one office at the Federal level, 9 provincial offices (one in each province – *Bundesland*), and 106 offices in the districts (*Arbeitsamtsbezirke*) in addition to branches at the grassroots level. The PES elaborates a set of objectives on an annual basis at the national level. The objectives formulated at the Federal level (*Bundegeschäftsstelle*) are defined by the Ministry and rooted in the NAPs. The PES then formulates quantitative objectives and lays down budget guidelines for the provincial level. It is noteworthy that the Austrian PES has put into effect a management system having an objective-oriented approach. Nevertheless, the provincial offices of the PES have some degree of autonomy. Firstly, they are asked to formulate additional objectives besides those formulated at the Federal level. Secondly, the provincial offices can decide how to implement the objectives within the given budget. Thus they can choose an appropriate mix of measures. Finally, they set the main quantitative objectives for the district level. However, the district level too has the freedom to select one additional objective.

The specificity of some geographical areas explains the emergence of local employment development. Islands or mountainous areas are generally cited as examples. The severity of their problems precludes reliance on spontaneous labour market mechanisms or on policies formulated from a far distance that do not take local peculiarities into account. This approach was traditionally adopted by the Irish government, but it is now being considered by other Member States such as the United Kingdom. London and the south-eastern regions is a powerhouse of economic success contrasting from other regions in the UK. The reduction of this disequilibrium is now the main concern of

employment policy. In Spain, this differentiation of employment performance has been recognised quite well and initiated a decentralisation process.

The multifaceted nature of employment problems is another lever for local employment development. Today, many problems related to employment imply more than a mismatch between supply and demand, although that is how they appear. The demand for employment policy is increasingly seen as pre-determined by aspects involving training, housing or mobility, health care, minimum wage constraints, etc. The existence of a supply of labour *per se* is therefore no longer sufficient to mobilise this policy demand if one of those factors has a negative impact, thus complicating a strategy based on labour market transparency alone. These factors can in fact be identified and managed only in a precise manner and in proximity to the people involved, meaning that initiatives must be planned, carried into effect and co-ordinated at local level. This does not mean that solutions will always be found at local level alone, but that the way problems are posed and solutions envisioned should begin at local level, which is defined here as the environment of the people involved.

The desire to make employment policies more active is another reason for local employment development. At the national level, a distinction is traditionally made between passive and active measures. Passive measures deal essentially with the placement services and mechanisms to compensate for income losses. Active measures seek to make a more direct impact on the behaviour of market agents and thus restore the capability to adjust to labour market demands. Examples include training schemes, the organisation of rotating or shared employment, direct job creation measures, promotion of start-ups, measures to assist disadvantaged groups, etc. There are two prerequisites for the institution of such measures: their provisions must be diversified in line with the actual circumstances in a market, an industry or a company and the groups that the measures are to target must be identified. In either case, active measures require a decentralised environment, even if some of their principles must obviously still be laid down centrally - if only to justify budgetary choices and assess their effectiveness. But here we can go still further and consider that effective implementation of such measures requires the participation of a large number of local agents. A measure such as job rotation (or the organisation of transitional markets) as practised in Denmark or the Netherlands entails the mobilisation of population groups and institutions that are bypassed by traditional employment policies. But this is only possible if discussions, stocktaking and problem solving are carried out in the territory concerned.

A relevant illustration of the relationship between active labour market policies and local approach can be found in Germany. Due to centralised organisation at the national level and the structure of the Federal Employment Service, Germany did not promote employment policy at the regional or local level for many years. However, in the last decade the regional dimension of labour market policies has been strengthened, among other things, through new labour policy laws, like the Labour Promotion Reform Act 1998 (*Arbeitsförderungsreformgesetz*) and, to a lesser extent, through the Job-AQTIV Act

(2002). With the enactment of the 1998 law, local employment offices have been empowered to choose among many active policy instruments (*Ermessensleistungen*) depending on the needs of the local labour market. Additionally, they can use up to a level of 10 per cent of their active labour market policy funds for instruments that are not defined by law (*Freie Förderung*). At the same time, local employment offices were obliged to document their expenses for active labour market measures by utilising a new instrument of labour market statistics. In the so-called integration balance sheets (*Eingliederungsbilanzen*) local employment offices have to declare the use of funds for the different policy instruments, the measurable costs and the results of their activities.

Being directly concerned by poverty and exclusion issues, local governments have to take care that they choose relevant solutions. For many of them, one solution is to make people enter an activity that is not always a mainstream labour market activity but, for example, one involving work of public or general interest. This is organised at local level, either by public, private or third system institutions which stress the local dimension of employment.

Finally, some reasons in favour of local employment initiatives can be linked to the transformation of contemporary job creation schemes and labour market characteristics. We mention three of them here:

- The creation of new services, such as proximity services for older people or families with dependent children is considered an important source of new jobs. Their implementation usually implies a very local approach based on the analysis of specific new needs, opportunities offered by active people and financial inputs from associations and local governments.
- Many productive activities are concentrated in specific geographical areas creating an industrial district or a local production system. These spatial configurations usually imply a local organisation or support, mainly in the supply of real estate services, new equipment, training resources, etc. In this way, local governments and associations become actors in local employment creation.
- The duration of jobs gets shorter and shorter making adjustments more and more frequent. This testifies the predominance of fixed-term contracts, temporary employment, transitional adjustments in the case of training leave arising from job rotations, etc. The “volatility” of employment prompts labour market agents to seek the shortest channels of information and training and attaches a lot of importance to the way labour markets are organised at local level. This organisation involves not only information and transparency but also the future choices to be made – both by job seekers and potential employers.

Summarising these perspectives, it may be said that LED policies are aimed at:

- Imparting more efficiency to the traditional macroeconomic approaches by decentralising public employment services and/or organising a more integrated and autonomous approach at local level, local pathways for inclusion, enterprises for inclusion and training compacts being so many ways of satisfying this need.

- Dealing with specific challenges that can be taken up only at local level through a combination of local initiatives and national resources: creation of new jobs, new proximity services, entrepreneurship development, community development and support for industrial clusters.

It would be wrong, however, to think in terms of two independent policy systems: one for “employment” and another for local employment. Employment should never be considered as “national” or “local” and combinations to support and create employment could be both national and local. The increasing importance of the so-called “local employment development policy” expresses the need to highlight the contribution of local combinations and, more precisely, the strategic dimension of bringing together all the stakeholders involved in employment problem-solving. It would not be surprising, therefore, if the main concepts of local employment development such as a resources mix, partnerships and contractual links have to be considered both in a vertical and a horizontal perspective.

3.1.2. Role of national, regional and local actors

The distribution of roles between national, regional, and local actors usually reflects the main characteristics of the allocation of competencies. These roles are then very different for each Member State and only the most relevant features can be presented.

National governments

Central governments are always in charge of labour laws and the general organisation of the labour market which is considered to be an essential condition for labour mobility. Public employment services that may depend on national governments are in charge of active labour market policies. In Austria, active labour market policy measures described in the NAP are implemented by the PES, which annually elaborates a set of objectives at the national level. These objectives formulated at the national level are set by a federal management unit (*Bundesgeschäftsstelle*) under the direction of the Ministry of Labour and are rooted in the NAPs.

This centralisation of the PES is even more significant when the social partners play an important role in the PES’ management. This is the case in Germany, where labour market activities are concentrated in one institution, the Federal Employment Service (*FES, Bundesanstalt für Arbeit*). FES had the monopoly for placement services for a long time until the mid nineteen-nineties. The main functions of the FES include placement in jobs and training centres, administration and payment of unemployment benefits and unemployment assistance, organisation of continuing training and retraining schemes for job-seekers, implementation of job-creation and other employment schemes, distribution of labour market information and providing vocational guidance. In addition, employment offices are responsible for the implementation of almost all federal labour market programmes such as *Programme against Youth Unemployment* (JuSoPro, JUMP), or *Models for Better Co-operation between*

Employment Offices and Departments Responsible for Social Assistance (MoZArT). Due to the centralist organisation at the national level and the structure of the FES, labour market policies in Germany did not promote the employment policy at the regional or local level for many years. However, as mentioned above, in the last decade the regional dimension of labour market policies has been strengthened through new labour policy laws.

The traditional importance of the Public Employment Services in most European countries is changing gradually now, partly under the influence of the new ILO regulations. Anyway, the PES rarely depends on local authorities. In Spain, where a far-reaching decentralisation process has been taken place, not all the Autonomous Communities manage local employment services: e.g. they were established in Catalonia, but not in Andalusia.

Regional governments

Regional governments have different roles and are empowered more or less according to the nature of the constitutional design: In some countries they have an important role in training and support for enterprises. It appears that the management of training should not be too local, since it is then limited by very narrow qualifications likely to restrict labour mobility. Concerning enterprise support, local actors may have neither the competencies nor the resources to support entrepreneurship. Moreover, this can lead to a costly competition between local governments to attract companies. In other countries this role is more important and deals with planning. In Austria and Germany, for example, the Länder have extensive competencies in spatial planning. Furthermore, the Länder are active in the fields of business promotion and economic development rather than in employment policies. The provincial governments conceive and finance innovation and technology centres as well as regional development agencies. Regional managers formulate spatial development plans at the regional level that are financed through projects at the sub-provincial level and by municipalities. In France, Regional Councils use a planning approach to diagnose the employment situation.

Municipalities

The main competencies of local governments, (municipalities or unions of municipalities) in relation to local employment are located in the fields of social inclusion, community development and the creation of proximity jobs. By delivering social inclusion services, municipalities become an important actor for local employment development. In Germany, for example, communes are responsible for social assistance recipients. One of their tasks is to give social assistance recipients a job contract for a given period in order to reintegrate them into the labour market. By and by, collaborations between local authorities and local employment offices grow closer and developed networks by integrating local firms, representatives of unions, chambers of commerce and training institutes.

In Finland, municipalities are mainly responsible for the provision of a wide range of welfare services to the local population. They may take initiatives in

other domains of LED policies, but usually through agreements with national and regional actors.

In Austria, municipalities are involved in the active labour market policy mainly through co-financing projects, but it appears that they do not generally act as initiators. Large cities may represent an exception, as in the case for Vienna and Graz.

In Denmark, according to a new law, the PES and the municipalities have to pool their resources and actions to assist the unemployed in order to devise more integrated solutions as well as for a synergy of effects. The responsibilities of the PES for insured unemployment and of the municipalities for the non-insured unemployed are treated as a part of an integrated system.

In France, municipalities have the important responsibility of reintegrating the long-term unemployed through *Local Plans for Inclusion and Employment* for which they are given special funds.

In Portugal, local authorities can be active partners whenever they decide to play a more significant role in such domains, given the economic and administrative weight of the PES (IEFP) and the quasi-monopoly this government agency has acquired over the years. However, only very large municipalities can afford to recruit and pay a reasonable number of qualified professionals. When local authorities decide to join in territorial partnerships to develop employment and employability, they can only play the role of simple providers of premises, transport, or equipment.

In the United Kingdom, the responsibilities of local authorities in respect to local employment development are tangential. The role of the municipalities depends on their size.

Social partners and NGOs

The social partners are usually more concerned about national employment policies than about local policies. They are very present at the national level in the organisation of the Public Employment Service. In Denmark, for example, the National Labour Market Council is composed of the representatives of the social partners, the municipal authorities and the state labour market administration. They participate in general management, planning and co-ordination of placement services as well as the establishment of targets and priorities in connection with the activities that are initiated. Besides this, they also act as advisors to the General Director of the unemployment insurance system in matters regarding unemployment insurance and voluntary early retirement.

But it must be recognised that some social actors are reluctant to invest in local employment since they are afraid of the fragmentation of the national schemes they are involved in. This applies more to trade unions than to employers' associations. Another difficulty arises from the fact that the local rep-

representatives of social partners consider themselves as the representatives of their national organisation – this does not help a LED policy.

On the other hand, in a country like Luxembourg, the three most important local employment initiatives are run by trade unions. The Permanent Employment Committee, a tripartite body, has set up a working group to prepare a reference manual on local employment initiatives, thus laying the foundations for the creation of a legal framework. The working group has identified two different types of structures.

In Austria, the social partners are active in local employment development through their presence on the Boards of the PES at the provincial level. It seems that they are defending regional interests.

Private companies are also interested in LED policies. This is not a recent phenomenon. Big companies faced with restructuring have taken into consideration the possibility of maintaining jobs in areas where they were downsizing. Other companies are interested only when they need qualified persons locally or real estate resources. The matter is taken up at the level of their representatives: they are involved in the local development process, but they usually do not want to be held accountable. Further, their representatives prefer to express themselves at the national level where they usually accept the relevance of such policies.

The German example shows that this situation is likely to be changed, particularly in face of the reluctance of German employment policy to decentralise. In 1998, the CEOs of BASF and Bertelsmann and the chairman of the Union of Mining, Chemistry and Energy (*IG Bergbau, Chemie, Energie*) founded the *Initiative for Employment (Initiative für Beschäftigung)* to fight unemployment and support new jobs. The main idea was to build regional networks integrating all stakeholders. Since its start, 19 networks have been established and over 2000 people engaged in the development and implementation of innovative employment projects. Over 6.200 jobs or apprenticeship places were created and 80.000 people took part in information, training or qualification programmes.

The demand for local development has led to the widespread development of non-profit institutions intended to draw up plans, encourage partnership and consolidate local development projects. Local Development Associations (“ADL”) emerged in Portugal in the mid-80s as a local response to neglected areas, to the concentration of resources, and investments in larger cities, usually located on the Atlantic coast. They were set up either by a group of active citizens concerned about the precarious and/or isolated living conditions in their area or by specific social groups or by local authorities in co-operation with other local or regional institutions. Most of the initial support for the ADL initiatives came from European programmes that have been operational in Portugal from 1987 onwards.

Table 3.1 Allocation of competences

	<i>Unemployment benefits</i>	<i>Employment policies</i>	<i>Active labour market policies</i>	<i>Social inclusion</i>
<i>National</i>	All Member States	All Member States	France Finland Germany Greece Ireland Netherlands Portugal Sweden United Kingdom	France Greece Portugal Sweden
<i>Regional</i>		Belgium Denmark Italy Spain Sweden	Italy Spain	Belgium France Sweden
<i>Local</i>			Austria Denmark Italy Spain	Austria France Germany Italy Ireland Netherlands Spain Sweden United Kingdom

The relevance of third system organisations for LED policy is mainly due to the fact that such institutions consider employment creation and sustainability as one of their main objectives, irrespective of their organisational form as co-operatives, intermediary enterprises, etc. In various Member States these institutions have expressed their willingness to participate in and support local development mainly through employment creation. In France, a national federation of social NGOs has always held that local employment creation is one of the main objectives of NGOs even though they were created to deliver local services.

3.1.3. Connection with other policies

Interfaces are clearly observed between LED policy and the social, educational, regional development, economic and fiscal policies – although the degree of closeness may vary. This connection gives a more comprehensive and strategic approach to local initiatives for employment and makes them more efficient. Moreover, it is likely to reduce the risk of parochialism that underlies local initiatives. This connection is generally important in the case of social and development policies.

In the case of social policy, connections are usually important. Many inclusion policies required by LED policies have an important social content. In Portugal, local employment and social policies have been closely associated. The NAP explicitly recognises that “*some social groups reveal particular difficulties*

in accessing the labour market, namely disabled, long-term unemployed, ethnic minorities, drug addicts and others whose social integration is frail as a result of social discrimination or exclusion". Consequently, a whole set of measures was devised and put into practice in order to encourage the integration of selected target-groups in the field of work and in society. In France, there is a strong local bond between inclusion policies and LED policies through the *PLIE* and the *Régies de quartiers*, associations set up under the municipality to encourage the unemployed to participate in the maintenance of the urban environment. Another extension concerns training policy: many educational or vocational schemes are defined and implemented with the intention of providing access to employment.

As far as economic policy is concerned, all supports and incentives for the re-organisation of enterprises, namely grants for investment purposes as well as measures for creating new employment opportunities in a knowledge-based society, provide important areas of co-ordination with the employment policy at local level. In some Member States (Austria, Germany), the decision to mobilise these instruments is not local; it is located at the national and regional level rather than at the municipal level.

For regional planning connections are more or less important. There is a connection when the regional authorities have direct responsibilities for employment policies, such as in Italy and Spain. The connection is much weaker when regional authorities have no direct responsibilities for employment, such as in Greece or France.

In the case of agriculture, the link to regional planning is generally strong. In Greece, policies and measures addressing the needs of the agricultural sector, especially those aimed at enhancing self employment and entrepreneurship, are closely interrelated with local employment development and influence a large part of the population in the rural areas.

But in the case of policies concerning research or competitiveness, the bond is weak. It depends mainly on the use of Objective 2. Some Member States do mobilise corresponding funds for setting up university equipment or research programmes, but this is not very frequent.

Regarding tax policies, the connection is loose. The situation differs in each Member State. In some Member States such as France and the United Kingdom, this connection has assumed an important role and specific fiscal regulations are considered to be important for LED policies. But their regulation is always centralised.

In the case of policies related to living conditions, there may be a connection that has been recently stressed in the EES and the NAPs. In Finland, measures supporting domestic work and services for the households, initiated during the period 1997-1999, contributed to local employment development. Support included tax reductions for households and direct contribution to companies, NGOs and small co-operatives that provided the required prox-

imity services. This initiative resulted in the creation of a number of new companies and the re-employment of long-term unemployed.

As for social economy policies, the connection is almost total since many Member States implement this policy only at local level. In Spain, social economy initiatives are mainly defined and implemented at the regional or local level. In Finland, the tools for strengthening social economy are local partnerships, some measures promoting newly established and small co-operatives and the combined subsidy (labour market support and social welfare benefits).

3.1.4. Evaluation at the national and local level

The country reports included a review of evaluation studies on LED approaches in the Member States as far as this was available. Based on this evidence the following summary can be given:

- Local employment initiatives are more efficient when they restructure initiatives in favour of active measures. This result is based on the assessment of French TEPs.
- Intermediate labour markets, which are actual local employment initiatives, only had limited success at a local level in connecting people to jobs (Department for Transport, Local Governments and the Regions 2000).
- Those involved in the delivery and evaluation of local programmes to assist employment development at local level point to the need to ensure that:
 - action is grounded in the circumstances of local communities;
 - local rather than national agencies are more likely to obtain commitment from target groups;
 - multi-agency working is more easily fostered at a local level;
 - finally, it must be recognised that different local settings need different measures.
- A review of available evidence suggests that programmes are sometimes aimed at those who are most amenable to assistance, and success is gauged by meeting targets rather than by assessing the progress of individuals. The result is that the most severely disadvantaged are likely to be excluded from local employment initiatives.
- The overlapping of competencies and initiatives can generate a diffusion of responsibilities and social mistrust in employment policies. Many countries have faced this situation. This risk is clearly increased when a non-elected political power such as certain networks and partnerships benefit from public resources. At the opposite end, the risk of political “clientelism” is inherent in re-inclusion policies at local level.
- The training of the new local civic entrepreneur, public as well as private, may be deficient.
- The fragmentation of actions rules out the economies of scale and economies of scope.

Surveys in various countries have shown that it seems impossible to obtain satisfactory local results if national policy does not support local initiatives and macro-employment policies do not perform well. One main error would be

to think that local policies can be expected to offset macro-economic difficulties. European experiences show that the preferential type of partnership is located between local initiatives and macro-economic policy schemes. Too often, the focus on the need of horizontal partnership derogates the importance of vertical co-operation. This situation is evident in market economies where the mobility of labour is a fundamental prerequisite.

The absence of traditional assessment does not mean that evaluation is absent. The monitoring of LED now seems much better than it was earlier when the first experiments were undertaken. Information systems are being developed rapidly. Many governments, for whom evaluation was more a danger than a culture, are mobilising resources to attain this aim. Finally, the introduction of management by objectives in more and more PES will contribute both to distillate and to disseminate the culture of evaluation at local level.

Thus, in Belgium regional governments employ a kind of mixed approach. Concrete targets are proposed within the framework of medium-term policy plans, progress is monitored and the administration seeks help from skilled researchers. However, this does not allow measuring the net effects of a given policy and dead weight, substitution effects and other phenomena will continue to pollute results. Nevertheless it constitutes a big step forward to focus on concrete targets, critical success factors, and indicators while monitoring progress. This improvement in terms of evaluation has now appeared at the regional level. For example, the external evaluators of the *Contrat d'Avenir pour la Wallonie* check its progress against a number of indicators defined in the mid-term policy paper itself. A task force of policy-makers as well as administrative and external scientific support monitors the Flemish employment policy.

Austria has introduced a quality management system of the PES based on the model devised by the European Foundation of Quality Management. This also includes indicators for the efficiency of the service itself and the quality of service provided by the PES. The qualitative performance indicators should form the basis for improving the work organisation and related issues. Indicators are compiled at all levels to find out in what measure key objectives have been achieved. Furthermore, the wage system for the remuneration of employees includes a bonus system for the achievement of set objectives.

In France the connection between the radical change of the budgetary process, which will look like the American GAAP (Generally Accepted Accounting Principles) in 2006, and the obligation for the local public employment services to delineate their budget in terms of objectives and programmes will create an atmosphere having evaluation at its core.

In Italy, the proposed methodology consists of two different approaches: the first dimension implies the involvement of the local actors within the actions for the development of local employment: so there could be a positive, negative or no value in involvement; the second dimension deals with the origin of the adopted resources: a local dimension doesn't imply just only a simple transfer of resources top-down, but it implies a local skill to manage local re-

sources. What happens in many programmes is that the set of objectives and correspondent tools is incomplete at the beginning. The strategy is in fact adopted in progress because of the extent of the territory, the political ambition and the complexity of the involved resources.

Unfortunately, none of the available evaluations and research projects could provide reliable evidence for the thesis that decentralised employment policy approaches are superior to centrally organised approaches. This is the principal result of this review which is also confirmed by the two LEED conferences on local economic development. Most of the presentations at the conference on “Evaluating local economic and employment development” in Vienna (November 2002) follow a sectoral or programme related approach, but do not raise the question of the decentralisation effect of local employment development. While positive effects of local employment and training programmes can be discerned, it remains unclear how these effects compare to a centralised policy approach. The LEED conference on “Decentralisation of employment policy and new forms of governance” (Warsaw, March 2003) came to a similar result.

3.2. What are the main inputs of LED?

In this section we shall describe the policy targets of local employment development. Then we shall consider their main resources and their present mode of governance.

3.2.1. Illustrations of LED policies

Local re-inclusion policies

These policies are probably the more traditional and systematic LED policies. In order to increase the rate of activity and reduce unemployment, people have to better their ability to be employed. It is therefore necessary to consider various individual dimensions and link them with the corresponding instruments and actors. This is possible only when there is proximity of such people, households or communities, i.e. at local level. This policy has often proved to be a method of increasing the efficiency of some national schemes. Nevertheless, such policies have to be screened, defined and implemented at local level by mobilising instruments from different levels. Their most relevant characteristics are as follows:

They are funded as a partnership at local level. A good example is that of the French Local Plan for Integration and Employment (PLIE). The initiative for these action plans must be taken by the municipality to provide employment to the unemployed and overcome professional and social handicaps as well as health problems, etc. Their objective is to obtain fixed-term labour contracts for the person within six months. They aim to cover 10 per cent of the population of the relevant geographical zone. A common diagnosis makes it possible to define the project and this is followed by the signature of a protocol associating the various partners.

Inclusion policies are often associated with urban renewal. In a series of White Papers, the UK government has developed a corresponding strategy for neighbourhood renewal. The strategy allows for a wide range of approaches to be adopted by local strategic partnerships. Furthermore there is a system in place that helps best practice to be learnt quickly by and transferred across initiatives. The New Deal for Communities (NDC) has been the most innovative of approaches to neighbourhood renewal. The NDC is only tangentially related to local employment development, but its influence is potentially significant because it emphasises a partnership-based approach to the deployment of policy at a local level that seeks to engage those at whom policy is aimed rather than simply imposing it upon them.

They mobilise specific actors who have to be backed both at the national and local level. In Germany, local authorities often use qualification and employment companies (*Beschäftigungsgesellschaften*) for this purpose. These local employment companies are (partly) owned by the commune (e.g. the city of Leipzig is a part of two employment companies while Nordrhein-Westfalen has 45 local employment companies). Almost all the larger cities and districts use this instrument. The purpose of these companies is manifold: first of all they employ people (financed mainly by active labour market measures). Furthermore, they perform co-ordination, qualification and placement functions. They intend to guide the unemployed back to employment - at least temporarily. These companies have a strong social orientation and often bring additional actors into the labour market, such as NGOs, chambers of commerce, unions, associations, initiatives, etc. They are usually financed by three sources: labour market programmes, their own income and local authority funding. Employment is provided mainly in sectors related to social services, the environment, the improvement of cities, towns and landscapes, and the care of monuments. However, local enterprises and companies warn that financial support of these companies may replace jobs in the first labour market.

Actors of the same kind are active in France, where they are called *entreprises intermédiaires* or *régies de quartiers*. In France they are specifically located in the housing and environmental maintenance sectors.

In Portugal, the *Social Market Employment (MSE)* is a set of programmes where the purpose of linking employment and social measures is particularly strong. It was created in 1996. Most of the projects initiated under the "MSE" were either occupational programmes (remunerated activities carried out by the unemployed and answering a local collective need) or 'Inclusion Enterprises' (*empresas de inserção*), a protective measure to allow the unemployed to manage their transition towards the open labour market. In the year 2000, the Portuguese government approved a National Action Plan for Social Inclusion (*PNAI*), a sort of umbrella plan for all social programmes and measures covering, among others, the "MSE", the Minimum Guaranteed Income (*RMG*) as well as programmes against poverty, against exclusion and to prevent drug addiction⁴.

⁴ Several of these measures had to be formulated in order to be inserted in the CSF 3 (POEFDS), due to certain constraints laid down by the European Commission regarding the

The main issue raised by these policies is that most people benefiting from them have never really been brought back to the mainstream labour market; this implies high financial costs, demobilisation and the risk of unfair competition. This criticism directed against the local employment development has not yet been proved. Re-inclusion problems are not short-term problems and they reflect the accumulation of many mismatches between education, training, and qualifications. Moreover, these policies are the only way to fight against social dualism and to make some regions more attractive.

The proximity services policy

The development of proximity services has become more important and systematic during the last ten years. It has two goals: to develop new services that are not available and will create new job opportunities and to improve the living conditions in a given region and thus to make the region more attractive. Normally these policies differ from those described above, but they may also overlap. In many countries, this new job perspective is analysed as an opportunity to reintegrate the unemployed, which, by the way, may raise some collateral problems. But normally these policies are aimed at both employed and unemployed persons. They usually link together various instruments extending from the distribution of vouchers to the training of unemployed persons. Labelling may guarantee the quality of these services. These policies outlined in the 1993 White Paper have been implemented in all the European Member States, but on different scales.

In some Member States, where local communities do not have access to large resources, the framework of this policy may be defined at the national level, the local level being mobilised only at the implementation stage. In Portugal, "social networks" were created by Resolution No. 197/97 of the Council of Ministers, which defines a social network as (Art. 1) *"the whole of the different ways of mutual help, as well as non-profit making organisations and public bodies operating in the realm of social action, in conjunction with one another and with the Government, having in view the eradication or lessening of poverty and social exclusion and the promotion of social development"*. According to Article 4, this 'synergy of efforts' should take place at a level as close as possible to the place where the social problems exist, starting at the neighbourhood level. Only if there is a lack of sufficient means at this level (Art. 5) to solve a given social problem, should it be forwarded to other levels of action and decision⁵. "Social action", as referred to in Article 1, covers activities on behalf of families, children and youngsters.

The French scenario is different. The central government didn't define the policy yet it has created two instruments to encourage such initiatives: the distribution of specific vouchers and a youth employment programme. As a matter of fact, a far-reaching programme was formulated in 1997 for this purpose which has come to be known since then as *"New Services – Jobs for the*

age of the beneficiaries, the maximum period of benefits, the qualifications of the participants, etc.

⁵ This legal document gives form to the principle of the ascending subsidiary.

Youth". Its objective was to create 700.000 jobs, half in the public or associative sector and half in the private sector. The measure was particularly interesting as the jobs were paid the basic minimum wage, national insurance contributions were funded by the State and specific training programmes were set up so that at the end of five years the beneficiaries' integration on a long-term basis became a reality. As a matter of fact, the private sector did not participate in the programme from the very beginning for political reasons. But the other part of the programme was successful and the announced objectives were effectively reached with the creation of 350.000 jobs. At the end of the five-year period, two-thirds of the young people had found permanent jobs and the government continues to take measures even today to pursue its objectives although these measures will be probably less beneficial than they were in the past.

In Spain these specific policies are decentralised and the Autonomous Communities manage both national and local schemes.

Area renewal policy

This policy is aimed at the creation of new enterprises and jobs, at bringing in "foreign investments", or at preserving existing activities. Very often these policies overlap with the local implementation of entrepreneurial policies. Moreover, many of them are initiated and delineated at local level even if they logically try to benefit from national schemes. Many incentives in this field are related to fiscal expenditure that is mainly under the control of the central government.

Ireland provides an illustration of such policies initiated at the national level. *Revitalising Areas by Planning, Investment and Development* (RAPID) is a programme that targets disadvantaged areas (currently consisting of 20 urban areas and 25 provincial towns). It is carried on by Area Implementation Teams which include local State Agency personnel (Health Board, Local Authority, Dept. of Social, Community and Family Affairs, FAS, etc) and local partnership companies which are formed with residents of the local community. The RAPID Programme will prioritise the 45 areas mentioned above and channel a significant share of financial funds to them over the next three years. But when the aim is really to create new companies, the lever is an economic local partnership. *Area Development Management Ltd. (ADM)* is a private company established in 1992 by the Irish government (in accordance with EC recommendations) to support integrated local economic and social development by running programmes that bring together enterprises, the community sector, social actors and state bodies in partnership at local level.

France has demarcated renewal areas on the basis of two criteria: the nature of local handicaps and the nature of fiscal instruments that can be mobilised. Actually, three types of zones were created according to the Law on Territorial Management (February 4, 1995) and the Law on Municipalities (November 14, 1996).

- The sensitive urban zones (zones urbaines sensibles, ZUS) created in 1995 cover complexes or districts of derelict environment, suffering from an acute imbalance of housing and employment. They benefit essentially from social measures such as jobs for the youth programme. There are 750 areas of this type today.
- In the course of the programme, zones suffering from a more severe imbalance, measured by means of a synthetic indicator of unemployed persons or the number of school dropouts, were identified among the ZUS. They are known as zones of urban re-energisation (Zones de Redynamisation Urbaine, ZRU). They benefit not only from the social schemes for ZUS but also from the fiscal schemes for companies that were set up or developed in these areas. (Tax exemptions and tax benefits if the company stays in business for a minimum of two years). 416 areas are covered by ZUS.
- The urban free zones (Zones Franches Urbaines ZFU) are districts in big cities having a minimum population of 10.000 and suffering from very severe handicaps. They benefit from the advantages conferred on the ZUS and on the ZRU. In addition, companies are also entitled to exemptions from welfare costs, generally for a period of five years, for creating jobs and even longer when it is a question of maintaining existing jobs. But the State exercises a very strict control over the demarcation and the functioning of these zones. SMEs are the main beneficiaries of this system. These areas number 44 at present.

Social economy development policy

The social economy is considered to be a very strategic actor in the creation of local employment for two reasons. Its members – associations, co-operatives, and foundations – generally try to satisfy needs that are not taken care of by the market or by the public administration. They also try to develop new services and corresponding jobs. Their utility function recognises the importance of creating more employment although this employment is considered only as an input for other productive structures. They try to maintain social cohesion at local level. This is why the European Employment Strategy, like several Member States, recognises the social economy as an important contributor to local employment development. In that sense the development of social economy becomes a LED policy.

When we consider the four main approaches above, we realise that in most cases these local policies for employment are not purely local. They use national frameworks and they may even be regulated at the national level. This does not reduce their relevance and originality however. Whatever the domain, we see that such policies have to mobilise local partnerships in order to define a coherent strategy and increase the expected efficacy.

3.2.2. Formulating LED policies

Three elements contribute positively to the existence and performance of these LED policies: the existence of a planning-oriented approach, the existence of an efficient local public employment service and the existence of relevant financial mechanisms. These elements allow identifying the mode of governance of local employment development.

Planning and strategy oriented approach

Since they are comprehensive and they associate different actors on a long-term basis, these policies have to adopt a strategic view. This condition is essential to make the subsequent partnership sustainable and to realise the targeted objectives. This strategic vision calls for perspective planning which is not very easy for local actors. Several conditions have to be met for this purpose:

- There must be coherence between a particular geographical area and the relevant employment stakeholders. These conditions usually fail when the specified area is too small. Many central governments have decided to support LED initiatives only when the requirement of a minimum threshold is satisfied.
- The relevant information systems must be present. For reasons that are well known these information systems are often absent.
- Platforms or networks are needed to prepare, decide and implement these strategies. It is important to take advantage of the information and resources available with many stakeholders without bringing about any change in the local government's responsibilities. This condition is essential for ensuring efficacy and accountability. Many examples of such situations can be given.

Belgium, and more precisely the Flemish region, provides such an illustration. The sub-regional employment committees (*sub-regionale tewerkstellingscomités, STCs*) – the main bodies representing social partners at local level – are considered to be the backbone of local action plans. All STC plans focus on two major labour market issues in Flanders: the HRM-bottlenecks, and discrimination in the labour market.

Another illustration is provided by Portugal, but as a more top-down approach. The *Regional Employment Networks (RENs)* are 'territorial instruments' and are expected to embrace, in a co-ordinated and comprehensive manner, a whole gamut of sector-based measures, while ensuring their implementation through a negotiated and participatory process. RENs are not new sources of financing, but a new territorial platform aimed at sharing resources and promoting innovation with a view to enhance employability and increase actual employment. They are an expression of active policies for employment based on local partnerships. Their main purpose is "... to create synergies in order to concentrate local forces on solving priority problems" (2002 NAP, p. 43). The existence of "more acute territorial inequalities" with regard to the characteristics and problems of the local labour market led to the creation of the Re-

gional Plans for Employment (RPE). These instruments, “... *although conforming to the European and national policies, adopt alternative features to apply these strategies in ways that are better adjusted to the local contexts*” (2001 NAP, p. 154). Five *RPEs* were created. They were proposed as “models of territorial approach” to ensure, in conjunction with the Regional Development Plan, a better performance of national policies. The *RPEs* have objectives, action priorities, measures and projects specifically aimed at solving employment problems within each target-region and at a better deployment of local and regional assets. They share a few common concerns such as (a) reinforcing the co-ordination of sector-based and regional policies within the territory at stake, (b) encouraging a problem-solving approach that systematically resorts to partnerships, (c) innovating policy-making processes in employment matters and (d) ensuring the sustainability of all their initiatives.

The local public employment service

The reform of the Public Employment Services and the general movement towards their decentralisation is a necessary condition for designing and implementing local employment development. Generally, PES benefits from sizeable human and financial resources and applies prevailing labour market policies. The services usually have important statistical data. The decentralisation of PES has therefore played an important role in the empowerment of local actors since the latter find in the PES both a partner and a resource. This decentralisation assumes two forms: in some countries, the PES is decentralised but not committed to local governments (internal decentralisation); in other Member States, the PES is decentralised and acts in concert with the local governments (external decentralisation).

Finland illustrates a situation where the PES has been decentralised but is still managed by the central government. Public Employment Services operate under the authority and guidance of the Ministry of Labour. At local level, labour market policies and measures are implemented through a network of 178 employment offices, which are co-ordinated on a regional basis through 15 Employment and Economic Development Centres (established as common mechanisms of the Ministry of Labour, the Ministry of Trade and Industry and the Ministry of Agriculture and Forestry). Although the broad thrust of the employment policy and strategy is decided at the 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.

Germany is another good illustration of the former movement. Various measures have simplified the administration of the Federal Employment Service. First, under the title “Employment Office 2000” decision-making was decentralised in parts and local employment offices were given greater competencies. During the next few years, a comprehensive reform of the FES is planned. The regional and local levels are supposed to receive more rights (e.g. the establishment of regional job centres) and their work will be made more transparent (e.g. the employees of the FES will have to work under agreements-on-

objective conditions). In 2000, the Federal Government promoted these developments by law (*Law for the Improvement of Co-operation between Employment Offices and Offices Responsible for Social Assistance*) and through a federal programme called *MoZArT*. Now the social assistance departments together with the local employment offices have been enabled to give subsidies to employers and take other suitable measures or provide subsidies directly to assisted persons in order to encourage job creation.

Denmark is closer to the external decentralisation since 1994. Public Employment Services at the regional level have a new regional management structure with extended competencies. The PES and the municipalities have to pool their resources and actions to help the unemployed through more integrated solutions as well as synergy of effects. The responsibilities of PES in relation to insured unemployment and of the municipalities in relation to the non-insured unemployed have been kept separate, although action has to be concerted. This regionalisation of the labour market policy has brought in a management system in which the central framework and guidelines are defined by the Minister of Labour and the National Labour Market Council with a wide range of decision-making powers delegated to the regional level – regional labour market councils and Public Employment Services.

In Italy there have been moves towards a progressive decentralisation of employment services, alongside a phasing out of the public monopoly in this area. While the decentralisation of the PES brought policy planning and the provision of services closer to users, it left the way open to a series of risks arising from the different ‘speeds’ of implementation of the reform. The report made by the Labour Market Division of ISFOL covered the whole country and involved the gathering and elaboration of a series of qualitative and quantitative data, in order to evaluate the progress made thus far in the reform of the employment services in Italy⁶. In two thirds of the country the effects of the reform can already be seen: new services have been introduced and the employment centres have become active local players. They are entering into agreements with different local interlocutors (chambers of commerce, social partners, and institutions) and are attracting the attention of people who until now had never considered them as relevant to their own particular needs. The situation in the regions of southern Italy is more difficult. Here, delays and difficulties are still evident. New services are often embryonic in quality terms, and to a large extent limited to patchy interventions that are not targeted at the users’ different needs.

In Belgium the system is still mixed. The federal level is responsible for unemployment benefits and specific programmes for the long-term unemployed. But for active labour market policies, the regions have developed their own Public Employment Service:

In Flanders, the ‘*regie*’ is a new central concept where the labour market is not managed centrally but steered jointly by the central authorities and the Flemish Public Employment Service VDAB, in the same way a stage director

⁶ Monografie sul mercato del lavoro e le politiche per l’impeigo, n.1/2001 ISFOL

(‘*regisseur*’) functions. This steering concept defines the following tasks: definition of strategic labour market objectives, mapping and defining of the responsibilities of the different actors, consultation between actors and active co-ordination, looking for solutions and the creation of a transparent and permanent monitoring system. The one-stop job-shops are in charge of the organisation of integrated services for job seekers and employers and will develop new social economy services in the future. Local employment forums representing all partners active in the labour market advise authorities and prepare policies related to these one-stop shops. In 2001, 37 new local employment forums were created. The management of these one-stop job-shops seems rather diversified: in small communes, joint management seems to function on an informal basis whereas in larger cities the relationship between local authorities and the local representatives of Flemish Public Labour Market offices (*VDAB*) is not always so easy.

The key to the current reform of the labour market in the Walloon Region is the complete transformation of the Public Employment Service (FOREM). The *Maisons de l’emploi* have been created in co-operation with the municipalities in order to disseminate information on integration and training. Moreover, training centres of FOREM have been totally re-defined and changed into competence centres combining learning and dissemination facilities. Each centre focuses on a single profession or industry cluster. It is future-oriented and geographically located near the concerned industry. These competence centres are integrated in networks.

In France, the management has changed substantially. The local PES is an instrument dependent on the State. The local PES was set up in 1984 to coordinate the actions of the local representatives of the Ministry of Employment (Departmental Employment Directorate, DDE), of the local agencies for employment (ALE) and of the agency for vocational training of adults (AFPA). This local coordination benefited from the decentralisation process. Today, the local PES is diagnosing local problems and formulating local plans with the idea of ensuring a synergy between existing schemes. The experience of the TEPs led to a better understanding of the stakes and the required partnerships. This was the case notably in Saint Herblain where the TEP played a major role and stimulated the establishment of the Local Action Plan for Employment in the city of Nantes and later in the Loire-Atlantic Department.

Financing

The funding process can influence the sustainability of LED policies. Two elements have to be taken into consideration:

- Are other funds available? If they come from different sources, local actors will face more difficulties in mobilising them and will have to bear substantial transaction costs.
- Is the use of these funds flexible? If their use is predetermined, it will prevent local actors from developing and implementing relevant local employment development.

In the first case, some Member States agree to merge their own resources with those from the EU. In some situations, this can considerably increase the potential for funding local employment development. In the Flemish region of Belgium, the '*Social Impulsfonds*' (SIF) funds receive regional and ESF-funding. ESF-money is clearly identifiable as distinct from regional support. From the point of view of adaptability, there is an interesting co-ordination strategy: projects benefiting from ESF also receive co-financing subsidies from the Flemish authorities ('*Hefboomkrediet*') without having to go through new administrative procedures. But in other Member States, this merging of funds has had a different effect: only projects eligible under the national regulation can benefit from European funding. This is the situation in France in the case of many ESF funds and it explains why the additionality regulation is so important and its implementation so controversial.

The second case is mainly related to local public finance. When the use of the central subsidy is predetermined, it prevents the local government from taking advantage of operational adaptability, from defining their local employment development clearly and being accountable for them. In such a situation the consolidation of credits, meaning that subsidies will be given without narrowly restricting their use, becomes very important. Let us consider the situation in France. Until 1996, this globalisation of funds was considered an instrument for improvement of public management. Since then, it is considered a means for decentralising employment policies at the regional level. Several circulars issued between 1988 and 2000 define the stakes involved in this globalisation, which goes well beyond its purely financial aspect. New bottom-up logic for programming of public credits was formulated subsequently. Local action plans stemming from the territorial diagnosis are thus given the status of *project*. They may be raised to the regional level where being transformed to regional programmes. Subsequently they are raised to the national level where final decisions are taken. This method is generally treated as being successful. This is not simple financial "globalisation" anymore, but already "territorialisation" (or the construction of partnerships between actors in a given territory). It has taken more than ten years to attain this objective.

The Swedish funding process illustrates the advantages of a balanced approach where the various sources of funding and the responsibility of the local actors are evenly balanced. In Sweden, the allocation of national resources to the county and local levels is decided in accordance with the regional growth agreements. Municipalities generate their own income from taxation and therefore have their own resources. At the regional level, County Councils also have their own taxation system. The County Administrative Board is the government's regional agent and therefore depends on national taxation. For the development and implementation of new programmes or measures, ESF funding is used to cover up to 50 per cent of the programmes' budgets and the rest is financed by the government. As far as the national resources allocated to the regional and local levels are concerned, they are almost exclusively in accordance with different agreements concluded within the framework of the growth agreements.

Governance

Normally, the governance process should reflect the constitutional structure. This means that in a centralised country, local employment development should be a subject of agreement as long as they contribute to the efficacy of central policies. But another criterion has to be considered. Passive and active labour market policies can be linked together or separated. Three main types of governance can then be considered:

- In a first case, the centre is responsible for passive and active labour market policies, and the governance will be *centrally based*;
- In the second case, the decentralised level is responsible both for active and passive labour market policies which means that governance is *locally based*;
- In the third case, the centre is responsible for passive labour market policies and the decentralised level for active labour market policies. This means that governance is mixed or *mutually interdependent*.

In the first two situations, there is governance by steering. This should clarify the issue of accountability which is fundamental. In the last situation, and particularly when the situation is politically diversified, we have governance by mutual interdependence which raises the issue of accountability. In many situations this problem cannot be avoided and this underlines the necessity of objective-based management and co-ordination through clear-cut contracts.

The first situation is clearly illustrated by Member States such as Greece, Finland and Germany. Local employment development exists in these countries but they are conceived as part of the national framework.

In Greece policy making is very much centralised, but some trends towards decentralisation have been observed during the last few years. Progress towards a more comprehensive and strategic way of policy making is a critical objective for the government, whilst all proposed measures concentrate on European objectives and the EES. Therefore, under a new institution created in 2001, namely the National Forum on Employment, social partners are more intimately involved in the examination of legislation, in local employment pacts, in framing and monitoring employment policies and in the modernisation of work organisation. However, employment strategies and measures as well as the NAP, have been elaborated so far by the central government in consultation with the social partners and local actors, though not with their active involvement. This is mainly due to the lack of political and administrative competencies at the regional level in Greece, where regional governments or authorities are not yet involved in policy making to a greater extent.

In Finland, local employment development reveals in recent years some aspects of the decentralised governance structure and also its top-down approach (Ministry of Labour, 15 Regional Employment and Economic Development Centres and over 200 local employment offices operating in close co-operation with local authorities). The Regional Employment and Economic Development Centres were established in 1997 as a part of a major reform and

their influence on the implementation of LED policies is obvious. In general terms, it can be said that they operate as the institutional representative bodies of the Ministry of Labour at the regional level. But their role is even more important, as they are responsible for both the conception and implementation of the national employment policy at the regional level, both in terms of strategy and financial contribution. At the same time, employment policies and measures are discussed at local level with local employment offices and local and sub-regional targets. Goals as well as financial allocations are tailored to the needs of local areas.

Germany reveals a different picture. Here the tradition of the central organisation of the labour market continues to dominate despite the opportunities to localise offered by the federal structure.

The second type of governance is illustrated by Spain and Italy. In Spain, the decentralised structure has changed the traditional distribution of competencies in relation to the Labour Market. Many Autonomous Communities now formulate passive and active labour market policies. The allocation of traditional public employment services to this Community level underlines the strength of this new governance (the national organisation is still operating in some regions).

In Italy, this main trend is also visible, but with some delays. Now the regions and provinces are in charge of labour market policies. Some elements of central control through specific funding (e.g. for the *patti territoriali*) still exist which makes it difficult to interpret the situation.

The third type of governance is illustrated by Belgium. The division of powers between the federal government, the regions and communities makes the employment policy quite complicated and not very transparent. The regions are the main actors for the employment policy and the communities for vocational training policies. Public Employment Services are competent at the regional level: VDAB in Flanders, ORBEM and BDGA in Brussels, and FOREM in Wallonia. The federal level is responsible for social security which includes the organisation and control of unemployment benefits. These local agencies were actually basic structures pursuing three objectives: developing neighbourhood services for which there were no commercial alternative, reducing undeclared labour in the private sector, and the insertion of the long-term unemployed or people living on the Minimex (a basic allocation from social welfare funds). Most of these jobs were very low-skilled (house cleaning, gardening, etc.) and permanent jobs are rare. Scrutiny shows that these local employment agencies act as employment traps for the intended beneficiaries. The users of these local services receive tax advantages via a system of service cheques which to some extent contribute to combating undeclared work. Further, the federal level is responsible for co-ordination within the framework of the European Employment Strategy meaning that it functions essentially as the country's spokesperson in its dealings with the EU and prepares the NAP on the basis of the different regional action plans.

Two additional observations must be made:

Firstly, there is another type of governance when NGOs play an important role. In Luxembourg, the role of bottom-up organisations is crucial for the development of local initiatives. In fact, the initiative comes from small organisations that have worked with integration projects for many years. The most profitable co-operation is with *OGB-L*, Luxembourg's independent trade union confederation. They started co-operating 1986 and in 1994-95, within the framework of a study on full employment (*'Objectif Plein Emploi'*) the partnership became very dynamic and it remains the driving force behind the NGO *'OPE'*. In 1997, the partners set up centres for local initiatives and management (*Centres d'initiative et de gestion locale, CIGL*). The establishment of the NGO in 1999 improved structures and actions and it became a partner of the communes. In fact, 52 out of 118 communes in Luxembourg take part in the local centres, all of which have NGO status.

Secondly, in some Member States we observe a diversified political context and a governance system by mutual adjustment rather than by steering. France illustrates this situation quite well. The French system has a long history of governmental intervention together with incentives from local governments to generate new tools and instruments. Many competencies have been divided rather than transferred. This leads to overlapping and multiplication of co-ordination mechanisms. There are many levels of partnerships, agencies and associations. But social partners are not very present in this context and their active role is restricted to the payment of unemployment benefits. The originality of the French situation lies in the fact that contractual tools have been envisaged and organised as a systematic process to suit these various competencies, initiatives and resources. The contracts relating to plans between the centre and the regions are the best illustration, but they go well beyond the employment sector. The 2002 NAP reveals the relevance of "city contracts". Contracts between cities and the central government are considered to be the most powerful mechanism for supporting the efforts of local governments in association with social partners to create employment at local level. "*The contract defines Programmes of action on the scale of the municipality and the town contributing to the fight against the processes of urban and social segregation.*"⁷ These programmes finance the planning and implementation of actions that can find funding within the framework of national schemes. They also fund projects intended to renew the territory, for the transfer of good practices, etc. Out of a total of 250 expected contracts, 220 are in operation at present.⁸

3.3. The Role of the EU

The role of EU initiatives, funding and recommendations should not be underestimated. According to the Member States under consideration, the diagnoses may change on account of differences in size, level of development and processes through which European Funds are channelled. But whatever the

⁷ Circular dated 31 December, 1999: New Wave of City Contracts – Main Features.

⁸ Final report on the recommendations for the negotiation of the new generation of city contracts (2000-2006) – Report by Cavallier & Méjean, 12th Plan, May 1999

country, it is usually recognised that several initiatives and themes of European employment strategies have facilitated and supported LED policies. The role of direct funding is more controversial.

3.3.1. Three channels for mobilising LED

The European Union influences local employment initiatives through three main channels.

- (1) Structural Funds are the main lever of actions for defining and implementing local employment development. They do not always appear as such. In some Member States this link is less evident. For instance, France has defined processes to access Objective 3 of structural funding that channel this contribution through national instruments. The link is stronger in the case of Member States that use these funds extensively. The real problem is that very often Structural Funds are refused at the regional level and deal at the most with regional employment policy. This is particularly true in the case of Objective 1 and 2 - it may vary with Objective 3.
- (2) It is generally admitted that the experience of the TEP has strongly influenced local employment development. In a country like Austria, this influence has been considerable and has structured subsequent local employment development. The TEPs are the main platform for discussion and formulation of the regional/local employment approach. TEPs are always mentioned in the sections of the NAP that refer to the regional level. In Luxembourg, territorial pacts seem to have largely influenced current local employment initiatives. For example, the Dudelage Pact organised a seminar called 'National Forum for Integration in the Labour Market' in January 1999. It invited all public and private key actors concerned with regional development.

In other Member States this influence has not been so significant. In Belgium, territorial pacts have not had a direct impact on local employment development. The Brussels Pact is just said to have brought partners together, which is an investment for the future. In France, their influence has been insignificant and they are very little known. Probably this is due to the political context of the period and the fact that the centralised regulation did not let them disseminate their best practices. In one country at least, the TEPs have not been so innovative. That country is Denmark, where 5 projects were developed, but the TEP model could not be used as an innovation since the Danish authorities were already following this approach at different levels.

Two specific results may be stressed here. TEPs have stimulated the dimension of partnerships. But experience has also shown that a funding disclosure radically puts an end to local experiments as central governments ignore actions that were not initiated by them.

- (3) Four Community Initiative Programmes deal with local employment initiatives. Two overlap LED policies and two have a more indirect influence.

- LEADER PLUS (2,1b € EU funding for 2000-2006) marks a new rural development policy based on a joint integrated strategy at the territorial level. Its main principles are the involvement of local actors, an integrated decentralised approach following a bottom-up pattern and the opening up of rural zones to other territories by creating networks. LEADER+ is certainly an initiative that strongly supports local employment development through its partnership approach. This is fully recognised by Member States where LEADER+ is present. In France, LEADER+ has disseminated a very innovative culture through its implementation process. It brings together the national and local levels in a dynamic convergence through the use of themes such as integration that fit in with the issue of local employment in rural areas.
- URBAN (0,7b € EU funding for 2000-2006) is aimed at the economic and social revitalisation of cities and their adjacent areas. The link with local employment development is direct and in metropolitan areas it is fragmented between many municipalities. This initiative can act as a mediator to define issues and solutions for local employment. Consequently, URBAN is frequently cited as a strong support for local employment development. This is particularly true in Germany and the United Kingdom. In Italy, programmes are mainly addressed to interventions for urban re-qualification and some employment.
- EQUAL (2,8b € EU funding for 2000-2006) mobilises co-operation to promote new tools aimed at fighting all forms of discrimination and inequality in the labour market. There are three important aspects here that contribute to local employment development. Firstly, the involvement of local and regional authorities. Secondly, the EQUAL project should be devised and executed by development partnerships, set up at the local or sector level. Thirdly, EQUAL promotes gender equality through the development of specific community policies. Experts agree on the influence of EQUAL (and the former ADAPT programme, e.g.) on German local employment development. Both are said having made up - at least partially - for the missing history of regional initiatives in Germany.
- The Community Initiative INTERREG 2000-2006 (4,9b € EU funding for 2000-2006) strengthens the objective of transnational co-operation. This initiative is relevant for peripheral regions and islands. INTERREG is an important issue for Austria too, due to the country's many borders.

3.3.2. A statistical comprehensive overview

It seems difficult to give a comprehensive view of the share of the EU funding in the national funding of the LED policies. Methodological and statistical problems impede a too precise assessment. According to the national surveys prepared for this horizontal evaluation, the following data has been collected (Table 3.2):

Table 3.2 Share of EU-funding

Country	EU funding % share of total LED- related expenditure
Austria	9
Belgium	15
Denmark	15
Finland	20
France	16
Germany	9
Greece	50
Ireland	.
Italy	20
Luxembourg	25
Portugal	16
Spain	20
Sweden	2
United Kingdom	.

Source: Economix – country experts

Except for Greece and Sweden, the figures are approximately situated between 10 and 20%, which shows a relative homogeneity. The high share in Greece is due to Objective 1 funding. But also for the other Member States the figures show that the importance of EU Funding for National policies in favour of local employment development is far from being marginal. This general statement is more interesting than the interpretation of the national differences. These last ones are depending on the relative share of the Structural Funds and the national use of ESF funding. Moreover the multiplier effect of such European funding should be stressed. In many countries, the arrival of EU funding acts as a labelling process and attracts other new funds. The multiplier seems in average located between 2 and 3.

3.3.3. The specific role of the European Employment Strategy

The European Employment Strategy was outlined by the Amsterdam Treaty and successive European Councils. The Amsterdam Treaty introduced an Employment Title under which promoting employment is a matter of common concern for all the Member States and one of the aims of the EU. It further states that Member States and the Community shall, in accordance with this title, work towards developing a co-ordinated strategy for employment, which provides for the central position of employment in carrying out all the EU policies and actions and the need to plan several co-ordination mechanisms at the European level. In November 1997, the European Council of Luxembourg was asked to review the best practices of the Member States in relation to the fight against unemployment and to lay the foundations of a new employment policy.

It was decided that every year, each Member State would submit to the Commission a report (National Actions Plan) on the principal measures taken to implement its employment policy in the light of these guidelines that would constitute the EES. In March 2000, an extraordinary European Council was organised in Lisbon. It was revealed on that occasion that the EU objective was to reach full employment by the year 2010. In particular, the new programmes of the Structural Funds are all characterised by a great awareness of the local dimension of employment. Since the Lisbon summit, the theme of local action for employment has been kept in mind continuously and examined in detail.

All this means that the advantage of the EES for the local employment development lies mainly in the effect produced by its announcement and the subsequent exchanges between the Commission and the States. By and by, this co-ordination will probably play a role in the allocation of EU resources, but it has not been the case so far. This explains why some Member States have taken into consideration the dimension of local employment through their NAPs while others have ignored it.

For instance, in Greece, the implementation of the EES through the NAP constitutes an important lever for decentralisation and a substantial support for the development of the social economy. Therefore, Greek employment policy-makers have been concentrating, more than in the past, on the regional and local levels of local employment development.

In Portugal, the NAP 2002 acknowledges the close interrelation among objectives and instruments of the employment policy within the scope of the several guidelines. It states, for instance, that *“the support to employment creation at local level contributes simultaneously to local development, support of entrepreneurship and improvement of employability.”* In the course of one of the four evaluation studies carried out during 2001 on the impact of the EES on Portuguese employment policies, a survey was undertaken on the opinion of the local PES on the relative weight of the NAP in their current work. The NAP contribution was considered “strong” or “determinant” with regard to work placements, local employment initiatives and support to hiring staff on a permanent basis.

In Germany, the situation is very different. The analysis of German local employment development indicates hesitation on the part of the Federal Government to actively support the instruments offered by the EU (incl. NAP, programmes and initiatives). The reasons for this behaviour are multifaceted. In terms of the non-support of EU initiatives that foster local employment development, the background seems to be the general understanding of the government that policy is much more the task of single Member States in the EU than of the EU itself. Another reason why European programmes have greater problems in being accepted and promoted by the German Federal Government than in other European Member States might be that Germany is a net-premium payer within the EU and would therefore have to pay a larger share if the European employment strategy were expanded.

In France too, the influence of the EES is controversial, not in general but in specific pillars. Local actors and governments are little concerned about pillar III but they are indirectly concerned about pillar IV, when reconciling work with domestic life. On the other hand, they are clearly helped more by pillar I which promotes integration and by pillar II which encourages entrepreneurship. The 2000 NAP does not leave much place for local governments contrary to what was stated by the European Commission. France continues not to identify local governments as main partners, this being a constant of the French policy rather than a change. Local government play a more relevant role in supporting the efficacy of national policies rather than in originating new ones.

3.3.4. The uneven influence of the EES on themes and processes

It is admitted that there is a discrepancy between the two effects of European programmes. On the one hand, it is believed that European programmes have helped disseminating the main themes of local employment development and demonstrating its advantages. On the other hand, it is recognised that the financial contribution is significant but not very effective. Perhaps Luxembourg's attitude summarises this mixed opinion. In Luxembourg, it is believed that local initiatives could have perhaps been launched without European money, though it would have probably taken longer to convince policy-makers to find the money for experiments. However, the European contribution has probably been much more significant in terms of policy contents as both authorities and bottom-up initiatives have shown interest in co-operating at local level only after the launch of the European Employment Strategy. But in Sweden, Structural Funds and more specifically the EES are considered to have contributed substantially, both from the financial and qualitative angle, to the increasing involvement of local authorities in employment measures.

The main strategic themes disseminated by the EES and the corresponding initiatives are as follows:

- *The importance of increasing the rate of activity.* Too often, the solution for fighting unemployment is to decrease the rate of activity. This strategy, which may have a limited interest at the national level, is very dangerous at local level where human costs are concentrated. In such a situation the emphasis on increasing the rate of activity supports local employment development.
- *The need for partnership.* This point is also important for local employment development. Underlining the partnership dimension shows the advantage of local partnerships and hence of local employment development. Too often partnership is only considered as a mobilisation process whereas it is a condition necessary for a more efficient view and solution of the employment problems. Portugal has given much importance to this element by organising different types of partnerships and networks.
- *To think across sectors.* Another positive contribution has been to take into account problems peculiar to different sectors. In Austria, it is felt that the four pillars of the EES play a fundamental role in helping the regional level to develop own programmes and learn to think across sectors. Most of the TEPs focus on policy co-ordination between social inclusion and labour market policy in addition to encouraging women to work.

- *The non-discrimination employment strategy.* The fourth pillar dealing with equality and non-discrimination has helped to clarify some issues at local level since it is impossible to conceive of local development in a dual society
- *The need for programming and planning.* European programmes fit in well with the local employment analysis where the relevant problems are usually long-term problems related to development. In Austria, for instance, the planning-oriented approach became widespread thanks to European programmes. The concept of Single Programming Documents (SPDs) envisaged in the regional objectives has contributed to the spread of this idea.
- *The principle of continuous evaluation.* The adoption of this principle depends on the national culture and it is generally used less at local level than at the national level. The European Employment Strategy has shown the necessity of ex-ante and continuing evaluation and provided the best demonstration of this principle which may conceal very different types of considerations (See below for more details).

However, according to some Member States, the quantitative impact of the European programmes is marginal. At best, these initiatives would have speeded up a process that was already changing the behaviour of the economy, one illustration being that the same trends are also observed in many non-European OECD Member States. This argument is advanced mainly by the most populous Member States or by those having a relatively low access to Structural Funds. In Denmark, 0.7 per cent of the available budget was distributed under Objective 2. In the new period 2000-2006, Objective 3 represents 2 per cent of the total investment in the active labour market policy.

Sometimes, the procedures used by a particular Member State to allocate these funds may be responsible for the weak European influence.

- Some European interventions are mainly intended to complement national funding of specific initiatives in the area of LED policies, as in the case of Finland and France. In the latter, many local actors benefiting from the PLIE system are not even aware that they are receiving European funding since the European contribution is defined as amendment of national funding.
- The procedures for accessing European funding are such that these funds are filtered through traditional national mechanisms in a way that the innovative aspect of the European funding is dissipated in the more central bureaucratic aspects. The more the allocation of European funds is centralised, the lesser the influence and the lever effect exercises by European programmes on LED policies.
- Some governments do not want to support European programmes. The German Federal Government did not support TEPs actively and ignored them more and or less (e.g., TEPs were not integrated in the Federal Alliance for Work, Training and Competitiveness). The TEP evaluation report criticises Germany by pointing out that *“at the Federal level, hardly any political action can be observed”* and that the nine German EU-TEPs *“are to some extent rather isolated”*. A similar observation could be made in the case of France.

- This attitude becomes evident when European funding comes to an end since the recipient governments usually do not organise a financial follow-up. In Germany, at the end of the previous Community Initiative ADAPT, the question arose about the future of network structures. Networks often break down when financial support – and, with it, the professional network moderator – are no longer available. Hence, the long-term network approach is not compatible with the limited project-funding horizon and networks tend to finance themselves with consecutive support programmes.

These arguments add up, creating an unsatisfactory situation. An illustration is provided by Objective 3 administration in France, which is strongly centralised. Contrary to Objective 2, resources are filtered through a centralised process, which raises certain issues:

- The preparation of the DOCUP depends mainly on the State. The *préfets* act as both, auditor and decision-maker.
- The ex-ante evaluation is often effected using a formal approach based on a single indicator, namely, the unemployment rate in the corresponding territories that is not relevant for demonstrating the advantage of certain types of actions.
- The national follow-up committee, which mobilises the actual partnership, faces a twofold problem: its membership is restricted and it does not agree to the presence of associations; also, it does not take the main decisions but only gives advice on the re-programming of credits.
- At the regional level, the partnership is not well organised. There are two authorities at this level: a pilot committee which insures the management of the programme and a technical committee which monitors the projects.
- The time taken for obtaining funds is long because it involves an excessive number of operations. The result is an average time-period of twelve months, with a significant standard deviation of five months. In view of this specific context and these constraints, European support appears as a purely financial programme and not as a source of innovation.

3.3.5. Recommendations on EU Funding

Whatever the alternative situations, some common recommendations can be found in the different countries in order to increase the efficacy of such funding in favour of local employment development:

- EU funding management should be decentralised at least at the regional level or at a more decentralised level, except for the Community Initiatives. Such so-called 'global grants' are already part of ESF funding but are not used widespread in a majority of countries. National, state or regional authorities should not define these global grants.
- ESF management should be more decentralised.
- EU programs should be more flexible in their design and implementation. Considered from a local perspective, European and national operational programmes seem to be too much detailed, and it is not quite clear if this is originating from national authorities or the influence of the Commission's rapporteurs for these programmes. Apparently regional and local authori-

ties have difficulties to use EU funding for local employment development, because of its stringent rules and missing flexibility in implementation.

- The European funding should allow more funding on already running projects which prove to be successful but need further activities to be developed. Rather than concentrating on innovative projects, existing good practice projects should also be funded, if an increase of positive results can be expected.
- Specific matching funds should be created in order to facilitate the start of the projects or the transition between projects. Such funds could prevent the closure of efficient LED organisation and improve sustainability.
- The European funding should develop a system of external evaluation not oriented to find mistakes or bad governance but oriented to delivering specific proposal for the better use of the funds.

4. Typology of LED – Synthesis of case studies

Regarding the variety of local employment initiatives, projects, actions and programmes, the endeavour to develop a typology of local employment development appears as a fairly ambitious undertaking. Indeed, the heterogeneity of different local approaches will set serious limits to such a plan, and the complexity of policy action in this field will further complicate the analysis. However, over the last two decades local employment development emerged in many regions of the European Union, starting from a similar diagnosis of local economic and social situations, sharing common targets of policy change, and trying to bring many actors together in order to achieve a better overall performance of employment and social policy. The partnership approach seems to be the strongest anchor for all these activities.

Local employment development is far from being a well-structured, finalised policy concept which can be used like a tool. Until now, many of the local employment development projects are either in the phase of juvenile growth, turned out as a non-sustainable approach, or touched the limits of national regulation. LED approaches are highly divergent between countries because of the institutional context in which they emerged. But also within countries the variance is wide, in particular if national governments did not actively decentralise employment and social policies.

The typology will therefore establish a road map of different local employment development approaches, rather than a sorting box which would allow classifying the empirical cases doubtlessly. It will try to clarify in which different directions local employment development is evolving, how this is linked to the roots of the movement, and how local concepts are adjusted to prevailing national or regional policies. This dynamic perspective is also needed as most of the approaches are changing continuously over time, adjusting their programmes and instruments in the permanent search for an optimal solution.

The development of the typology is based on the fieldwork undertaken by this evaluation. Twenty cases of local employment development were investigated in detail throughout Europe, in order to analyse the different structures and policy approaches. The case study reports are presented as Volume C of this evaluation. This Chapter is going to synthesise this material, both on the basis of the analytical evidence provided by the experts in their case study reports, and a database specifically constructed to extract a set of numerous variables out of the reports.

The question behind this synthesis is how the European Employment Strategy and its financial instruments were able to promote the evolution of local employment development, and to identify which specific programmes were influ-

ential and how the programmes combined to achieve the effects. These aspects were specifically addressed in the case study reports.

This following Chapter will first explain the methodological approach of the case studies, the construction of the database and characteristics of the sample of cases. The second and main part is the analysis of the case study evidence and the development of the typology of LED cases.

4.1. Methodology

The empirical basis of the evaluation was created by a pre-selected sample of 20 cases of local employment development in the European Union. As systematic information on LED approaches was not available, neither from academic publications nor from evaluation studies, the project had to establish this information basis on its own resources. This was done by four steps, which are described in the following paragraphs:

- *Selection of cases:* identification of the sample of cases promising a sufficiently rich information basis;
- *Structuring the questions:* developing the case study questions and structuring the case study reports;
- *Accomplishing the case studies:* analysing the research evidence, interviewing the representatives of the local employment development organisations, and writing the case study reports;
- *Establishing the case study database:* developing a common set of variables, assessing and checking the information of the case study reports and recording the information.

Large parts of this methodological approach were developed in the Inception Report and finalised during the evaluation. The methodological planning of the evaluation was therefore implemented without substantial alterations.

Selection of cases

The identification of cases followed a two-step procedure: First, a sample of 40 cases was selected by the country experts: four cases for France, Germany, Italy, Spain and the UK, and two cases for the other countries. Then 20 cases out of this sample were identified by the project management which best fitted the selection criteria. The target was to establish a European sample of LED cases representing a wide spectrum of the different LED approaches and to represent all types of regional economic and labour market conditions in the European Union. The final selection is presented in Table 4.1, followed by Chart 4.1 which shows the geographical location of the cases.

The selection was based on a list of indicators for each case, including the economic and labour market characteristics of the region, the type of LED approach, the local actors and the organisational structure of the partnership, and finally the comprehensiveness of the local employment development con-

cept. The selection was based on four criteria according to the definition of local employment development. They should have included

- a self-dependent concept,
- a territorial approach,
- funding by EU Structural Funds,
- provide a sufficiently rich information basis.

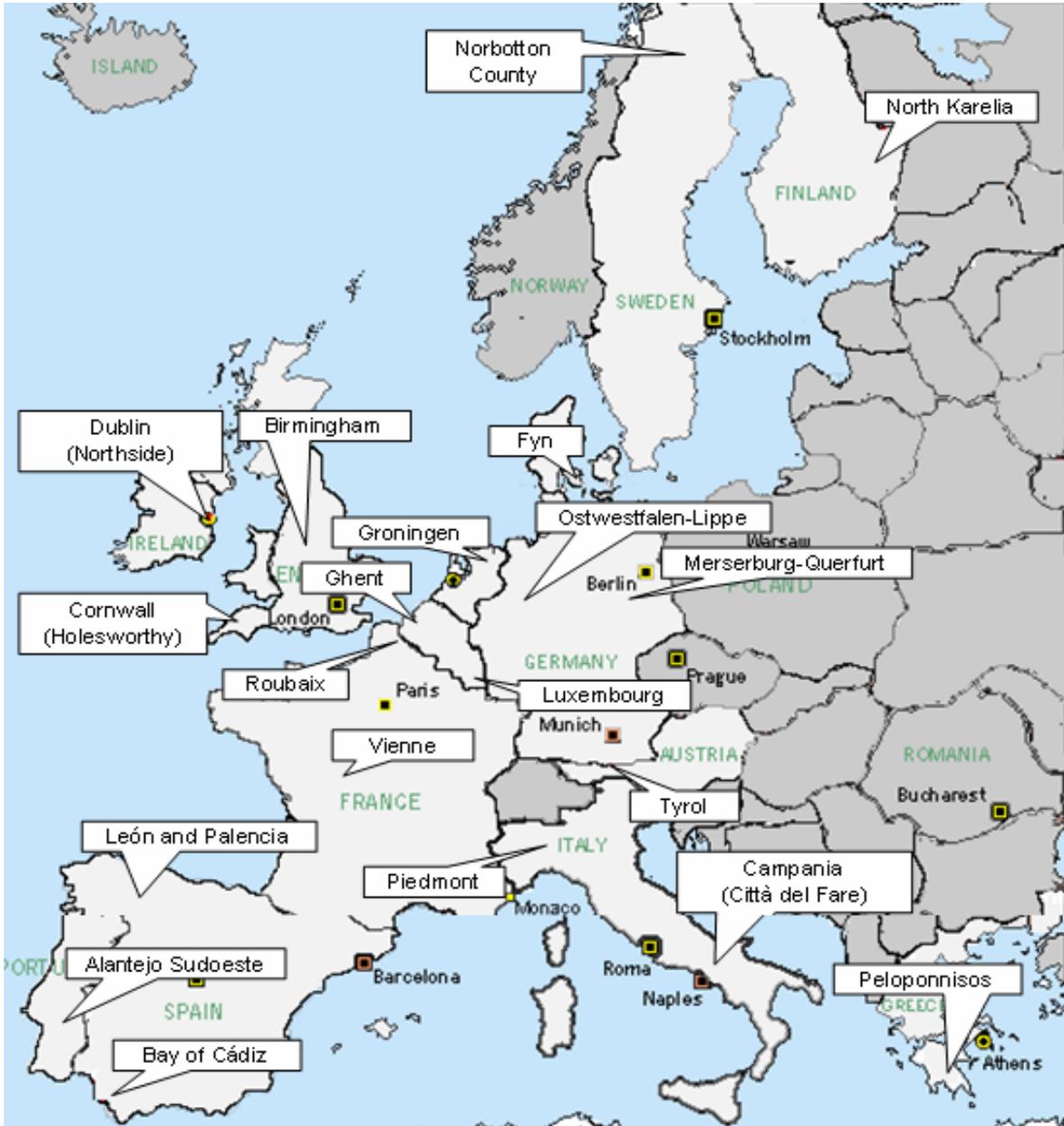
The cases were not planned to be a selection of best practices. By contrast, the learning effects of negative experience or even failures should be included.

Table 4.1 List of LED cases by Member States

	Country	Case study	Abbreviation
1	AT	Tyrol	TY
2	BE	Gent	GE
3	DK	Fyn	FY
4	FI	North Karelia	NK
5	FR	Vienne	VI
6	FR	Roubaix	RO
7	DE	Ostwestfalen-Lippe	OL
8	DE	Merseburg-Querfurt	MQ
9	GR	Peloponnisos	PE
10	IT	Campania (Città del Fare)	CA
11	IT	Piedmont	PI
12	IRL	Dublin (Nothside)	DU
13	LUX	Luxembourg	LU
14	NL	Groningen	GR
15	PT	Alentejo Sudoeste	AS
16	ES	Bay of Cádiz	BC
17	ES	León and Palencia	LP
18	SE	Norbotton County	NC
19	UK	Birmingham	BI
20	UK	Cornwall (Holesworthy)	CH

Source: Economix

Chart 4.1 Geographical location of LED cases



Source: Economix

Structure of the case studies

The central question of the evaluation – how EU programs affect local employment development – had to be assessed by the case studies considering the economic and labour market environment, the employment policy system prevailing at regional and national level, and the historical roots of the LED approach. As the impact of EU programs was expected to highly depend on local circumstances, the research leading question should be answered against this background. The structure of the case study reports reflects this basic consideration:

Table 4.2 Structure of case study reports

	Content
1	Description of regional characteristics
2	Description of the case <ul style="list-style-type: none"> • Type and objectives of the approach • Funding of the LED • Partners involved • Implementation of LED • Results
3	Synthesis

The research leading questions were structured into four groups which focused on the impact, effects and assessments of EU funding on local employment development (Table 4.3). These questions were guidelines for the interviews undertaken in the course of the case studies. Due to the heterogeneity of cases, no formal questionnaire was developed. It was the responsibility of the experts to conduct the interviews and to deepen questions where appropriate.

Method of case studies

The case studies included desk research and field work. While desk research analysed the available reports and relevant documents of the case, field research consisted of a series of interviews with representatives of the cases. Various types of interviews with stakeholders and relevant actors involved were conducted (360° analysis). Where appropriate a visit of the case on site was undertaken. Interviews were organised with

- *Policy makers* (NAP responsible units) at national or at regional level, according to the national structure of the country, to investigate the relationship between the Program and the national or regional policies (deriving from mainstreaming of actions?)
- *Program managers* (often different from policy makers) to investigate the connections of programs at European and national level, and their integration into the local employment development concept.

- *Project managers* to investigate the relation between individual projects and local employment development programmes.
- *Actors involved in the activities* (representatives of public or private organisations like NGOs, PES, social partners, etc.) in order to assess the views of the non-managing level.

Table 4.3 Guidelines for the interviews

<p>1. Functioning of partnership</p> <ul style="list-style-type: none"> • To which degree do the partners support the development of LEP? • To which degree were old barriers to re-structuring overcome? • To which degree were market processes fostered? • The willingness of participation: Was there a win-win situation for all partners? • What was the position of partnership in relation to local authorities (competitive, co-operative)? • How long did it take to establish the local partnership? • Which quantitative results were achieved (number of participants involved in the different projects, jobs created, employment growth) • How did the set of projects change over time? • Did the structure of funding change with the implementation of activities? <p>2. Impact of EU funding</p> <ul style="list-style-type: none"> • Did the existence of EU funding help to establish sustainable employment development? In which way and in relation to which programs were these funds helpful? • Which were the most effective programs in this perspective? • Did EU and national programs fit into the real needs of the local labour market? • Did the programs reach the actors who are able to develop the LED? • Do the programs contribute to the design of employment policies oriented more closely to local needs? • Are the programs at the different levels combining to help translating the EES and the NAP's to Regional and Local level? How? • How did ESF programs influence the reconciliation of policies at the different levels? <p>3. Effects of EU support</p> <ul style="list-style-type: none"> • Is the learning process of the region visible? In which areas of activity (target identification, implementation, organisational management, cost efficiency, financial management, etc.) • Could results also be achieved without any EU program support? • Which added value brought the ESF Programs and /or European Programs to your project and to the region? <p>4. Assessment of EU funding</p> <ul style="list-style-type: none"> • Should any adjustment be made to regional/local needs? • Which were the most helpful instruments within the different programs regarding LED? • Which results would have not been possible without the integration of resources coming from the different programs?

Source: Economix

All interviews were conducted on the basis of the guidelines. The results of the desk research were the interviews analysed and reported in the case study reports.

Case study database

For the purpose of the synthesis, the information of the case studies was transformed into a database which extracted 61 variables from the case study reports. The list of variables is included in the Annex.

The database was predominantly used to synthesise the results and to analyse statistical relations. Of course, the sample of 20 cases does not allow applying statistical methods and calculating significant parameters. This is due to both, the pre-selection of cases and the statistical uncertainties of the small number of cases. As shown above, the sample was designed to represent a great variety of LED cases in the European Union and thus being able to provide evidence about the variance of LED approaches. This is particularly important to develop the typology of LED approaches. The sample does, however, not represent the true weights of the different LED approaches in the statistical population and therefore cannot be used to describe distributions.

Statistical methods can only be applied to describe the prevailing variance among the cases and to analyse interlinks within the sample, without providing representative results. Assessment about the “true” distributions would have afforded a much bigger number of cases.

4.2. Synthesis of case studies

4.2.1. Characteristics of the sample

Beyond the broad geographic distribution of the 20 cases, the sample includes a wide representation of different types of regions, different economic and labour market developments and different LED approaches, as the following analysis is going to reveal.

Table 4.4 indicates that the type of region by population density is almost equally distributed among the three categories of rural regions, rural regions with urban centres, and urban centres. The population size of the territories in which the LED cases were acting ranged between 100,000 inhabitants (Roubaix) and 2.2 million (Piedmont). As regards population change over the last decade, in the majority of cases the region experienced a positive development. Six cases were located in regions with decreasing population, most of them were exposed to this trend already since decades.

Unemployment rates ranged between 2.5% and 28%. In many of the regions unemployment rates were well above the national average (12 regions). The regions with the highest relative disadvantage were Roubaix and Campania (Città del Fare) with unemployment rates more than two times higher than national averages.

All of the regions received EU funding from the EU Structural Funds, most of them as Objective 1 regions (11). Eight regions were funded through Objective 2 or Objective 3 measures, and 15 got financial resources from one of the present Community Initiatives (EQUAL, LEADER, URBAN, INTERREG, Article 6). Some were already supported in the past by the preceding Community Initiatives ADAPT and EMPLOYMENT. Eight regions were former Territorial Employment Pacts.

Table 4.4 Characteristics of cases

Characteristics	Number of cases (Total = 20)
Type of region	
Rural	7
Rural with urban centres	7
Urban	6
Population trend (last decade)	
Positive	11
No change	3
Negative	6
Unemployment rate	
Above national average	12
Close to national average (+/-5 %)	4
Below national average	4
EU Funding (multiple use of programmes)	
Objective 1	11
Objective 2	8
Objective 3	8
Community Initiatives	15
Former TEP	8

Source: Economix

Almost all cases applied a partnership approach, even if the understanding of partnership seems to be very different, and in some cases there is evidence in the case study reports that the formal representation of partners in the local employment development organisation was not substantiated by co-determination rights. The details of the diversity of partnership concepts will be presented later.

4.2.2. Economic restructuring and employment situation

While most of the labour market areas in which the LED cases were operating had already transformed into a service economy, with high shares of employment in business services, consumer services (tourism) and public services, many still suffered from their industrial history. The tracks of the strong decline of industrial employment are still visible and are determining the severe transformation process of their economies and labour markets. Table 4.5 shows the distribution of LED cases by the dominating industry and the main source of unemployment in the region. This cross-comparison reveals the strong impact of the manufacturing sector on the creation of unemployment, even in those regions where the service sectors have already emerged as the dominant employers.

Table 4.5 Economic structure of LED cases

Dominating industry*	Main source of unemployment		
	Agriculture	Manufacturing	Services
Agriculture, Mining	Peloponnisos	León and Palencia	
Manufacturing		Birmingham Dublin (Northside) Merseburg-Querfurt Ostwestfalen-Lippe Piedmont Roubaix	
Services	Alentejo Sudoeste	Bay of Cádiz Campania (Città del Fare) Gent Groningen Luxembourg North Karelia Vienne	Cornwall (Holesworthy) Fyn Norbotton County Tyrol

* compared to national employment structure

Source: Economix.

A striking example for these observations is the Spanish region of León and Palencia, which has “... gone through a process of heavy industrial restructuring, with the closure of most of the mines, which has resulted in serious economic and social problems with high rates of structural unemployment and progressive decline of these areas. In the late 1990s ... new, strategic sectors were targeted by the TEP: Agro-food industry; industry of transformation of non-metal minerals, forest management industry of transformation of wood, and tourism.” (Frade 2003, p. 5).

Similarly, the City of Roubaix was seriously affected by the decline of the textiles and clothing industries, which triggered off a spiral of regional decline: “The lack of economic development has generated low qualifications, low quality housing, a very strong immigration due to the low estate prices relatively to other spaces of the metropolitan area and an uncontrolled urban development. The rate of unemployment is approximately 23% ... The indicator of mortality is 30% higher than the average rate of mortality, and this is due to the accumulation of alcoholism, drugs addiction, psychiatric problems and suicides. The level of qualification is very bad too. 70 % of the population had a level V when the national average was 80% for the level IV. It has finally to be stressed that in the Lille-Roubaix-Tourcoing metropolitan area, Roubaix suffers from the relatively worst indicators among the 66 municipalities.” (Grefe 2003, p. 1).

Other regions of industrial decline are Birmingham and Piedmont with serious job cuts in the automobile industry. Dublin (Nothside), Bay of Cádiz, Gent, and Groningen experienced the weakening of their ship building and sea transport

industries, Merseburg-Querfurt the closure of its chemical industries in the course of German unification.

In different historical periods and at different levels of economic development all these regions were affected by economic shocks much stronger than the normal evolutionary changes of economic transition. They were seriously affected by rising unemployment and the decay of social structures, by brain-drain of the work force and declining incomes. They had to do something, and they obviously did. From this perspective the crisis of the regional economy and its negative social impact appears as one of the strong momentums for local employment development, forcing local actors to develop their own policy and to catch-up again with other regions.

This, however, is only part of the story. There are two agricultural regions in the sample (Peleponnisos, Alentejo Sudoeste) which are strongly determined by traditional rural lifestyles, but slowly transforming into a service economy. As regards Alentejo Sudoeste, the development is dichotomised: the coastal parts of the region are developing rapidly as tourist resorts, but the heartlands are rural. Economic transition is proceeding at a lower speed in these areas, and the target of local employment development is acceleration of change rather than overcoming a crises. Interestingly, both of these cases were initiated by the central governments of the two Member States, while in many of the aforementioned areas of industrial decline the initiative for local employment development came from local actors.

Finally, a third group in the sample has already transformed into a service economy with employment shares in services sectors well above 60 %. In these regions, local employment development is much more associated with decentralised and partnership-based policy concepts pursued since a long time. In the case of the Nordic countries, particularly in Denmark, decentralised employment policy has a long tradition and is a well-developed concept (Filgueiras 2003). Similar approaches are followed in Sweden and Finland, based on the important employment share of municipal public services. Austria has applied a strong partnership approach at all policy levels, national and regional, which made this country particularly open to the participatory ideas of the European Employment Strategy. For this group of cases, local employment development appears predominantly as a matter of governance which remains more or less untouched by the incidence of economic crises and long-term restructuring. Decentralised employment policy is a principle rather than a tool or an emergency aid.

The three types of LED cases are used for the first attribute of the LED typology – the dominant restructuring types of local employment development. They are briefly described in the following text box.

Textbox 4-1 Typology-Attribute 1: Dominant restructuring types of LED

Dominant restructuring types of LED

- ***Rural modernisation:*** the LED approach in remote agricultural regions accelerating the speed of restructuring and transforming into a service-oriented economy.
- ***Reversal of industrial decline:*** the LED approach to overcome the negative effects of industrial crises.
- ***Modernising private and public services:*** the LED approach to develop the service sector, social services in particular, often connected with decentralisation of policy action rather than employment policy as such.

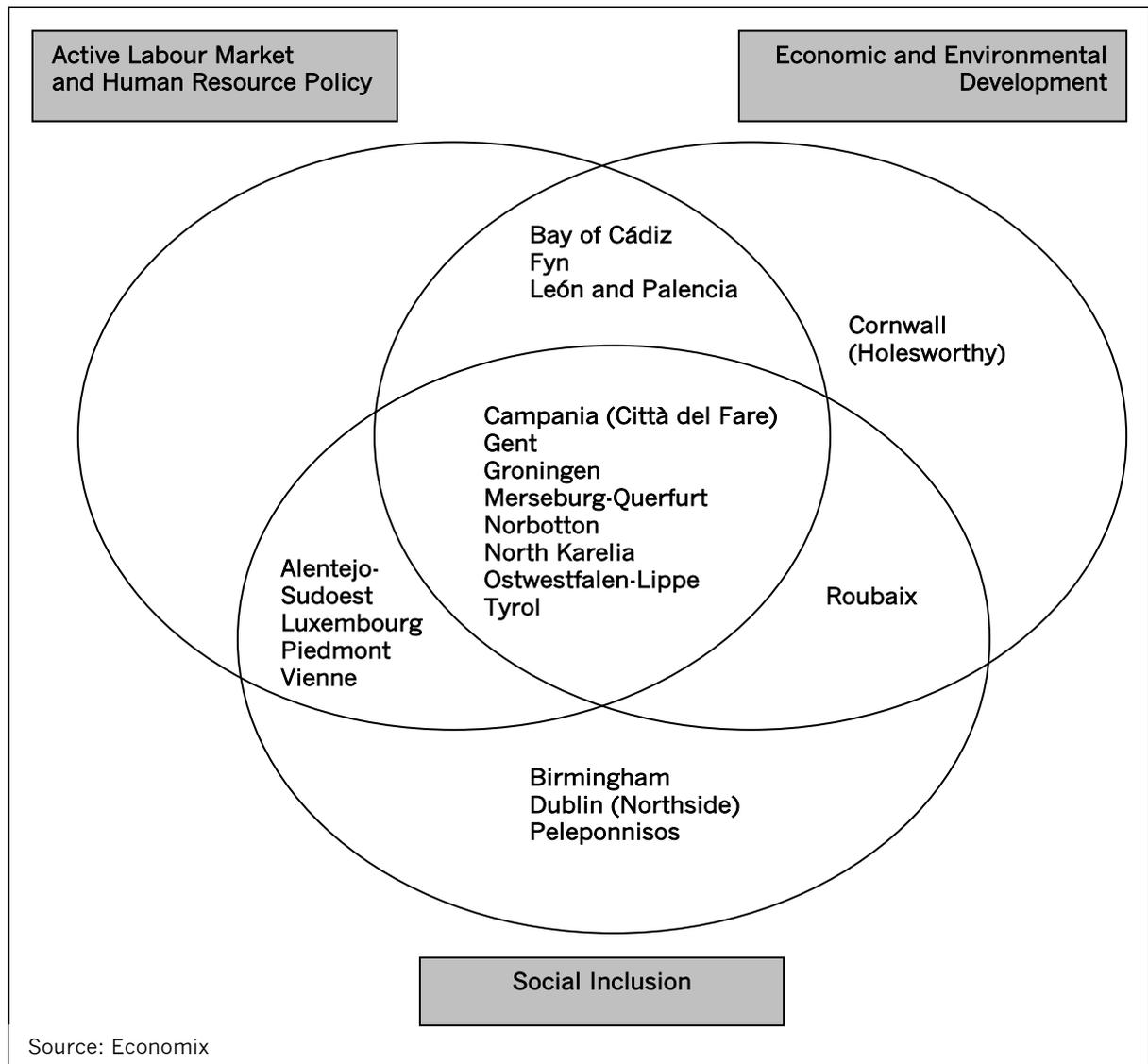
4.2.3. Policy programmes and policy integration

The great variety of economic backgrounds, social conditions and societal structures consequently leads to very different types of policy programmes for local employment development. In every LED case a singular policy concept was developed, referring to the specific local conditions and operational scopes of local actors. There is no “copy and paste” practice to be observed in policy programming, and local actors apparently prefer developing specified local concepts to applying pre-determined tools.

Nevertheless, the principles of the European Employment Strategy are of great influence on the policy design process. According to the majority of case study reports, the concept of the EES provides a useful and applicable structure for local employment policy programmes. This strongly coincides with the findings of the national reviews of LED policy (Chapter 3). In many LED cases the guidelines of the EES were useful instruments to develop a coherent employment policy and supported the weighting of different policy domains. This impact was strong in the development phase rather than the implementation phase of local approaches.

If policy targets of the different programmes are classified into three principal policy domains – active labour market and human resource policy, economic and environmental development, and social inclusion – the variety of programs appears to be significantly lower. As Chart 4.2 shows, many cases were located in the intersection of the three policy domains, or at least in the intersection of two of them. Eight cases were in the intersection of all three domains, and only four cases were concentrating on one of them.

Chart 4.2 Thematic focus of LED cases



Separated by the three policy domains, social inclusion policy was the thematic focus of 16 cases, active labour market and human resource policy the focus of 15 cases and regional economic and environmental development the focus of 12 cases. This indicates a minor prevalence of social inclusion policy, but a noticeable surplus weight of active labour market, human resource and social inclusion policies as opposed to regional economic development.

Most of the policy programmes include the development or promotion of a local partnership and thus address the underlying governance issue of local employment development. This aspect will be discussed in more detail in the next Section while the presentation of this section looks at employment policy domains.

Of course, none of the cases neglected the interfaces with other policy areas, and many concepts obviously stress coherence and integration of different policy domains. However, these notions also belong to the weasel words of policy programming and policy marketing. The meaning of coherence and policy integration, therefore, appears to be very heterogeneous. Applying the strong criteria that policy programmes have to implement measures in the policy areas named, the sample of integrated approaches shrinks.

In general terms, LED programmes include the support of job creation in private and social enterprises, the integration of specific target groups into the labour market, the improvement of the human resource basis of the region, and the reduction of the mismatch between demand and supply on labour markets. The programme of the City of Gent e.g. lists five pillars of its local employment policy approach called "Gent, stad in werking" (GsiW), Ghent, city at work (Janssens 2003):

1. *Attention for the spatial dimension for each policy*
2. *Priority for a sectoral approach, focusing on:*
 - *Tourism and culture*
 - *Logistics (transport, distribution...)*
 - *Biotechnology*
3. *Implementation of an inclusive employment policy*
 - *Based upon needs of target groups*
 - *Special care for people from migrant origin*
 - *Development of instruments: employment clauses, focused services, labelling*
4. *Development of a broad dialogue, based upon GsiW partnership, but further developed in order to include*
 - *Industrial sectors*
 - *Health and care sector*
 - *Education and training in a broad sense*
5. *Social economy: diversification and embedding in regular economy*

Another integrative description of policy targets is undertaken in the operational programme 2000-2006 of Campania (Città del Fare). It lists six priorities addressing in detail the development of regional resources (La Grotteria 2003):

1. *Natural resources:*
 - *New growth and sustainable development opportunities creation, removing environmental emergency conditions and networks inefficiency;*
 - *Assuring an efficient and rational use of natural resources, with particular attention to coasts protection;*
 - *Guaranteeing the environmental protection of the territory, mainly the mountains, also through agricultural activities;*
 - *Preserving development possibilities in the long period and increasing the quality of life.*
2. *Cultural resources:*
 - *Setting conditions for new entrepreneurial opportunities in the cultural sector;*
 - *Increasing quality of citizens life, confidence and social well being;*
 - *Increasing the value, protecting and making more enjoyable the cultural resources in Mezzogiorno.*

3. Human resources:

- *Promoting new development occasions, by expanding the availability and quality of human resources;*
- *Increasing the scientific and technological content of the southern production;*
- *Strengthening the network of province centres of Mezzogiorno and setting off links between scientific and entrepreneurial sectors;*
- *Reducing unemployment rates, increasing the labour market participation and emersion of informal activities, setting-off female resources, favouring confidence recovery processes and social well being and also reducing social marginality.*

4. Local development:

- *Creating economic conditions for entrepreneurial development and productive growth;*
- *Increasing competitiveness, productivity, social cohesion and cooperation in concentrated areas of territory, by means of technological innovation and productive clusters;*
- *Promoting the localisation of new entrepreneurial initiatives, included in the tourist sector, and the emersion of illegal enterprises;*
- *Assuring the sustainable development of the productive system, also using the best available technologies and respecting in the medium and long period the features of the environment.*

5. Cities:

- *Improving the functional articulation and urban quality of Mezzogiorno, by defining the role of the cities in their regional context;*
- *Creating economic, administrative and social conditions, suitable for the entrepreneurial development;*
- *Increasing the competitiveness and structural productivity of territorial economic systems;*
- *Fostering the localisation of new initiatives in urban and metropolitan areas, especially concerning care services;*
- *Fighting social exclusion marginality and favouring social confidence recovery processes;*
- *Qualifying the urban context, with particular attention for the environmental aspects.*

6. Network and knots of services:

- *Improving and creating conditions for the development of entrepreneurship new initiatives, as well as for competitiveness and productivity of territorial economic systems, by means of interventions assuring environmental sustainability, promoting the impacts reduction (balanced transports), favouring social confidence recovery processes.*

Other programs are more focused on primary local needs or on pragmatic policy approaches. The City of Roubaix and the City of Groningen are examples for both:

Roubaix: Facing the severe situation described above, the City of Roubaix established an action plan including the creation of a tax-free zone on the territory of the city (*Zone Franche*), the reconstruction of derelict centre areas (*Rue de l'Épeule*), the foundation of new institutions, like the City for Initiative and Employment (*Cité d'Initiative et d'Emploi*). This is thought to concentrate local services related to employment and training. Another example is the Museum of Arts and Industry (*Le Quartier de la Mode*) as part of an initiative to develop the cultural resources of the region. The policy design process identified inte-

grative action areas rather than integrative policy targets which certainly is a more direct and pragmatic approach for the integration of regional economic, social and labour market policy.

Groningen: The City of Groningen created the “*Groningen op de Ladder*” project (Groningen on the ladder) which integrated labour market and social inclusion policies by following the American “Wisconsin Model”. The target was to reduce the number of persons living from social welfare by more than 10 %. This should be achieved by the integration of placement and social services. A client-oriented approach was followed including case management and integrating various social services for vulnerable target groups. This is an example of an efficient organisational approach with strong integrative elements.

The examples reveal that de-facto integration highly depends on the institutional framework of local employment development, particularly on national policy regulations allowing for integrative local policy concepts, and on the culture of partnership in the region. LED cases where this does not apply tend to follow a less integrated approach. This is one of the reasons why the two UK cases are operating in singular policy domains. As many local initiatives in the UK are widespread but independent and discrete, the cases selected concentrate on very specific targets. They do not appear as integrated parts of a common strategy.

Regarding the degree of policy integration, three integration types of local employment development can be identified. They are listed in the following text box.

Textbox 4-2 Typology-Attribute 2: Policy integration types of LED

Policy integration types of LED

The thematic focus of LED cases does not provide a useful category for the typology of local employment development as most of the LED cases follow an integrative approach, either by their operational programme or by the implementation of their policy. Thus, the degree of integration appears as a superior criterion for the typology. Three types can be distinguished:

- ***Integrated LED approaches***, which establish a coherent and interlinked policy programme, identify integrative policy measures or establish integrated organisations through partnerships representing different policy domains.
- ***Interlinked LED approaches***, which establish interfaces with other policies but remain specialised in their specific policy domain.
- ***Isolated LED approaches***, which operate independently without significant policy links to other domains.

The integrative content should be evaluated by the integration of policy action rather than planning, preferably on the basis of an ex-ante evaluation.

4.2.4. Organisation of LED

In principle, the organisational structure of local employment development can be classified along two dimensions: the allocation of policy decisions and

the allocation of policy implementation. Policy decisions can either be taken by a government authority (local, provincial, national) or by an organisational body outside public administration. The implementation of LED policies can be undertaken by a centralised management organisation or by the partners of the organisation. If these two dimensions are combined in a matrix, four basic types of LED organisation can be discerned (Table 4.6):

Table 4.6 Types of LED organisation

Policy implementation by ...	Policy decisions taken by ...	
	Government authority	Independent organisation (Steering Committee)
Centralised organisation	Institutional LED organisation	Centrally managed partnership
Individual partners	Top-down institutionalised partnership	Bottom-up decentralised partnership

Source: Economix

The four cases can be characterised as follows:

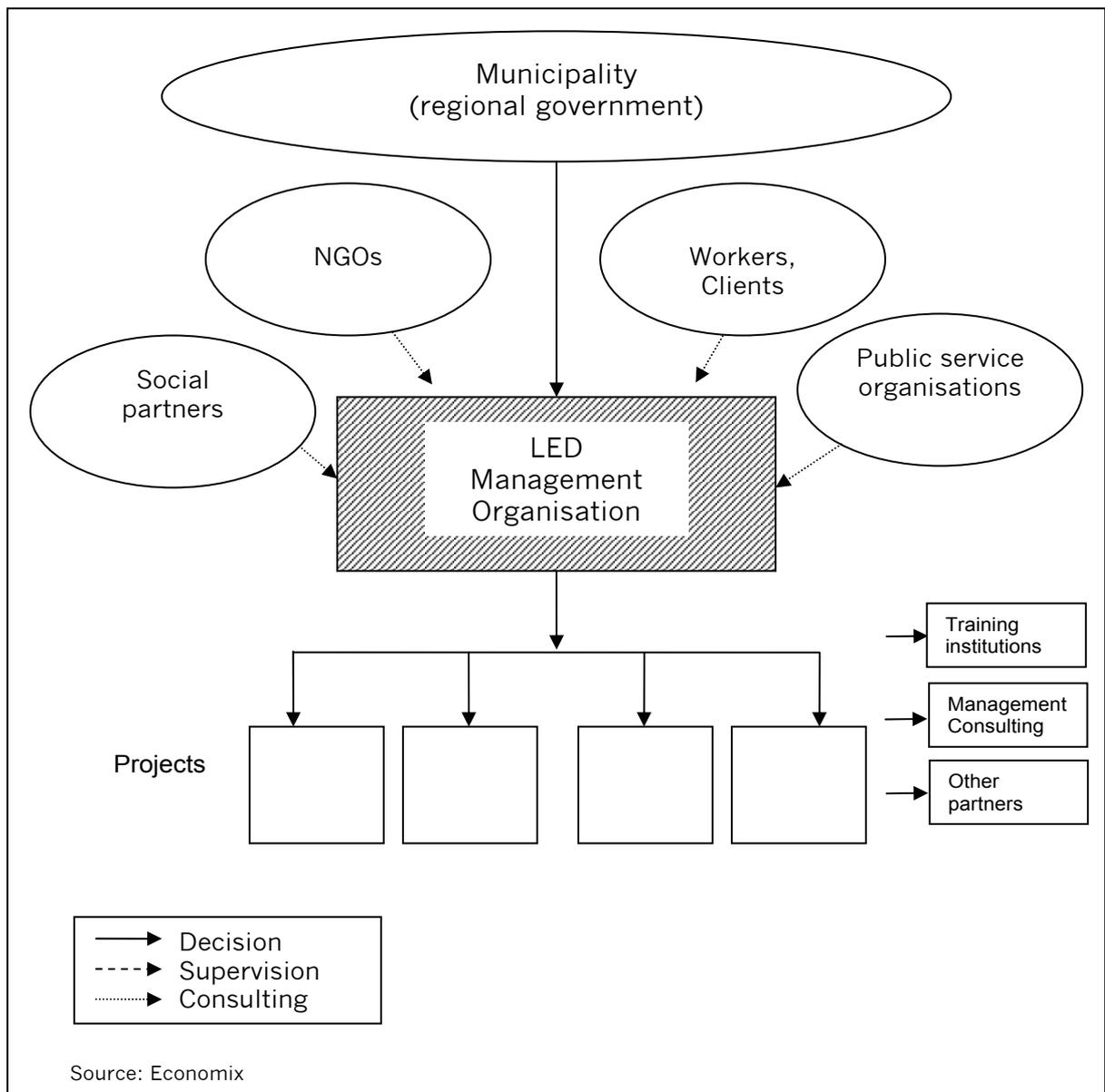
Institutional LED organisation

In this LED type, local employment development is the responsibility of a government authority – municipality or provincial government – and the policy is implemented by the public authority itself. It does not matter if the implementation is outsourced to an agency or a technical support structure as long as the legal and political responsibilities are with the public authority.

This type of LED organisation does not rely on partnership with other institutions. Its principle structure is demonstrated by Chart 4.3. The important aspect of this type is that the power of decision lies in the hands of the public authority. All organisations or representatives involved have advisory rather than supervisory functions or co-determination rights. This is the reason why it cannot be classified as a partnership but is called a LED approach.

A good example of this type is the City of Groningen which created the project “*Groningen op de ladder*” as part of the Directorate of Social Affairs and sub-contracted the provision of services to private companies or non-profit organisations. An advisory body was created including workers representatives and a clients’ council. The city administration is running this project on its own behalf, but linked to the Dutch decentralisation policy at national level (Janssens 2003).

Chart 4.3 Institutional LED organisation



This example demonstrates that singular organisations are a visible peculiarity of local employment development. Partnership approaches are not needed as a constitutive element of the LED cases and their involvement depends on the policy culture of the region. This type of institutional LED organisation appears as an element of the decentralisation process by which the competences for employment and social policy (or parts of it) are relocated to the local or regional level. This may happen without involving local partners.

Top-down institutionalised partnership

Partnerships are a constitutive element of all three other types of local employment development, however, with different degrees of influence.

In the case of the top-down institutionalised partnership, co-determination rights are given to the partners involved. They decide on the principles of local employment development, however, following the guidelines of the supervisory organisation. In many cases this is the central national or provincial government. The structure of this LED type is presented by Chart 4.4.

The operational tasks might be externalised to a public agency or management organisation. Training services, management consulting and other services may be sub-contracted to external companies.

Many of the TEPs are consistent with this type of LED organisation. In general a broad representation of local stakeholders is achieved in the labour councils and technical support structures are operating on the plans developed by these councils.

The most developed example of this type of LED organisation is the Danish model of decentralised labour market policy. The Regional Labour Market Council decides on the policy program of the individual region guided by the National Labour Market Council. The regions themselves are represented in this national council and are thus able to influence the guidelines. They operate in co-operation with Public Employment Services.

The other example is Austria where TEPs were organised in all provinces. The policy concepts are following national guidelines, but include regional specifications (see Chapter 3).

Centrally managed partnership

This type of organisation consists of LED partners which commonly steer an LED management organisation which operates on their behalf. Usually the partners provide financial support. The implementation of the policy is undertaken by the management organisation in co-operation with other institutions (Chart 4.5). It is called a centrally managed partnership as opposed to cases which manage and implement policy measured in a decentralised way.

The Luxembourg case provides an explanatory example for such a construct: *Objectif Plain Emploi (OPE)* operates as independent organisation, initiated by the trade unions and financed mainly by the Ministry of Employment. OPE functions as a network comprising a support centre and 30 local management structures. It works with flat hierarchies in co-operation with the municipalities involved. Public authorities are taken as partners.

This is the self-sustaining form of LED organisation being represented by the LED management body which operates on its own behalf and acquires the financial resources. Supervisory bodies exist but without influence on operational management decisions.

Chart 4.4 Top-down institutionalised partnership

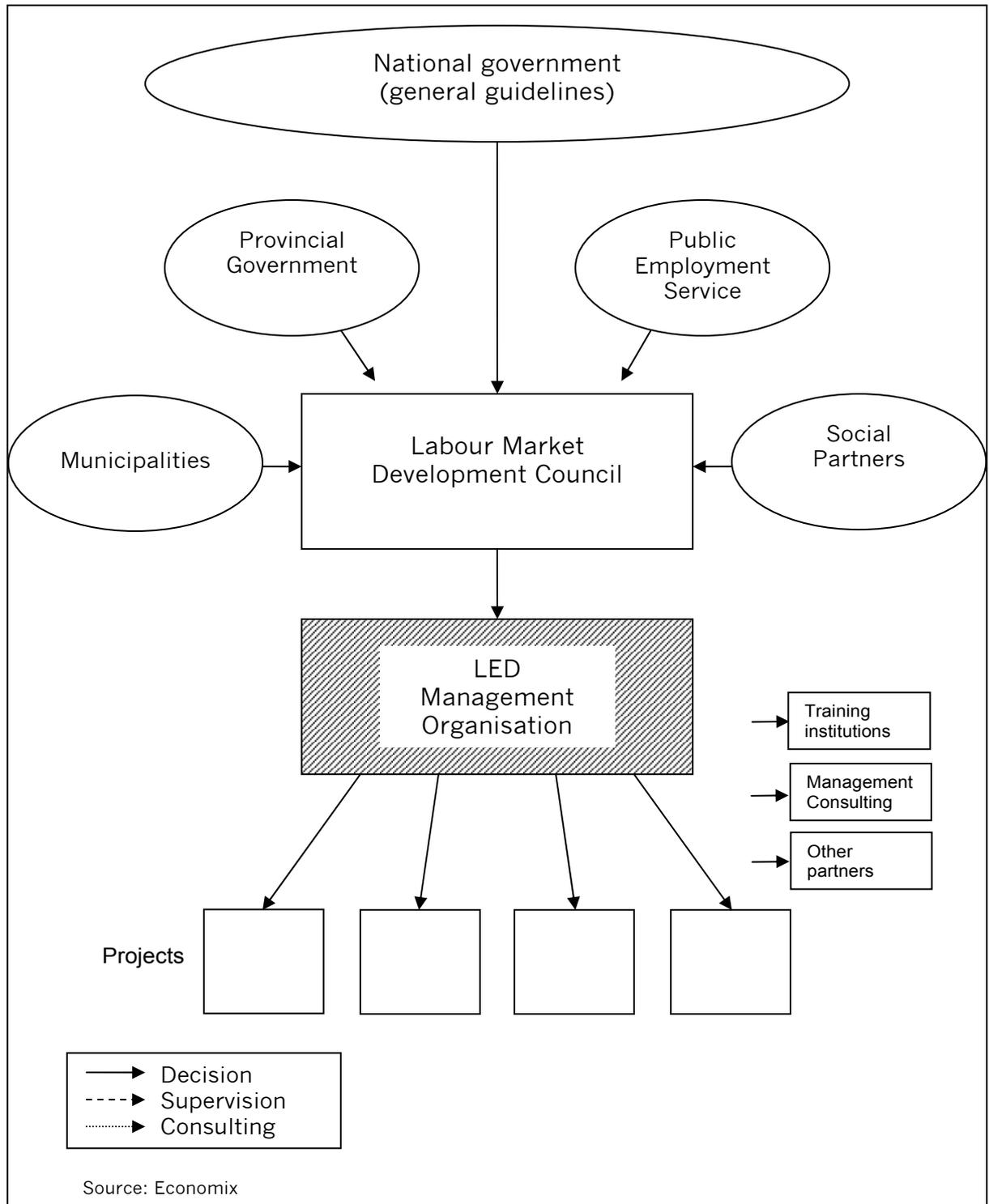
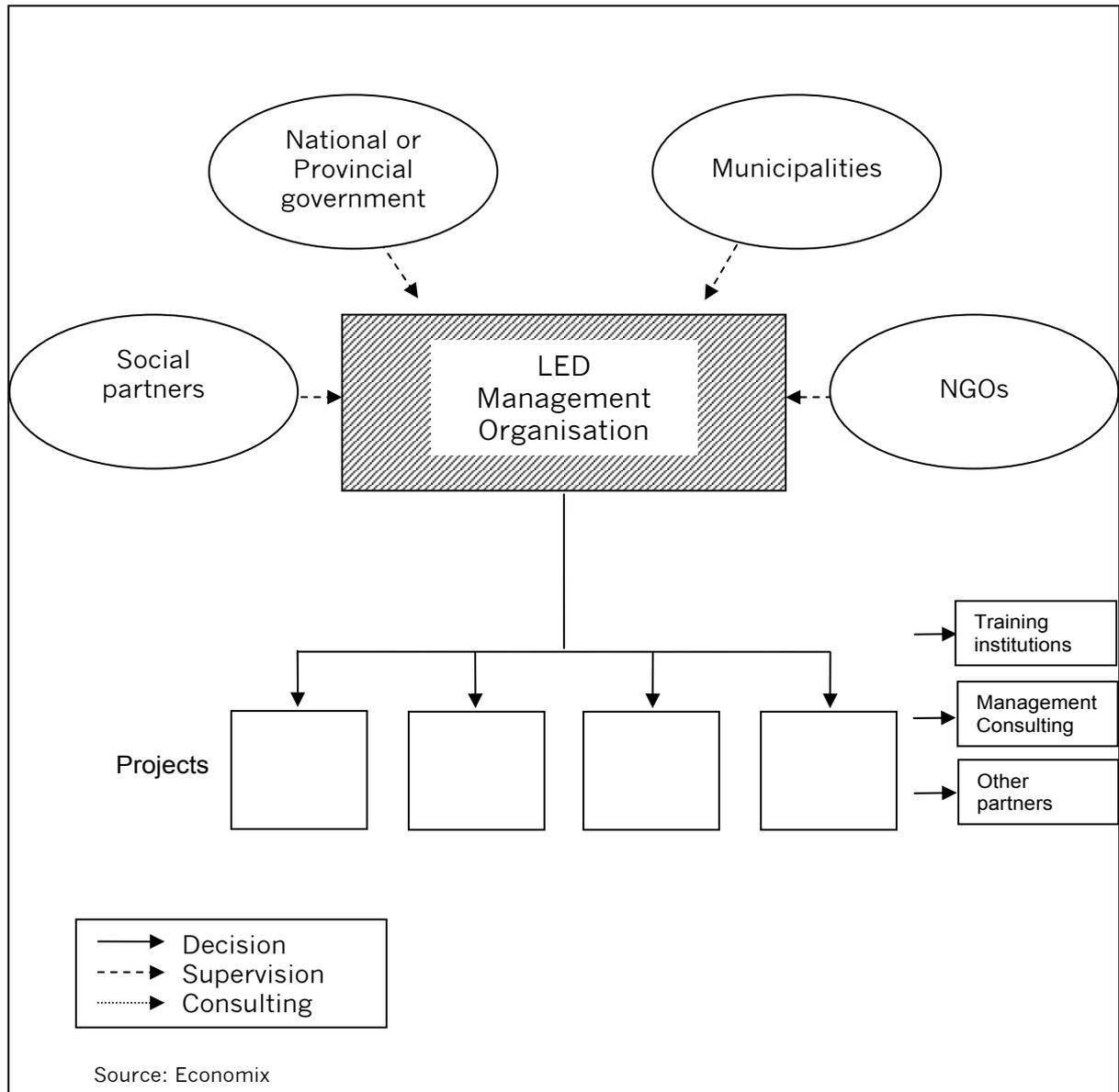


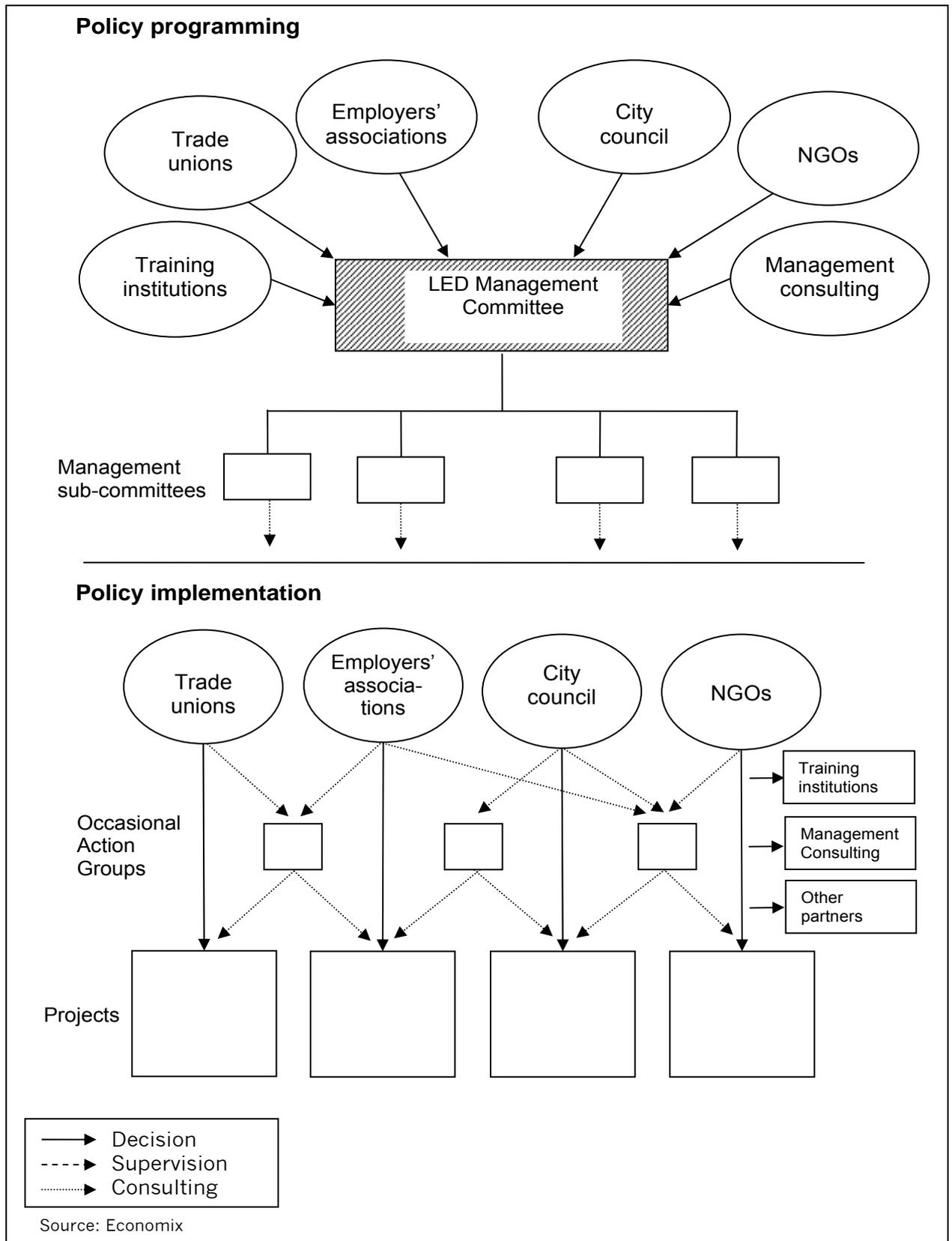
Chart 4.5 Centrally managed partnership



Bottom-up decentralised partnership

This is an organisation of independent partners which decide on a common programme and implement the policy as independent actors. Therefore, the levers of policy decision and policy implementation remain separated (Chart 4.6). This is the case of the City of Gent which has a strong tradition of partnership. *Gent, stad in werking* is an open and voluntary partnership of all local organisations active in the field of employment. The City of Gent has a steering role, but – most importantly – the partners implement the project on their own behalf. It is based on a broad consensus on labour market policy over the boundaries of political fractions.

Chart 4.6 Bottom-up decentralised partnership



The sample of LED cases shows a strong concentration on the type of top-down institutionalised partnership, if all cases are classified by the four organisational types of LED (Table 4.7). Ten of the cases belong to this group. Five cases can be classified as centrally managed partnerships, three as Institutional LED organisations and two as bottom-up decentralised partnerships.

Table 4.7 Organisational types of LED cases

Institutional LED organisation	Centrally managed partnership
Groningen Roubaix Vienne	Birmingham Campania (Città del Fare) Dublin (Northside) Cornwall (Holesworthy) Luxembourg
Top-down institutionalised partnership	Bottom-up decentralised partnership
Alentejo Sudoeste Bay of Cádiz Fyn León and Palencia Merseburg-Querfurt Norbotton County North Karelia Peloponnisos Piedmont Tyrol	Gent Ostwestfalen-Lippe

Source: Economix

Of course, this classification raises many uncertainties, as reality always differs from principles. Some of the cases should be positioned at the borderlines of the classification, and some do not fully comply with the definition of LED given above. In particular, the case of Vienne is at the border to the top-down institutionalised partnerships, as the role of municipalities is guided by the Département de la Vienne. By contrast, the case of Bay of Cádiz provides evidence that the role of the partners was formal rather than active. This case could also be classified as a LED case self-governed by the co-operation of national and provincial authorities. Finally, the two UK cases differ by their isolated approach from the other cases, and can therefore only be classified as centrally managed partnerships with a certain degree of tolerance.

The important message of this classification by organisational types nevertheless remains: Many of the LED approaches of the sample are organised as top-down institutionalised approaches and are thus under the control of national employment policy. For most of these cases, the establishment of the Territorial Employment Pacts was the master piece of organisation, and public authorities are the leaders. In addition, central national governments were the initiators of local employment development projects as in the case of Alentejo Sudoeste, Bay of Cádiz, Polepennisos. If not leading, central governments are at least controlling local employment development through their organisational structures. This applies for Denmark (Fyn), Austria (Tyrol), and Germany (Merseburg-Querfurt). There is obviously a

many (Merseburg-Querfurt). There is obviously a strong interest for vertical integration of employment policies in some countries.

The three alternatives to the top-down institutionalised approach are all more or less self-dependent types of organisation which were initiated by municipalities or non-governmental organisations and are steered without direct influence from central governments. This involves more independence for local actors and a stronger degree of decentralisation. In these cases vertical integration is reduced in favour of both, broader participation and adjustment of policy programmes to local needs. As the case study report for the City of Gent formulates: *“At first sight, a broad partnership reduces the influence of the City in the sub-regional labour market committee, but on the other hand, the partnership creates new possibilities for action.”* (Janssens 2003).

This dichotomy between vertically co-ordinated and decentralised policy approaches is based on a trade-off between well-organised, non-chaotic policy implementation and capitalising on local powers of action. This becomes evident by the fact that the top-down institutionalised approaches are strongly depending on the conceptual and financial inputs from national and European sources. They are more restricted in the choice of their policy instruments, and in cases where financial inputs are not guaranteed, the sustainability of local employment development becomes uncertain (e.g. Alentejo Sudoeste, Bay of Cádiz, Peloponnisos, Piedmont).

The decentralised types of LED organisation (including both, the bottom-up decentralised and the top-down institutionalised partnership) have more freedom of choice regarding both, the type of instruments applied and fund raising. However, their efficiency strongly depends on the consensus among the partners. The ideal case of perfect harmony can create a strong momentum for local employment development but the efficiency of the organisation remains vulnerable to conflicts among the partners. This is confirmed by the observations in the case of Bay of Cádiz.

The Tyrol case points to another problem of decentralised approaches which did not achieve a strong cooperation between the partners involved. This also affects the integration of EU programmes: *“... little coordination between the different EU Funds and Community Initiatives in the sense of an integrated approach could be identified. This is partly linked to the fact that different territorial levels are responsible for the Programming and the implementation of the Funds and Community Initiatives. Furthermore, coordination within the provincial administration could be more effective.”* (Düll 2003b).

Four types were identified in this Section concerning the organisation of local employment development:

Textbox 4-3 Typology-Attribute 3: Organisational types of LED

Organisational types of LED

- *Institutional LED organisation*, which is steered by a public authority and managed by a centralised organisation. This is the LED case without a partnership approach.
- *Top-down institutionalised partnership*, which involves local partners steered or supervised by a public authority. Local partners can decide on policy issues within public guidelines.
- *Centrally managed partnership*, which is a self-governed organisation, supervised by the partners or stakeholder, but operating on its own behalf in cooperation with local partners.
- *Bottom-up decentralised partnership*, which is a partnership of independent local actors, deciding on their policy concept without public intervention and implementing policy action as the responsibility of the partners.

4.2.5. Impact of EU funding

Until now the structure of funding remains one of the secrets of local employment development in most of the cases observed. Financial records are either not available on a territorial basis or – if they do exist – specify on individual projects or programmes. This is due to the heterogeneous structure of LED organisations but also to the heterogeneity of funding sources. In particular, EU funding is channelled through the variety of Structural Funds programmes (Objectives 1, 2, 3, the former Objectives 5, and the Community Initiatives) all directly addressing individual projects or development partnerships. In some cases this is complicated by national funding regulations which do not fully coincide with EU regulations. While financial records are certainly available for the multitude of singular programmes, the local level obviously is not the mirror in which expenditures are fully reflected.

In addition, in some cases the funding sources are not always evident at local level. All EU programmes require co-funding which in most of the cases is organised at the central national or provincial level. The Member States established particular guidelines combining their specific policy approach with EU regulations. The local level can hardly identify the importance of the different regulations as compliance with EU regulations is managed at a higher level of public administration. Moreover, it remains unaware of the financial contributions of the different sources.

Nevertheless, all of the cases succeeded in acquiring EU resources, particularly Objective 1 funds (11 cases), and Objective 2 and 3 funds (8 cases each). The ERDF initiatives (LEADER, URBAN, INTERREG) provided resources to three to five cases, and 12 cases acquired EQUAL projects. Two cases were involved in Article 6 projects.) As far as evidence is available, the financial contributions of Community Initiatives appeared to be minor.

Table 4.8 EU funding by programmes

Objective 1	Objective 2	Objective 3
Alentejo Sudoeste Bay of Cádiz Birmingham Campania (Città del Fare) Dublin Cornwall (Holesworthy) León and Palencia Merseburg-Querfurt Norbotton County North Karelia Peloponnisos	Birmingham Fyn Gent Cornwall (Holesworthy) Piedmont Roubaix Tyrol Vienne	Birmingham Cornwall (Holesworthy) Luxembourg Norbotton County Piedmont Roubaix Tyrol Vienne
LEADER	URBAN	INTERREG
Alentejo Sudoeste Cornwall (Cornwall (Holesworthy)) Piedmont Tyrol Vienne	Bay of Cádiz Gent Roubaix	Fyn Luxembourg Piedmont Roubaix Tyrol
EQUAL	Article 6	
Bay of Cádiz Gent Groningen Luxembourg Norbotton County North Karelia Ostwestfalen-Lippe Peloponnisos Piedmont Roubaix Tyrol	Luxembourg Peloponnisos	

Source: Economix

According to the observations, three different types of local employment development can be distinguished by funding practices. As funding is a strong determinant of policy programming, the types also describe the impact of EU programmes and the coherence of LED approaches with funding regulations:

EU-funded LED

These regions normally correspond to the Objective 1 regions, particularly where Objective 1 funding is provided to large parts of the Member State. National support structures of the Social Funds have great influence on regional and local policies. Due to the significant volume of the Structural Funds resources the regional development strategy is based on European criteria. Employment policy in general is coherent with the European Employment Strategy. The integration of different funds opens the opportunity of establishing an integrated local development strategy. An important aspect of this type of LED approach is the requirement to establish a coherent and overarching national

development plan. The local level benefits from this integration in a wider strategy through the co-ordination of national or regional intervention.

The cases of this type in the sample of the evaluation are Alentejo Sudoeste and Peloponnisos. In both cases national governments developed a strategy for local employment development and took the responsibility for organising and managing partnerships at local level.

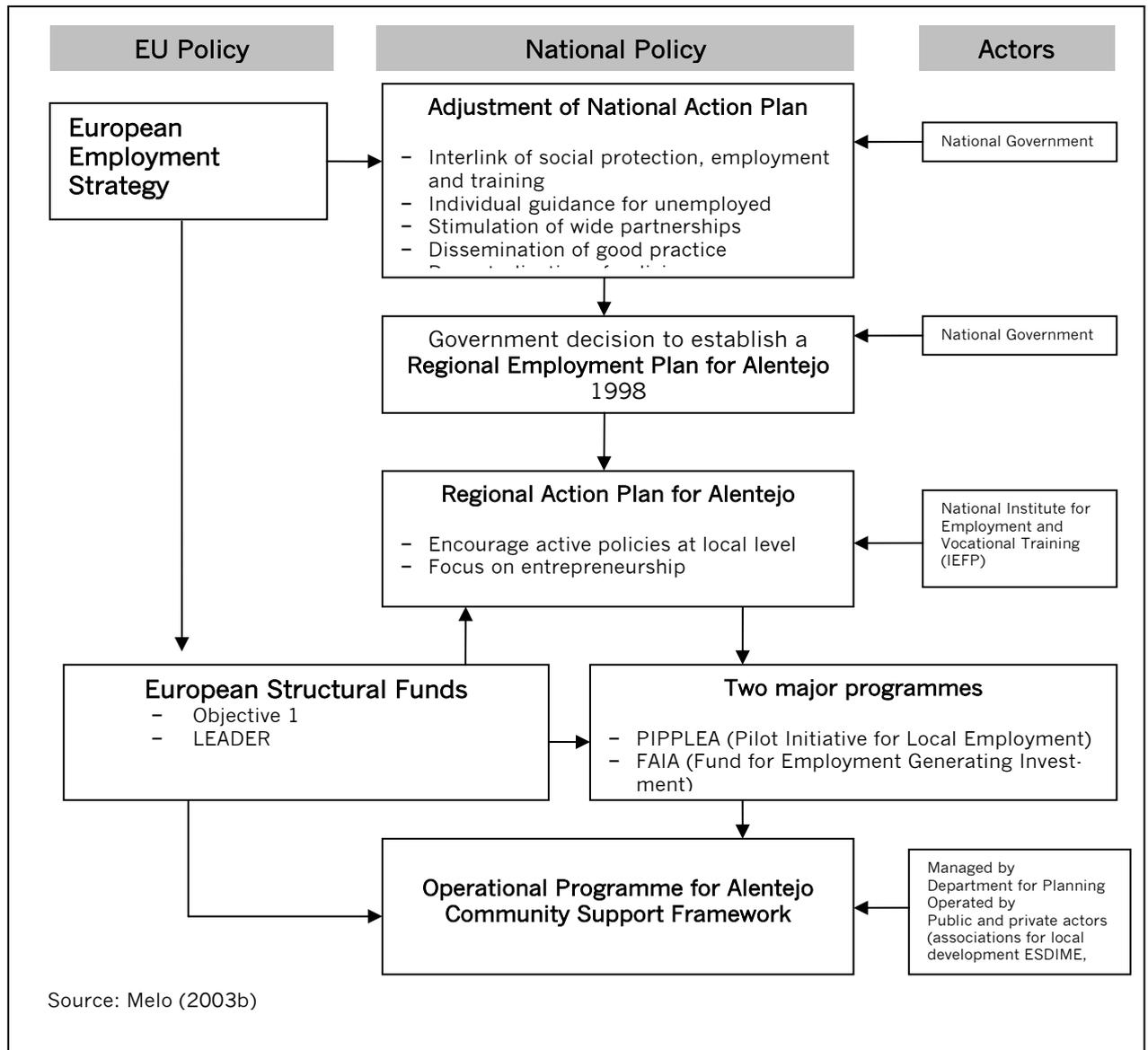
In the case of Alentejo-Sudoeste the decision of the Portuguese government to establish a regional employment plan for Alentejo was based on a long experience of local initiatives which were already involved in EU-funded projects of LEADER. The major step in 1998, however, was undertaken by the national government and the management responsibility remained at the national level (Chart 4.7).

Strongly influenced by the European Employment Strategy, the National Action Plan was amended with the target to stimulate wide local partnerships, and the Regional Action Plan for Alentejo included the target to encourage active policies at local level. Two specific programmes were established including the Pilot Initiative for Local Employment (PIPPLEA). Local organisations like ESDIME and ADL could use these programmes for their activities. The partners of these organisations were the municipalities, public employment service, non-governmental organisations and companies. The programmes were developed within the frameworks of EU funding under Objective 1, Objective 3 and LEADER.

The approach for Peloponnisos was similar as regards the overall responsibility of the Greek government for organising and financing local employment development. As in all other Greek regions a top-down institutionalised approach was applied, initiated both in the framework of mainstream ESF funding and the Community Initiative EQUAL. *“The model is mainly based on institutional regulations elaborated at national level, which put the general lines for the involvement of local actors. These regulations are gradually identified as major parts of the Greek employment policy. ... EU programmes constitute a major opportunity for the development of local initiatives...”* (Ioannou 2003e, p. 9).

LED activities were strongly extended for the planning period 2000-06. Overall 30 m € are committed to LED during this period concentrating on the social economy and the development of sustainable local policies and partnerships. Most of the funds are coming from ESF-Objective 1 (70%). There is one EQUAL project exclusively funded by ESF and one ESF-Article 6 project, both being of a smaller size (Chart 4.8).

Chart 4.7 LED policy in Alentejo-Sudoeste

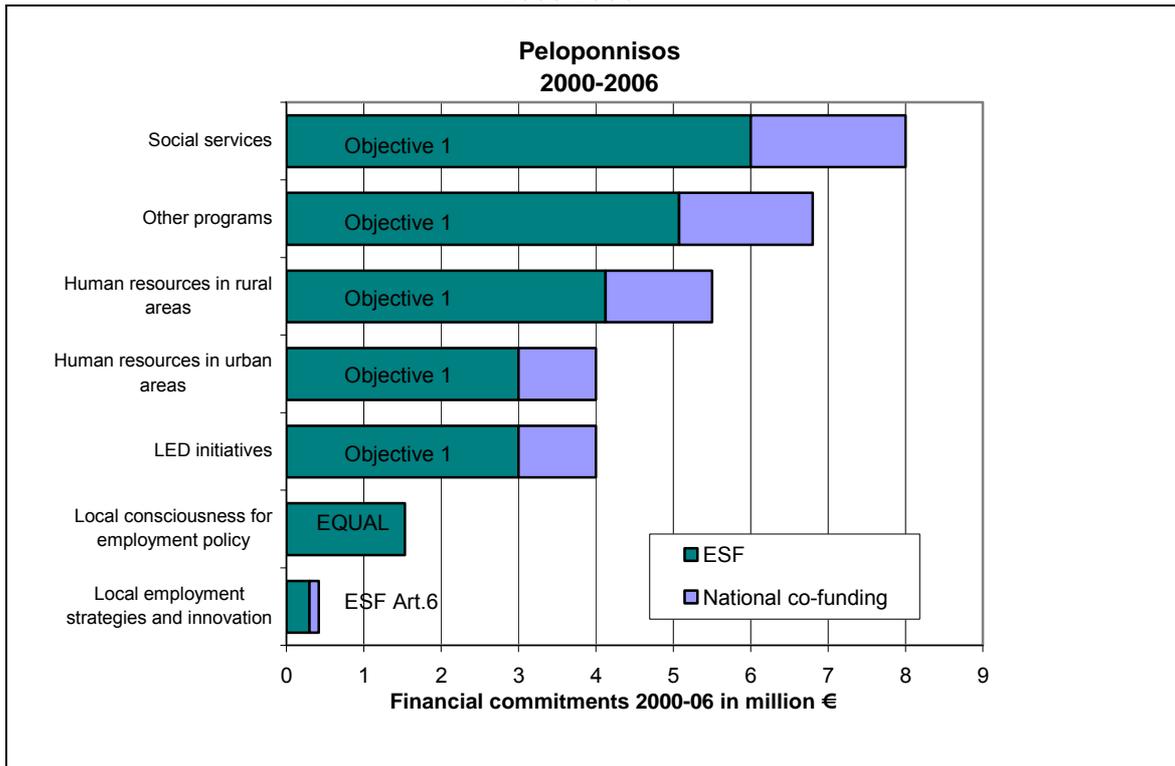


LED activities are incorporated in the Regional Operational Programme elaborated within the framework of the national policy for local employment development, and specified in the Greek NAP. While this is a top-down institutionalised approach it creates specific benefits to the local counterparts, “... as it helps them familiarize with the current trends in partnership and networking development at local level. Substantial improvements are therefore already noticed both in the management of the partnerships and in the development of specific strategic aims.” (Ioannou 2003e, p 11).

LED policies in Peleponnisos are closely linked to the overall economic and social policies of the region. The management and administration of the various ESF mainstream funding is done by the Regional Management Authority established within the General Secretariat of the Region. The implementing authorities of the various programmes are municipalities, social partners,

training institutions and various local actors. All specific measures and programmes have been implemented in parallel with other EU financed activities aiming at the overall socio-economic development. The support by EU programmes has been of a major importance in the region, as local partnerships have not developed the financial capacity for own action. National co-funding is required.

Chart 4.8 EU-funding in Peloponnisos
Financial commitments 2000-2006



Source: Ioannou (2003e)

Complementary EU funding

Countries where Objective 1 funding is regionally more scattered used EU funding much more as a complement to their regional policy. This gives national regional policies and funding procedures a stronger impact, a fact which also applies to the use of Objectives 2 and 3 and the involvement of the Community Initiatives. The complementary role of EU funds also affects local employment development which is not a preference in all Member States. In these cases, the role of EU funding strongly depends on the national role of local employment development and the institutional structure of the Member State. However, in all cases, EU funding was used as a trigger to innovative approaches, not directly complying with national regulations. This also has positive effects on partnership approaches. The problem of sustainability of LED approaches, however, is greater than in the case of EU-funded LED.

Most of the cases of this evaluation are of this type: Bay of Cádiz, Birmingham, Campania (Città del Fare), Cornwall (Holesworthy), Dublin (Northside),

Fyn, Gent, León and Palencia, Merseburg-Querfurt, North Karelia, Norbotten, Piedmont, Roubaix, Tyrol, Vienne. Two of these cases are used in the following to exemplify the impact of EU funding.

In the case of Roubaix e.g. European funding was systematically used in close connection with French national and local public funding in order to concentrate all the resources on some specific strategic projects. Instead of disseminating the European funds or of using them independently from other programmes, they were connected with the others in order to create a lever effect on the local business environment:

- ERDF has been mainly used for the urban policy and for cultural investments. (45m € for the period 2000-2005)
- Objective 3 funds were taken to support the local plan for re-inclusion of disabled people and to support the training and monitoring costs of the program "*Jobs for Youth – New services*". (1m € between 2000 and 2003).
- URBAN was used to allow some urban design rehabilitation and to organise some re-inclusion programs through new economic activities (6.8m €).
- EQUAL is aimed at the fight against discrimination on the labour market. This seems a very specific project since it is the only European Equal program dealing with the general discriminating processes that can act on a local labour market.
- INTERREG supports the co-operation with the neighbouring Belgian municipalities. Its main aim is the definition and implementation of a trans-border validation of qualifications in order to increase mobility.

Moreover other European programs have been mobilised in favour of some specific local actors, such as Leonardo, Culture 2000, MEDA and Daphne. But very often some of these potentialities have not been fully mobilised. Two reasons may explain such a state: the bureaucratic process and the lack of administrative or financial abilities of their beneficiaries which were mainly small grassroots organisations (Grefe 2003b).

In the case of Tyrol EU funds were also extensively used. However, the degree of programme integration was lower. As Table 4.9 reveals, EU funds are partly managed by the provincial government of Tyrol, the public employment service, and federal ministries or offices (Federal Ministry for Economy and Labour, Federal Ministry for Agriculture, Forestry, Environment and Water Management, Federal Social Welfare Office). In addition, LED activities in Tyrol are based on the nation-wide establishment of TEPs. The Tyrolean TEP has coordinating functions. It is managed by the Provincial Government of Tyrol and managed by the Zentrum für Beschäftigung und Bildung (Centre for Employment and Education). The partners are commercial chambers, trade unions, association of municipalities, the City of Innsbruck, and the Schooling Office of Tyrol.

While only a minor budgetary competence was left to the Tyrolean TEP, it helped to formalise the cooperation among partners. Employment policy, however, is organised and managed by the Provincial Government of Tyrol and the nation-wide public employment service. EU funds are integrated with na-

tional and provincial policies, but from a vertical rather than horizontal perspective. The TEP is used for additional projects with experimental and innovative character.

Table 4.9 EU funding in Tyrol
Financial commitments 2000-05/06

Programme	Managed by	Targets	Annual average (million €)	EU share (%)
Objective 2*	Provincial government	Start-up promotion; Tourism and culture; Regional development;	38.9	17.0
Objective 3	Public employment service Tyrol	Youth unemployment Training Equal opportunities	10.2	32.0
INTERREG IIIA (Austria-Germany/Austria-Italy)	Provincial government	cooperation for economic development cooperation in training and innovative labour market policies	4.0	50.0
LEADER+	Federal Ministry for Agriculture, Forestry, Environment and Water Management, administered by the provincial government	regional development, entrepreneur advice, business settlement, regional marketing, education	2.3	46.7
EQUAL	Federal Ministry for Economy and Labour, administered by provincial government of Tyrol - a further DP is administered by the Federal Social Welfare Office ("Bundessozialamt").	labour market integration of disadvantaged groups	1.8	50.0

* including transition of former Objective 5b.

Source: Düll 2003b.

Non-EU-funded LED

These LED approaches are largely developed without EU funds, opening EU regulations very little impact on local development concepts. The sample of cases included three such cases. In Groningen, local actors did not succeed in acquiring EU funds but were supported by the Dutch government. In Luxembourg, EU funding is indirect via the budget of the ministry of employment without direct influence on the LED organisation. The case of Ostwestfalen-Lippe stands for a nation-wide initiative of employers to develop local employment strategies. This indicates that local level is able to acquire own resources in different ways, sometimes with indirect use of EU funds.

Local experience with EU funding

Funding appears to work well in cases where the funding process is organised on the national level and LED organisations are integrated into these funding

structures. This is particularly the case for Objective 1 funding which in general provides shares between 50 and 70 % of LED budgets. In cases, however, where the individual LED organisations are responsible for funding, the capacities to organise this process, in particular EU funding, are rapidly exhausted.

In cases where EU funding had a significant share of total LED-related expenditure, the impact appears to be positively assessed. For the León and Palencia case the reports states: *“European funding through European Programmes seems indeed a determining factor for the development of the LED policies and initiatives developed in the mining areas. Thanks to the EU programmes, LED initiatives which had been brought to a halt due to lack of funding could be re-initiated within CIP such as ADAPT and YOUTHSTART, and afterwards again the same occurred in the case of the TEP (with funding from diverse EU funds, particularly ERDF, ESF, Agricultural Funds).”* (Frade 2003b).

As far as local actors are engaged in funding agreements with different sources, complaints about complicated funding procedures can be found in many cases:

- Vienne: *“In a general way, the joint opinion of associations as of the local government is that the multiplicity of European interventions is not always clear to the beneficiaries. Too often, it disseminates a feeling of powdering and opaqueness in the process of allocation. Therefore these financial resources are considered as means to fill partial budget deficits rather than to set up more audacious strategies in touch with the European Employment Strategy. A second issue appeared during the last years: as the European funding is expected to disappear rather quickly, the potential beneficiaries prefer not to base innovative strategies on them, what strengthens all the more their auxiliary character.”* (Grefte 2003c).
- Campania (Città del Fare): *“The Agency’s activity meets some difficulties, as the implementation of the interventions has to comply with timetables, procedures, prescriptions and funding opportunities being dictated by different authorities that do not communicate one to each other, use separate approaches and are very far from the intervention context.”* (La Grotteria 2003b, p. 22).
- Merseburg-Querfurt: *“All participants agreed that bureaucracy (Land and EU regulations) costs time and energy of the pact members that could be invested much better in the planning and implementation of projects. The ministry that administers ESF and EFRE itself agrees in part with the complaints of the pact members. Although the two funds are administered by one ministry, the integration is complicated due to internal and EU regulations. Especially the different time lines and requests for certain project managing organisations inhibit integration of funding programmes. On the other hand, the Land’s ministry has to perform within its own and the EU guidelines ... The Land, highly appreciating the EU programmes and seeing many positive effects for local employment development by ESF and EFRE funding, suggests that the local actors have to learn to work within the existing guidelines and regulations.”* (Plesnila 2003c, p. 17).
- Groningen: *“The province intended to support the Groningen op de Ladder by projects with EU co-funding. This strategy did not work out, because of*

the interpretation of Structural Funds rules. The Dutch ESF-agency could not accept the proposal, because the national programme requests for each project clear targets under the form of a number of persons trained and number of hours of training, which was not the base of the project. ERDF funding was rejected, because administrators considered that this was an ESF-type of projects. After the responses were received, deadlines were over to try sponsoring directly by the EU Commission, e.g. in the framework of Article 6 ESF innovation. Hence, the province supports the project by its own means, which means nevertheless a much lower budget than with European co-funding.” (Janssens 2003f).

There is indication that the positive impact of EU funding is correlated with three conditions, the organisation of EU funding at the national level, the existence of a local employment approach, and the ability of local actors to establish a continuous stream of financial resources under the prevailing EU regulations:

- Countries like Austria, Ireland, Portugal, Spain and Greece have well-established structures which organise the funding procedures in an efficient way thus reducing the complexity of funding for LED organisations. The establishment of overarching regional development plans helps to follow the requirements of EU funding.
- Similarly, *“the efficiency and the quality of the European contribution depend on that of the project and partnerships weaved on the grass-root level. European funding obviously works best where a common local strategy exists. Capital funding exerts a leverage effect which is recognised as such. (Grefe 2003c)”*.
- The ability of local actors to establish an ongoing stream of financial resources on the basis of the prevailing regulations seems to be very heterogeneous such that only a selection of applicants succeeds in surmounting the barriers. The ability to acquire and to manage funds becomes an important factor for the allocation of EU funds. This does not necessarily coincide with the need for local employment development, but raises the efficiency of allocation.

Problems of sustainability are also the consequence of the competitive bidding procedures for the Community Initiatives in particular. These instruments open a limited funding perspective while local employment development is designed as long-term policy. The transformation of labour markets and social systems takes periods going beyond the lifetime of individual projects financed by EU Structural Funds.

Inefficiencies are associated with the size of funding: the Spanish case of Bay of Cádiz which was supported with 37m € from EU and national sources provides indication that *“... many problems, not to say all, were related to the distribution of the funds”*. (Frade 2003c). The local press published an article which quoted *“... public declarations by the co-ordinator of the TEP pointing to the existence of certain quasi-corrupt practices related to the TEP.”* (Diario de Cádiz, 16.05.2001). This is certainly a risk rather than the rule of spending big amounts of financial support.

Textbox 4-4 Typology-Attribute 4: Funding types of LED

Funding types of LED

- **EU-funded LED**, which is mainly funded by EU Structural Funds in regions with a strong impact of EU regulations.
- **Complementary EU funding of LED**, which is combined with substantial contributions by national and regional funds.
- **Non-EU-funded LED**, which is independent from EU sources and uses EU funds if at all indirectly.

4.2.6. Policy innovation

One of the contributions most appreciated by the organizers and most influential on local employment development is the conceptual framework of the European Employment Strategy and the partnership approach promoted by various Community Initiatives. There are several examples provided by the case study reports:

Tyrol: “The application and management of EU funding has increased professionalism in the conception of regional development policies and has contributed to a more strategic planning approach. This finding of the national report (on Austria) could be confirmed in the case of Tyrol from our interview partners. ... Cooperation between different partners and the development of strategic approaches could be identified in the case of three EU programmes: LEADER +, INTERREG and the Territorial Employment Pacts. A main achievement of the Territorial Employment Pact lies in the cooperation between the provincial public employment service and the provincial government. A further achievement can be regarded in strengthening of networking. The Territorial Employment Pact combines both aspects: coordination of employment policies and developing innovative measures.” (Düll 2003b, p. 19).

Peleponnisos: “EU programmes constitute a major opportunity for the development of local initiatives to bring local actors together (i.e. EQUAL, LEADER). However, these are developed in the specified framework of the Programmes and very little space is left to local actors (local government, other public or private) to undertake further strategic initiatives both in financial and decision-making terms. So far, no such mainstreaming initiatives have been recorded in the region of Peloponnisos, but substantial efforts are currently made to initiate the sustainability of partnerships and the continuation of the action of the partnerships developed in the framework of EQUAL, the Local Employment Development Initiatives of the current ROP and the actions undertaken in the social economy sector.” (Ioannou 2003e).

Similar assessments are included in the reports on Alentejo Sudoeste which underlines the positive impact of LEADER, or the León and Palencia report quoted above.

As already stated in Chapter 3, the Territorial Employment Pact Programme appeared as one of the most important EU programmes with long-lasting ef-

fects. This programme turned out to provide not only a model of local partnership but also the opportunity to test local partnership approaches and to develop the conceptual frameworks (see 3.3.1).

In addition, the use of evaluation evidence was appreciated by local actors which found valuable material on the effectiveness of different labour market policies and funding instruments (Janssens 2003d).

A further positive policy impact came from the innovative approach of ESF funding, particularly in cases where national labour market policy instruments were strictly defined and EU funding thus provided the opportunity to develop innovative approaches. Typical statements representing these cases are:

Norbotten: *“ESF assistance is not considered of a major importance in the development of LED policies and measures in Sweden, at least from a financial point of view, as several programmes and measures are traditionally developed at a local level. However, EES and the subsequent ESF assistance have a major impact in local employment, as they gave the opportunity to emerge new pilot or innovative actions in the field of LED, which would not be included in the country priorities without the EU financing.”* (Ioannou 2003f).

North Karelia: *“Finland, which had a long tradition in the implementation of (centrally developed) local and community-based initiatives in the field of labour market development, found in ESF funds an excellent opportunity to develop independent innovative initiatives developed and implemented at local level. ... the major part of the current LED policies and measures have been identified in the framework of EU programmes implementation: either under mainstream ESF assistance or at the implementation of individual projects financed by other EU programmes and initiatives.”* (Ioannou 2003d).

Dublin: *“Through the development and piloting of innovative labour market interventions, the Partnership is well positioned to lobby the Government departments to bring about changes in employment policy.”* (Hogarth, Wilson 2003e).

The last case points to the fact that innovative exchange is a two-sided process. Substantial contributions to innovative approaches were created at local level, providing valuable examples for LED approaches, organisation and partnership approaches. This is not only the case with Dublin Northside, but also reported for Groningen and Bay of Cádiz, where the partner city Jerez provided important contributions.

Finally, new ideas for local employment development are also coming from other sources, e.g. the Wisconsin Model which inspired the concept of the City of Groningen. Or they emerge from the deepening of local economic and social crises, like in the case of Roubaix: *“During almost twenty years the municipality did not react, waiting for better economic prospects ... The city suffered from environmental, urban and social degradation. In the mid-nineties a change occurred due to both the new municipality and to the new metropolitan attitude. The municipality intended to create an environment which would*

rehabilitate the city, and make it more attractive for both the venue of new companies and the creation of SMEs. Such a strategy was a long-term one, mobilising many stakeholders.” (Grefe 2003).

The principle ideas of the local employment approach of the European Commission and implemented by the various EU programmes has obviously reached local actors. Most importantly, the ideas were disseminated with the help of EU programmes, integrated and applied by local strategies for employment. This seems to function more efficiently if local employment strategies are already developed, if local actors are willing to co-operate within a common policy framework, and if national governments support local employment strategies actively. Thus a virtuous circle with a strong momentum can be brought into action.

4.2.7. Efficiencies and inefficiencies

The assessment of efficiencies and inefficiencies of the LED cases faces similar difficulties as the statement of financial records. In most of the cases observed, scientific evaluation is not available (with the exemption of the French and Irish cases). The economic and labour market effects can hardly be estimated, and in many cases evaluation is limited to self-evaluation by local actors.

For the purpose of this evaluation, an alternative approach had to be chosen for such an assessment. The experts were asked through a separate questionnaire (case study template) to summarise the findings of their case studies and to assess the efficiencies and inefficiencies, based on their analysis. These were questions with open answers, leaving a free choice of arguments. Keeping in mind, that the case studies were reports on the specific local approach rather than scientific evaluation, these assessments were provided as qualitative statements on the most important achievements and difficulties of the individual case. This does not supply statistical evidence, but has the advantage of a broad range of arguments and aspects of local employment development. The findings are summarised in Table 4.10 indicating the type of statement and the according number of entries in the questionnaires.

Following the assessments by the experts, the most positive effects of local employment development in the cases observed are to be found in the development of partnerships themselves. The highest number of entries (27) could be found for *“positive effects on partnership”*. This was expressed in various ways and in some of the cases multiple aspects were mentioned: broad partnerships could be developed at local level, the co-operation of partners could be improved or established in an efficient way, the synergies among partners could be exploited, and the co-operation with public authorities could be improved. These arguments do not apply to every case, but for most of the cases – except those where conflicts among partners emerged – positive effects on local partnerships could be discerned.

Table 4.10 Efficiencies and inefficiencies of LED cases

Efficiencies	Number of Entries	Inefficiencies	Number of Entries
Positive effects on partnership <i>Broader regional networking;</i> <i>Good or improving co-operation among partners;</i> <i>Strong involvement of partners;</i> <i>Improving co-operation with public authorities;</i>	27	High costs – low effects <i>Time consuming procedures;</i> <i>High bureaucratic efforts;</i> <i>Low accountability;</i> <i>Poorly managed;</i> <i>Poor economic and labour market effects;</i>	17
Improvement of strategies <i>Positive contributions of EES and CIPs to LED;</i> <i>Development of regional action plans;</i> <i>Development of innovative approaches;</i> <i>Increasing transparency of policies;</i> <i>New methods of fund raising;</i> <i>Improved client orientation;</i>	14	Restrictions by national or EU regulations <i>Rigidities of top-down approach;</i> <i>Rigidities by national regulations;</i> <i>Rigidities by EU regulations;</i>	13
Positive economic and labour market effects <i>New or sustainable jobs;</i> <i>Improving entrepreneurship;</i> <i>Improving employability;</i> <i>Integration of target groups;</i> <i>Changing governance;</i>	11	Lack of co-ordination <i>With regional policies;</i> <i>With EU policies;</i> <i>With other initiatives;</i> <i>Lack of priorities;</i>	12
Professional organisation <i>Improving management capacities;</i> <i>Efficient use of resources;</i> <i>Exploiting synergies;</i>	11	Lack of co-operation among partners <i>Lack of co-operation between partners;</i> <i>Conflicts among partners;</i>	6
Mainstreaming <i>Best practice example, show case;</i> <i>Great awareness of national, regional or EU institutions;</i>	6	Limited mainstreaming effects <i>Low mainstreaming effects at national or EU level;</i> <i>No learning effects;</i>	6

Source: Economix

This is faced with the problem of high costs for time-consuming procedures, substantial bureaucratic efforts, and low accountability of LED approaches. This item counts the highest number of entries among the inefficiencies (17). These costs are partly generated by the requirements of public administration – or the regulatory environment in which partnerships are operating. However, there are cases in which the partnership itself is producing high cost of management, co-ordination and administration, in particular if the management is insufficient.

The second point in the range of efficiencies is the improvement of local strategies, which was achieved in the LED cases observed (14). In particular the contributions of the EES and the Community Initiatives to local planning were accentuated as positive impacts on planning procedures and concepts. The opportunity to develop innovative approaches was also linked to EU programmes as stated above (Section 4.2.6). LED cases were assessed to follow innovative approaches in several cases, some of which were mainstreamed in their countries.

On the negative side of strategy development, the restrictions of top-down approaches in general and of national and EU regulations in particular were identified in a similar number of cases as compared to the positive impact on local strategies (13). In a series of cases, programmatic and funding regulations were recognised as an obstacle to develop local action programmes, and to operate with optimal conditions.

Evidence for positive economic and labour market impacts was reported for a bit more than half of the cases observed (11). This appears to be well below the expected number of positive assessments as almost all of the cases were classified as successful undertakings. However, quantitative evidence is rare due to the lack of evaluation. As far as statistical information is provided, the number of additional jobs or persons integrated into the labour market is low. Numbers as counted by 10 rather than 100 or 1000.

There is a lack of co-ordination with all three levels (among EU programmes, among national programmes and among local actors). This is reported for 12 of the cases observed. The interviewees are convinced that positive effects might have been better, if these obstacles were overcome.

For eleven out of the twenty cases professional management was indicated as one of the efficiencies. This addressed not only management capacities but also the co-operation among partners and the use of synergies. However, there are also 12 cases where the lack of co-ordination limited the performance of the LED approach and 6 cases in which conflicts among partners restricted the performance.

There are some cases which can be classified as best-practice examples, in particular the cases of Dublin (Northside), Luxembourg and Gent. Other cases, like North Karelia or Merseburg-Querfurt are mainstreamed by regional or national authorities. The case of Ostwestfalen-Lippe is promoted by the employers associations. For the same number of cases, however, mainstreaming and learning effects were missed.

5. Conclusions and answers to the evaluation questions

5.1. Identification of success factors

There is the opinion that decentralisation of employment policy is an advantage as regards effectiveness and policy support. Nevertheless, the functioning of local employment development is not self-evident. The success of a decentralisation strategy depends on a variety of factors which determine the outcome and which have to be analysed as the basis of the recommendations for the further development of the European LED approach. Four assumptions can be identified as the underlying principles of the LED strategy:

- There is the conviction that local employment policies are more coherent and more efficient than centralised or sectoral employment policies. Only if this is valid, the decentralisation approach will improve the overall performance of labour market policies.
- Partnership approaches are expected to be superior to centralised and hierarchical administrative approaches. The costs of establishing and organising partnerships have to be overcompensated by the positive effects of inclusive partnerships which capitalise on the knowledge and proximity of local actors, contribute to a stronger policy commitment, and are related to positive learning effects at local level.
- The social economy is an important part of local employment development. The provision of social services does not only improve social inclusion but contributes to the creation of additional jobs.
- Mainstreaming of the LED approach is superior to specified LED programmes. The integration of LED policies into the European Employment Strategy and the Structural Funds was used as the appropriate strategy to implement the LED approach. However, if the limitations of this alternative are serious, other ways of direct and specified LED promotion have to be found.

The next Section will discuss these assumptions and draw first conclusion regarding the development of the LED approach.

(1) Local employment policies are more coherent and more efficient than centralised (sectoral) employment policies

Three arguments can be used to justify this assumption (see Section 2.1.1):

(1) Local actors better know about local needs, the relevance of different target groups, labour demand trends and the functioning of local labour markets. They are therefore able to better adjust employment policies to the

specificities of local labour markets as compared to centralised policies which, in general, use standardised sets of policy instruments and distribute funds according to simple quantitative indicators (unemployment rates e.g.). Local employment performance, however, is strongly influenced by contextual factors that are located in the area of “local behaviour” and local political conditions.

(2) Local employment development is able to integrate employment policy with economic and social policies at local level, thus improving the coherence between these policy domains and developing an integrated strategy for local development. A nationally governed policy approach would achieve – at best – a coherent strategy at the national level but create various inconsistencies at local level.

(3) Decentralisation of employment policies extends the scope of policy action by the number of actors involved and, most importantly, by exploiting the creativity and ingenuity of many actors, thus opening a field for experiments and innovation. Decentralisation also helps activating labour market policies even if the principles are laid down centrally. Effective implementation of active labour market policies requires the participation of a large number of local agents.

The overall effects expected from these assumptions are rising effectiveness and improving efficiency of employment policies at local level and the national labour market in total. Local employment policies are expected to complement and support central policies rather than being a substitute.

There are, however, limitations to the three arguments listed above, which directly point to policy actions required to support the successful application of the LED approach:

- While local actors might be able to better realise local conditions and local needs, various reports point to the fact that the professional capacities to develop and implement LED approaches are limited and restrict the operational scope of LED projects. Therefore, the availability of professionals for local employment development is one of the important pre-conditions for a successful local strategy.
- While local actors might dispose of the professional capacities required, national or regional competences might restrict their operational scope. This has been observed by several cases investigated in Chapter 4, particularly where national governments had centralised labour market policy through public employment services. A second success factor of local employment development therefore is a decentralised employment policy approach at the national level which allows local actors to develop their strategies.
- While local actors might dispose of the legal and political competences to develop a local employment approach, macro-economic conditions and principal national regulations might dominate local labour markets, thus limiting the power of local action in general. This goes far beyond the usual demand fluctuations during business cycles. It includes the wage setting process, the labour law (e.g. by regulation of working hours), or the specification of social contribution rates at the national level. All these

macro-parameters affect labour market performance at local level. A third success factor for local employment development, therefore, is the vertical integration of local, regional and national employment strategies, as underlined in Chapter 3. This requires a two-sided communication process, involving local actors in the local development approaches and the incorporation of the local perspective at the national level.

- Finally, strengthening autonomous action of the local level allows for wider regional disparities as local development is to a greater extent the responsibility of local actors. This will be in conflict with the target of economic and social cohesion and will possibly weaken the solidarity of regions. There is a trade-off between efficiency gains by LED and equality of living conditions which has to be considered by programmes promoting the LED approach.

Decentralisation requires adequate measures of vertical and horizontal policy integration. Vertical integration means that macro-policies must open room of manoeuvre for local actors. It requires the variation of macro-instruments due to local conditions and should be based on decentralisation of macro-policies within a common framework. Beyond active labour market policy, important candidates for the “regionalisation” of macro-policies are taxes, subsidies, social benefits and – as far as applicable – collective wages and working hours. Such a type of vertical “de-concentration” transfers policy powers in parts to the local level and raises the degree of competition among territories within the Member States. If it is true that differentiated local action and the adjustment of policies to local conditions improves overall policy performance, vertical differentiation will show its positive effects.

In parallel, this requires improved horizontal integration of policies at local level including economic and environmental policies in addition to employment, social inclusion and governance aspects. For this purpose the instrument of local development plans which define the long-term perspectives of the territory, the policy measures and the controlling procedures will have to be further developed.

Of course, decentralisation is only a shift of the combination of national, regional and local policies to a new optimal point. It does not mean a reversal. Nevertheless, it requires the support from all territorial levels, not only from local actors. In particular, national governments have to promote the decentralisation of macro-policies and sectoral approaches by a reduction of the regulation density and by defining policy frameworks which allow local actors to select their optimal policy mix.

(II) Partnership approaches are superior to centralised administrative procedures

Many of the LED cases analysed in Chapter 4 are based on partnerships among local actors, and many more cases in the European Union were initiated and are managed by partnerships. The principle of involving as many local stakeholders as useful appears in all strategic EU papers on local employ-

ment development and on governance. Evaluation evidence of the partnership principle identified a number of positive benefits attributed to partnerships (Section 2.1.2). The idea to involve social partners, non-governmental organisations and other local actors targets at three aspects, a more precise identification of policy programmes, greater efficiency of policy implementation, and stronger public support of policy programmes. This appears to be more than just multiplying the number of actors. It changes the process of policy design, the responsibilities for policy action, and – at least indirectly – the process of policy decision. The academic literature on governance therefore immediately identified a problem of legitimacy (Eriksen 2002).

The assumption that partnership approaches work better than centrally governed procedures therefore faces some important limitations, which are in coincidence with the evaluation of the partnership principle (Kelleher et al. 1999, Chapter 8):

- While partnerships might work in harmony, there is a risk of serious conflicts among partners, which creates the need to apply appropriate methods of conflict regulation. The cases investigated in this evaluation showed that this is not generally the case (Chapter 4). At least in two of the cases substantial conflicts among the partners were indicated without signals of a definite solution. In fact, the scope of commonness might be overestimated and the risk of conflicts underestimated, in particular when the target of an inclusive representation of local stakeholders is not abandoned. Local partnerships therefore do not only require a clear regulation of rights and obligations of its members. Partnership might in some cases be the wrong approach, if the individual concerns are too diverse and a win-win-situation cannot be created for all partners. An important success factor for LED partnerships is a clear and identifiable perception of the common set of targets, an appropriate selection of partner, and the explicit distribution of expected benefits. The partnership approach appears as one of the important strengths of innovative local employment development, bringing partners together with very different views and interests and promoting the exchange of ideas. Some of the case studies reported on such effects.
- While partnerships might work in perfect harmony, there is the opposite risk of a self-contained policy serving the interests of the partners rather than those of the public. At least one of the case studies indicated a situation like this, pointing to a more general problem: Local partnerships – independent partnerships in particular – are not directly controlled by public authorities but dispose of more or less financial resources from public budgets and thus get influence on local employment policies. The greater their influence, the more democratic control is needed in order to reduce the problem of legitimacy.
- While partnerships might be properly supervised, the process of policy decision and policy implementation might be very time consuming and thus inefficient (Section 4.2.7). There is also indication from the case studies that this type of problems arises, particularly in cases where guidelines from different authorities have to be accomplished. The structures of the partnerships have to develop an efficient decision-making and man-

agement process. The case studies and other evaluation evidence did not generate a superior model for this problem. By contrast, the impression is that the organisation of partnerships can be structured efficiently in very different ways, ranging from decentralised approaches to top-down structures. Obviously, the advantage of specific management models depends on the set of targets and the group of partners. Individual management approaches and a broad scope of alternatives are therefore a pre-condition for successful local employment development.

The strong support of partnership approaches as formulated in the European Employment Strategy and the Community Initiatives LEADER+ and EQUAL in particular, therefore, faces some limitations which may also restrict the performance of the LED approach. Both, the problems of efficiency and of legitimacy have to be taken into account. Local partnerships need a clear definition of targets and of the distribution of expected benefits. They need efficient structures for decision-making and management, and finally, they need proper controlling instruments. All this can be organised by the partnership itself, but it should be a pre-condition to public funding.

As far as this cannot be achieved by the local actors, alternative organisational approaches should be considered. Local employment development can be the responsibility of local authorities, and it should be if the importance of local employment development is great enough to require democratic legitimacy. Self-governed organisations and local partnerships supervised by local authorities might then take over parts of these tasks.

The demand for democratic legitimacy which will rise with the growing use of LED approaches will call for formal decentralisation policies at the national level. In parallel to the promotion of local partnerships, national governments will have to be convinced to apply the LED approach.

(III) The social economy is an important part of LED

One of the roots of local employment development is located in the social economy as many of the LED initiatives were related to non-profit organisations and the provision of social services. The principal idea to extend the role of the social economy was related to different arguments: the servicing of urgent local needs of disadvantaged or at least income restricted households, the creation of new jobs in social services, and – more principally – the extension of the non-profit-oriented type of economic and social activities.

The target of extending social activities is related to societal preferences which receive strong support at local level. Unsatisfied needs for social services are identified in manifold ways and alternatives to an efficiency-oriented economy are developed. In one of the LED cases, the “*search for extra-monetary exchange system*” belonged to the principal targets of the programme (Janssens 2003e). The ideas of a third sector were supported by the European Commission and by some of the Member States.

While the argument of unsatisfied needs for social services remains unquestioned, the expectation for new jobs appears as a misunderstanding of economic interlinks. The basic problem is that demand for free tax-funded public goods is always very high if not indefinite as it is not income restricted. The measurement generally overestimates the needs, but in fact remains very hypothetical. Opposed to public goods the demand for services provided by markets is limited by high income elasticities which restrict demand to the upper income classes. Consequently, a significant gap between potential demand and real consumption for social services appears under market conditions. If demand for social services is financed (or subsidised) by public budgets the positive employment effects of extended supply are compensated by the negative employment effects of higher taxes. While the exact balance of these two effects depends on a series of other conditions, the principle result is that local labour markets can hardly be expanded by publicly financed social services. At least a closed local economy financing social services by own resources will show such a result. If social services are financed by other regions, the negative effects will appear in those regions but they will appear anyway. Through a market-based provision of social services the expansion of jobs is only possible by extending the low-productivity/low-wage segments of the labour market.

The LED cases of this evaluation with a strong orientation to social inclusion are those which did not achieve integration with local economic development. The concept of the social economy is an alternative rather than a complement to the market-based economy, which limits the interfaces for an integrative approach.

(IV) Mainstreaming LED is superior to specified LED programmes

The principal approach of funding LED activities in the European Union is mainstreaming local employment development in the European Structural Funds. Beyond specific programmes for innovative approaches, like the programme for Territorial Employment Pacts, and Innovative Measures under Article 6 etc., no particular budget line was established to promote local employment development. Financial resources were provided for the purpose of employment policy and social integration measures under the titles of the Structural Funds Objectives and the Community Initiatives.

There is little doubt that this funding strategy is consistent with the evolution of the European LED approach from a convincing idea to a more broadly accepted but not universally adopted approach. As a newly established political strategy the conceptual framework is not yet fully developed, beneficiaries cannot be precisely identified, the geographical territories are different from administrative areas, the policy concepts are far from being standardised etc. In short, local employment development appears in multifaceted realities. However, this is exactly the nature of decentralised approaches which open space for individualised action.

While these conditions gave preference to mainstreaming of the LED approach, the problem related to this funding strategy is that local employment development had to be based on a variety of different funding regulations, not being consistent as regards policy targets, eligibility criteria, tendering procedures and timing (Section 2.3). This caused substantial problems at local level, which even excluded LED projects from EU funding (Section 4.2.5). Moreover, a divergent ability of local actors and national programme administrators can be observed to accustom to funding requirements. But even if the problems of coordination and application can be managed, they still do exist. In addition, the knowledge about local employment development and the funding sources still is not widespread through the European Union.

The mainstreaming approach reflects the dominance of the sectoral approach of EU employment policy to which the LED approach is a supplement. The segmentation lines between the different Structural Funds Programmes seem to counteract the targets of local employment development: a coherent local employment policy can hardly be developed depending on a multitude of financial sources with diverse funding criteria. In particular, the project-orientation of EU funding separates what is intended to be integrated. This is intensified by national guidelines for EU programmes further limiting the scope for local action.

The conclusion from this is quite evident: if local employment development should be developed to a coherent strategy for improving the economic and labour market situation at local level, the actors should be supported for the appropriateness, comprehensiveness, and effectiveness of their approach. They should not be limited to partial policy segments as supported by sectoral policies at the EU or national level. It should be the responsibility of local actors to determine the structure and composition of their policy programmes, considering labour market and economic development needs. As a consequence such an approach requires integrated EU funding of local employment development based on local development plans.

The present mainstreaming approach for local employment development has the great advantage of stimulating new concepts and innovation by a variety of programmes. This is one of the major achievements of the LED approach of the European Commission for which manifold evidence is available. The consequent steps to further develop the LED approach, however, requires an extended approach, integrating the components and providing a simplified and coherent system of funding. This was also one of the main points raised by the Court of Auditors.

5.2. Answers to the evaluation questions

The Terms of Reference raise a series of nine specific questions concerning the impact of EU programmes related to local employment development. The following Section will give the answers to these questions based on the review of EU policies, the analysis of the logics of the European LED approach, the

development of a typology of local employment development, and the investigation of individual cases by the field work approach.

Answering these questions in the demanded detail, looking for the impact of particular EU programmes, however, faces three principal problems:

- EU funding related to local employment development is not always identified by local actors. Therefore, the programmes do not have the expected dominant influence on local employment policies. They are overloaded by national or regional regulations and merged into a set of determinants which makes it difficult to identify its ingredients.
- Financial records and evaluation evidence do not exist for the majority of the LED cases observed. This hides the influence of specific EU programmes. In addition, most of the mid-term evaluations of Structural Funds Priorities and Community Initiatives for the 2000-06 period are not yet available.
- Local employment development is a mainstreamed policy target, the effects of which can only be isolated on the basis of comprehensive empirical datasets.

The following list of answers therefore provides the details which can be justified by the empirical materials created by this evaluation and available from other sources. It also contains a summary of relevant arguments and the conclusions for the future development of the European LED approach.

(a) What are the characteristics and achievements of the different types of program with regard to local employment development?

Within the last two decades local employment development has gradually emerged as a mainstreaming policy which was integrated into the funding principles of the European Structural Funds and became part of the European Employment Strategy. This process is most impressively documented by the Employment Guidelines which increasingly gave room to local employment development (Table 2.1). It was driven by a strong grass-root movement engaged in social and environmental issues demanding for more competences and funding at local level, and by the European Commission together with some of the national governments, all interested to activate local stakeholders. Meanwhile a broad consensus has been achieved on the promotion of local employment development.

Local employment development has been promoted by the European Commission through a series of pilot programmes (the programmes on Territorial Employment Pacts, Third System, Preparatory Measures, and Innovative Actions), it has become an integrated part of the Community Initiatives, and it has been mainstreamed in the priority Structural Funds Objectives. The pilot programmes helped to promote the development and the implementation of the LED approach. Community Initiatives can be seen as large scale applications of the local approach for employment and social inclusion policies. Using different concepts, the present Community Initiatives EQUAL, URBAN II,

LEADER+ and INTERREG III are all contributing to local employment development.

At present, the EU policy concept for local employment development seems to be a development project itself. It does not or not yet use unified policy programmes or programmatic standards for local actors, there is no recommendation for standard types of organisation, and it does not provide an integrated funding instrument. It is a multi-faceted bottom-up approach which is supported by the European Commission because there is an important potential at local level to solve the problems of unemployment and social exclusion. Since the end of the nineteen-nineties the EU policy concept for local employment development appears to be in a dynamic evolutionary phase which was started by a basic policy paper on "Acting locally for employment". The LED approach was introduced into the new Community Initiatives which will provide valuable evidence on the functioning, effectiveness and sustainability of the approach. This horizontal evaluation of local employment development in Europe can only give an interim statement on a very dynamic process trying to contribute to the further evolution of the concept.

The implementation of the LED approach was achieved with great similarities among the EU programmes as far as the principles of local employment development are concerned. All programmes strengthened the priorities for employment and social inclusion policies and increasingly adopted the partnership principle. In comparison to the 1994-99 funding period significant progress can be discerned, and it is one of the great achievements of the present funding period 2000-06 that local employment development is recognised as a principal policy.

The priority Structural Funds Objectives which absorb 94 % of the 2000-06 financial budgets successfully integrated the ESF priorities on human resource policies and social inclusion into the concepts of regional and rural development. In particular the integration of labour market related targets into regional development under Objectives 1 and 2 open the opportunity to establish coherent and comprehensive policy concepts at local level. These measures strongly support the development of coherent regional development strategies with positive labour market effects. Objective 3 measures are concentrating on human resource development but do not allow the same type of policy integration at the regional level. Comprehensive LED approaches developed under Objective 3 are therefore depending on additional regional development measures.

Similar programme orientations can be observed for the Community Initiatives. URBAN II and INTERREG III are integrating labour market related targets into a wider local development approach. They refer to equal access to jobs and training facilities and the integration of regional labour markets. From the viewpoint of the European Employment Strategy progress this has been achieved through the introduction of human resource related targets into important programmes of regional development, the URBAN II programme in particular. From the viewpoint of local development, however, not all programmes are opening the same scope for action. Most importantly, the

EQUAL programme is concentrated on employment related targets and requires at least for geographical partnerships integration into a wider local development framework if broad employment effects should be achieved.

LEADER+ does not directly address employment related measures and equal opportunities. However, all Community Initiatives include elements of human resource development at least indirectly, as many of the regional development and regeneration targets are associated with positive effects on employment and social inclusion.

The second characteristic of the European LED approach is partnership which plays a central role in all programmes. The partnership principle was strongly promoted by the Structural Funds and the European Employment Strategy and has become an important approach to activate the potentials of local actors. The understanding of partnership, however, is still rather wide spread among the Structural Funds programmes. This is shown in more detail in part (e) of this Section.

Regarding the financial volume of EU expenditure on local employment development no statistical evidence is available. On the basis of estimates undertaken by this evaluation, the European funding of LED activities can be assumed to have grown substantially since the 1994-99 programming period. The estimated share of LED-related EU funding based on total Structural Funds expenditure ranges between 5 to 13 %. This would represent in any case an increase or even a significant increase compared to the Commission's estimate of 4 % for the 1994-99 period (10 % based on ESF expenditure). The major contribution to LED-related funding is coming from Objective 1 and 3 and the Community Initiatives LEADER+, EQUAL and URBAN (Section 2.3.2).

(b) How do the different types of program support local employment development?

(c) Apart from the direct foreseen effects, what other effects do the different types of program generate in relation to local employment development?

The European Union promotes local employment development through three main channels:

- The provision of a policy framework based on the policy principles of the European Employment Strategy.
- The development of LED approaches through pilot programmes and Innovative Actions which provide important experiences for policy design at European, national and local level.
- The provision of financial resources under the criteria and the institutional regulations of the Structural Funds which exert specific selection effects on local employment development.

Programmatic influence of the European Employment Strategy

The main advantage of the EES for local employment development lies in the presentation of an applicable policy development concept which supports lo-

cal actors developing both labour market policies and local governance. The main strategic themes disseminated by the EES are the importance of an increasing rate of activity, the need for partnership, to think across sectors, non-discrimination in the labour markets, the need for programming and planning, and the principle of continuous evaluation. Local actors appreciate the policy structure of the EES as a reference for their policy. Throughout the country reports undertaken by this evaluation it is usually recognised that initiatives and themes of European employment strategies have facilitated and supported LED policies (Section 3.3). In Greece e.g. the implementation of the ESS through the NAP constitutes an important lever for decentralisation and a substantial support for the development of the social economy. In Portugal, evaluation surveys of 2001 revealed that the NAP contribution was considered “strong” or “determinant” with regard to local employment initiatives and other items.

The problems with local employment development are allocated at the national rather than the local level. While some Member States actively supported local employment development through national decentralisation strategies others have ignored it. The particular formation of employment and social inclusion policies and the different approaches regarding decentralisations in the Member States therefore strongly determines the uneven distribution of LED activities across the European Union.

Development support through pilot projects

Local employment development was strongly supported by the pilot programmes. Most importantly, the concept of Territorial Employment Pacts was used by the Member States as a template for establishing the co-operation among local stakeholders. Preceding the TEP programme, Denmark founded its activities on a well-developed institutional approach of regional employment policy since many years, which can be identified as a master piece of decentralised employment policies in Europe. Austria combined the TEP model with its tradition of co-operation among social partners. Spain and Italy used it to develop the employment policy competence of regions. And the Scandinavian countries adjusted the approach to their traditionally strong role of municipalities. The Territorial Employment Pacts strengthened the institutionalised approach of local employment development, addressing both, the horizontal integration of local authorities, public employment services and local stakeholders, and the vertical integration of local employment policies with national or regional concepts.

The pilot programmes for the Third System, Local Social Capital, and Innovative Actions promoted various tests of innovative approaches for local employment development. The programmes contributed to social inclusion and to the development of more integrated approaches. During the first phase of 1994-99 the programmes served as testing ground to experiment with new ideas for assistance and organisational methods. They brought about new public-private partnerships, established direct links between regions and the

European Union and stimulated interregional co-operation. They provided evidence that regions can be relevant for promoting innovation in regional policy.

Selective institutional filters

Local employment development has a strong organisational component which targets at activating local actors, building partnerships, identifying local policy priorities, and implementing measures with positive employment and social inclusion effects. The way to achieve these targets leads over decentralised policy systems which are common in regional policies but rather unusual in employment policies – at least in the majority of Member States. Following the principle of subsidiarity the introduction of decentralised labour market policies is the decision of the Member States. However, the European Commission may use the margins of action existing at local level. These margins are quite different in the Member States, as the analysis in Chapter 3 revealed. In addition, the responsiveness of local actors to the proposal to establish a LED approach is very heterogeneous.

From this follows that the effects of the European LED approach on the local level are filtered at three levels:

- at the European level, eligibility criteria are differentiating between regions;
- at the Member State's level national priorities and regulations interfere with EU programmes;
- at local level, the relevance of local employment development and the ability to engage in EU funding is unevenly distributed.

Programme effects are dispersed by these filters and local outcomes thus can hardly be traced back to individual programmes. This is amplified by the simultaneous use of EU programmes which was the case in many of the observed LED cases.

Regarding eligibility criteria, Objective 1 funding is provided to a selection of European low income regions. Objective 2 applies a selection of regions with high unemployment and the need for regional regeneration. Only Objective 3 funding is neutral as regards regional selection. Among the Community Initiatives, INTERREG, URBAN II, and LEADER+ are using selective regional criteria which, in principle, are according to the Structural Funds Objectives. INTERREG supports border regions, URBAN II is for small urban areas of severe deprivation and LEADER+ concentrates on rural areas. EQUAL is open for all EU regions.

As far as the problems of employment and social exclusion are dominating policy action, such selection principles are adequate. Local employment development, however, is an organisational approach to develop decentralised employment policies. This approach includes the change of governance as an important element and thus is independent from the relative employment performance of the region. In principle the need for local employment develop-

ment can arise in all regions. The application of LED approaches should therefore not be restricted to regions in economic and social crises.

In addition, all Community Initiatives are using competitive application procedures by which appropriate LED projects are selected. The selection of specific regions and of valuable projects is due to the innovative approach of these programmes which needs to be developed in the most relevant areas and by the most interested and competent actors. While such a selective procedure complies with the innovative targets of the Community Initiatives, it may also amplify the type of inequalities among regions which is seen as one of the critical factors of local employment development (Section 2.1.1). In particular competitive selection procedures cannot control for a bias in direction of “strong” and active LED projects. This includes cases with a strong experience in EU funding and management of EU projects.

Such a selection might be criticised as being unjustified as it does not adequately consider the need for local employment development. However, as far as decentralisation of employment and social inclusion policy means self-responsibility for these policy domains at local level, such an uneven distribution of activities is almost inherent in the concept of local employment development. EU programmes open opportunities to act locally but they do not oblige any local actor.

At the level of Member States, the procedures used to allocate Structural Funds resources are partly responsible for the diffuse influence of the European LED approach (Section 3.3.4):

- Some European interventions are mainly intended to complement national funding of specific initiatives in the area of local employment development.
- The procedures for accessing European funding are such that these funds are filtered through traditional national mechanisms in a way that the innovative aspect of the European funding is dissipated. The more the allocation of European funds is centralised at the national level, the lesser the influence and the lever effect exercised by European programmes on LED policies.
- Some governments do not want to support European programmes. This attitude becomes evident when European funding is terminated and governments do not organise a financial follow-up. The continuation of networks is only possible on the basis of consecutive applications to alternative EU programmes.

At local level a variety of LED activities were undertaken without the help of EU funds, e.g. in the Netherlands and in Germany. While the Dutch government is actively promoting local employment development, one important German case study showed initiative was established without national help by a group of employers and municipalities. These examples confirm that strong forces exist at local level to contribute the local employment development.

(d) What is the complementarity between the different types of EU programs?

The policy of mainstreaming local employment development in the Structural Funds helped to extend the application of the LED approach. With this integrative approach, the complementarity of the LED approach depends on the complementarity of the Structural Funds. There is the principal regional complementarity between Objective 1 and Objective 2, and the thematic complementarity between Objective 3 and the other two Objectives. A similar structure can be discerned among the Community Initiatives where URBAN II and LEADER+ are complements regarding urban and rural areas. EQUAL applies a thematic focus while the other Community Initiatives prefer regional development approaches.

Beyond this basic structure of complementarity, however, the Structural Funds programmes are far from providing a uniform approach for local employment development. With different preferences regarding labour market policies and social inclusion, economic and environmental development and with different partnership concepts, they offer a broad scope for local development concepts with a variety of possible policy mixtures.

On the one hand, the mainstream Structural Funds Objectives do not strongly support the decentralisation of employment policies and the change of governance at local level. It is up to the national and regional governments to decide to which extent decentralised and partnership-based concepts are followed. The Community Initiatives on the other hand all have priorities for local partnerships. EQUAL and LEADER+ in particular promote networking at local level and follow specific concepts for that. The Community Initiatives can be classified by their specific combination of the partnership principle with the thematic focus of the Initiative: EQUAL can be seen as a partnership programme for labour market and social inclusion policies, while URBAN II and LEADER+ are the partnership approaches for regional development. INTERREG III is the partnership concept for interregional cooperation. In addition, all Community Initiatives require trans-national partnerships.

From the viewpoint of a coherent local development strategy, the broad scope of policy action which is opened under geographically oriented Initiatives – URBAN II in particular – allows addressing a wider area of regional restructuring measures with positive indirect effects on employment and social inclusion. Programmes with a strong focus on specific policy domains, like EQUAL, are more precise as regard targets and instruments but their coherence with local or regional development is less explicit. This is the case for all programmes concentrating on active labour market policy which is generally submitted to the limitations of a sectoral policy approach. .

Most importantly, however, the specific funding regulations for the Community Initiatives and pilot programmes create a serious problem to local actors who have to accommodate to a variety of programmes, eligibility criteria, partnership concepts, and evaluation procedures. The complexity of funding generally excludes local actors who cannot rely on efficient management structures at the national or regional level, or who did not establish the consulting and

technical support services required to manage the funding process. From this point of view, the reduction of the complexity of funding appears as one of the preconditions for a broader support of LED approaches.

(e) How do the different forms of partnership within the different types of programs contribute to the effects of the actions with respect to local employment development?

The Structural Funds strengthened the partnership principle through the Structural Funds Regulation which is applied throughout the priority Objectives and the Community Initiatives. Its use nevertheless shows substantial differences: The understanding of partnership in the General Provisions on the Structural Funds is a vertical co-operation between the Commission and the Member States, together with the authorities and bodies designated by the Member States. This vertical partnership concept rules the priority Structural Funds Objectives and it is the option of the Member States to decide on the use of horizontal partnerships at the local or regional level. Some of the Member States (Greece, Portugal, Ireland) made active use of this option.

Local employment development is based on horizontal partnerships. This partnership concept was strongly supported by the Community Initiatives:

- LEADER+ applies the most inclusive approach by partnerships called Local Action Groups.
- URBAN II requires wide local partnerships which should be involved in the definition of strategies and priorities, in resource allocations, programme implementation and monitoring.
- EQUAL organises co-operation by innovative Development Partnerships which can be local and sectoral.
- INTERREG III concentrates on co-operation among territories rather than local partnerships, however including a variety of local actors.

The different concepts appear as a value added to the development of the partnership principle which helps identifying superior approaches as regards inclusiveness, efficiency and sustainability. The upcoming evaluations will provide more evidence on this question.

Four types of LED approaches were distinguished in the typology of local employment development as constructed by this evaluation (Section 1.2.2):

- *Institutional LED organisations*, which are steered by a public authority and managed by a centralised organisation. This is the LED case without a partnership approach.
- *Top-down institutionalised partnerships*, which involve local partners steered or supervised by a public authority. Local partners can decide on policy issues within public guidelines.
- *Centrally managed partnerships*, which are self-governed organisations, supervised by the partners or stakeholder, but operating on their own behalf in cooperation with local partners.

- *Bottom-up decentralised partnerships*, which are partnerships of independent local actors, deciding on their policy concept without public intervention and implementing policy action as the responsibility of the partners.

The majority of cases observed by this evaluation followed a top-down institutionalised approach. This allows controlling of LED organisations by national or regional authorities and improves vertical integration. For most of these cases, the establishment of the Territorial Employment Pacts was the master piece of organisation, and public authorities are the leaders. National governments were also the initiators of LED projects in some cases.

The three alternatives to the top-down institutionalised approach are all more or less self-governed types of organisation which were initiated by municipalities or non-governmental organisations and are steered without direct influence from central governments. This involves more independence for local actors and a stronger degree of decentralisation. In these cases vertical integration is reduced in favour of both, broader participation and adjustment of policy programmes to local needs.

(f) How sustainable are the effects of the different types of programs with regard to local employment development?

If the evidence from the country reports and the case studies is reviewed, sustainability of LED approaches is determined firstly by the commitment of national governments to a decentralised employment and labour market policy, secondly by the commitment of local actors to local employment development, and thirdly by the provision of EU funding.

While EU funding and the principles of the European Employment Strategy gave valuable inputs to the programming and initiation of LED approaches, the contribution to sustainability remains limited due to the fact that all programmes have long entry periods but limited duration. Therefore, some of the LED cases observed were reluctant to base their LED approach on EU funding, particularly if they are eligible to Community Initiatives or pilot projects only. In other cases, the use of funding sources appeared to be more attractive than the development of an effective employment policy at local level. This observation points to the principal problem of dead weight losses associated with public grants.

Many of the top-down institutionalised approaches are strongly depending on the conceptual and financial inputs from national and European sources. They are more restricted in their choice of policy instruments. In cases where financial inputs are not guaranteed, the sustainability of local employment development becomes uncertain. The decentralised self-governed approaches, by contrast, established their financial concepts on a mix of resources sometimes without substantial help from European Funds. They appear as more flexible using the different types of funding and thus are more sustainable.

The time horizon of the Structural Funds programmes is principally the same six year period. Considering the long-term persistence of regional problems, the mainstream Structural Funds Objectives, in reality, provide funding for longer periods as compared to the Community Initiatives. Competitive funding procedures raise the risk that funding will remain restricted to one funding term. While this is widely criticised by local actors which rely on funding from the Community Initiatives, it appears as a wrong perception of the functions of the Community Initiatives. The innovative content of local policy approaches might be well developed during a six year period while the mainstreaming of such approaches lies in the responsibility of local actors or national and regional governments. Generally, mainstreaming is part of the projects and belongs to the tasks of innovative policy development.

The important role of EU funding therefore lies again in giving the incentives to local actors to establish a LED approach for their territory, while sustainability has to be promoted by the national or sub-national governments in co-operation with local actors. Successful LED implementation therefore requires a coherent strategy at all three levels: the EU, the national and the local level. In particular, sustainable LED implementation will hardly be possible without the commitment of the Member States to decentralise employment policies and to promote its local dimension.

(h) To what extent are lessons relating to local employment development under the different programs disseminated and do such lessons influence national policies in this area at local, national and European level?

The intensive European debate on local employment development manifested by the recent EU conference in Rhodes (May 2003), the LEED conference in Warsaw (March 2003) and other events indicates that the information exchange on these issues is working very well.

As could be seen in the Netherlands (the City of Groningen), there are cases proposed as models for general introduction of LED approaches in the country. The TEP programme provided concept which was used by Member States to establish partnerships. Most explicitly this was done by Austria, Spain and Italy. In many of the top-down approaches however local actors are obliged to follow the general rules of the national or sub-national administration. The feedback to the national or sub-national level differs among the LED cases observed but none was reported to be strong.

Most importantly, the question is from which information basis the lessons on local employment development are to be drawn. The general lack of evaluation is the main obstacle to learn about the effectiveness and efficiency of different approaches. Only for few cases such evaluation material is available. Local employment policy is not supervised by public authorities in most of the cases and therefore is not reflected by statistical evidence and evaluation analysis. This appears as the reason why lessons can hardly be drawn from LED experience.

(i) Can the positive effects of the different types of programs with respect to local employment development be achieved through other means?

Keeping in mind that the driving forces for local employment development are coming from three sides, the EU level, the national level, and the local actors, the question for alternatives to European LED promotion has to be answered both in a positive and a negative way:

The positive answer refers to cases like in the Netherlands, France or the Scandinavian countries where local employment development emerged without significant EU support. This would suggest that positive effects could be achieved through other means. However, in all of these cases the national governments were important substitutes for EU support, providing the financial resources and the conceptual inputs of a decentralised policy approach. Therefore, the important condition under which the same effects on local employment development can be achieved through other means is the involvement of the Member States. The efforts of the European Commission to convince national governments of the advantages of local employment development, therefore, continue to be an important element of LED promotion by the European Commission.

The negative answer refers to cases where LED approaches have in practice been significantly influenced by the European Employment Strategy in general and the Community Initiatives in particular. With very little money they were able to initiate LED activities in a series of regions, promoting the development of conceptual frameworks rather than the activities themselves. This appears as an efficient method of policy support, coherent with the present state of the European LED approach. There is a great need for testing and optimising of local concepts, for activating local stakeholders, and in particular for convincing some of the national governments to decentralise the competence for employment policies.

(j) How can EU local employment development policies and programs be made more effective?

LED policy is a long-term strategy rather than a short-term action plan. It has been developed during the last decade and is now leaving the phase of experimentation. Nevertheless there is still some way to go until can be called a standard European policy model.

The previous analysis has identified various success factors for local employment development which will be reviewed and summarised by the list of suggestions presented below. The following actions are suggested to develop the LED approach of the European Commission. They are listed according to the main addressees, the European Commission, national governments and local actors:

Recommendations for Community action:

- *Concentrate resources on the foundation of LED approaches.* What local actors need is help for establishing the framework of their local policy, for creating partnerships, for implementing their policies, and for easy access to available financial support. While funding of operational labour market policies can further be provided by the existing instruments at regional, national or EU level, it is suggested to concentrate EU support for local employment development on design, development and implementation of local approaches. As in the past, this might be achieved through the integration of local employment development as a horizontal priority of the Community Initiatives and other Structural Funds programmes. However, if the dissemination of LED approaches should be broadened, the creation of a LED action programme might be considered as a more effective way. This LED action programme might address national and local actors. It might include the components of policy design, organisation and access to financial funds. Under the common label of local employment development the Commission could provide recommendations for decentralising employment policies, and for the implementation of local approaches. Such a programme might assist local stakeholders to design the concepts for regional employment and social inclusion policies, support co-operation among local actors, open access to EU funding, and help to develop the evaluation and management instruments needed. Of course, such a LED programme would be a significant step raising the importance of LED policies at the EU level and therefore can only be undertaken with support by the Member States within a medium-term perspective. The concentration of the programme on the foundation of LED approaches will be compatible to the principles of both, subsidiarity and cost-efficiency.
- *Generate integrative regional development approaches:* The strong links of active labour market policies with economic, environmental, cultural and societal factors call for a wide regional development approach. The promotion of local employment development would therefore include measures which develop the human capital basis of the territory, support economic growth, strengthen the cultural identity of the region, and promote integrative policy thinking at local level. This would address a wide circle of local actors and will be the key to involve business partners in local partnerships. Most importantly, this would facilitate the development of coherent and comprehensive local plans.
- *Develop evaluation instruments for local employment development:* The lack of evaluation evidence appears as a substantial obstacle for the improvements of LED approaches. While evaluations under the Structural Funds and other EU programmes provided valuable results, there is little evidence in these evaluations on the specific contribution of the programmes to local employment development. The present EU activities to promote evaluation and to improve the statistical and methodological basis are important steps for more robust assessments of LED approaches.

Recommendations to the Member States:

- *Test the feasibility of decentralised employment policy concepts:* LED approaches can only be developed gradually, even if this includes the risk of rising disparities among regions. The most important element is the decentralisation of public employment services and the establishment of the required links between national, regional and local authorities. How this can be achieved is a matter of the existing institutional structures in the Member States. The integration of the LED approach, therefore, appears as the genuine task of the Member States. Beyond the questions of the distribution of powers between national and regional public bodies this is also a question of practicality and efficiency, which can only be answered through experimental testing.
- *Improve the vertical integration of employment policies:* In the sense of local employment development vertical integration of employment policies means that national policies must open room of manoeuvre for local actors rather than strengthen top-down relations. It means removing the inconsistencies emerging at local level through the ‘sectoral’ division of centralised policies. This can be achieved through widening the scope for independent local action and thus improving the consistency of policies with local conditions. National programmes should therefore provide flexibility for local adjustments and varying local policy mix.
- *Open a ‘one-stop-shop’ for Structural Funds and national assistance:* The access of LED stakeholders and organisations to the Structural Funds, the Community Initiatives and national resources should be improved by simplified funding procedures – ideally by bundling resources into a single virtual LED funding title. Such a virtual budgetary instrument provides funding in a “one-stop-shop”. This would simplify eligibility criteria, integrate regional policy action, and – most importantly – would not discriminate among regions due to their Structural Funds status. As the experience at local level revealed this would strongly help local actors to use financial resources effectively.
- *Strengthen the information basis for local employment development:* National statistics and records contain a great volume of information. This provides an important basis to develop the management systems for local activities. The information basis, however, is not yet developed sufficiently as regards statistical concepts, classifications and regional structures. The adjustment of these information instruments to the needs of local employment development would be an asset for the improvement of LED evaluation.
- *Address the legitimacy problem:* The problem of legitimacy arises with growing involvement of non-government institutions in policy design and the decision-making processes. While local employment development has not yet achieved a status where this problem plays a dominant role, the legitimacy problem will rise with the growing volume of funds available to local actors. Partnerships will have to be fully responsible to public au-

thorities as regards the use of public funds and they will have to be fully responsible to the public as regards policy decision and openness to relevant partners.

Recommendations to local actors:

- *Prepare local development plans:* Local development plans can have several beneficial effects. First, they can serve as a focal point for coordinating funding from different sources. Second, they can develop 'horizontal' thinking that transcends traditional sectoral policy approaches. Third, they can give an orientation to the public on activities in the economic and social fields, thus contributing to the co-ordination of local stakeholders. Local development plans might be used as the local counterpart to the proposed LED action programme at the European level and could be a prerequisite for the provision of financial resources.
- *Improve the professional capacities for employment policy action:* The central point for improving the professional capacities is not only the problem of training and information exchange. The problem is the capability of local authorities to establish organisations or expert groups for local employment development. Local authorities should be supported to create the units within their organisation or to establish external organisations for local employment development.
- *Enhance efficiency and accountability of local partnerships:* Local partnerships need a clear definition of targets, an adequate selection of partners and territories, an efficient decision-making process, and an agreement on the distribution of expected benefits. They need efficient management structures and appropriate controlling instruments. This is all the more important as the analysis of efficiencies and inefficiencies of LED cases revealed the risk that partnerships cause high costs and perform inefficiently. This can be avoided by defining clear requirements for the support of partnerships by EU programmes. Exchange of experience among local actors can help develop ideas on how to organise integrated partnerships.

Annex Database

Table A-1 Case study database – list of variables

	Variable	Categories	Variable Name
Case	Number		nCASE
	Name		CASE
	Label		LABEL
	Country		COUNTRY
Number of municipalities			NMUNIC
Population	number	('000)	POP
	trend	Positive (+1); Neutral (0); Negative (-1)	POPTREND
Unemployment rate	% rate		URATE
	regional/national		UFACT
	structural unemployment	High; Moderate ;Low	USTRUCT
Economic structure	Highest share	Agric, Min.; Manufact.; Services	SSTRUCT
	Source of unemployment	Agric, Min.; Manufact.; Services	SSUNEMP
	Prospects for job creation	Positive (+1); Neutral (0); Negative (-1)	SJOBS
	Human resource basis	Favourable; Average; Unfavourable	SHRB
Economic restructuring	Degree	Serious; Moderate; Low;	ERESTR
Type of organisation		Top-Down instituionlised partership;; Bottom-up decentralised partnership; Centrally managed partnership; Institutional LED organisation;	TYPE
Policy concept	Social inclusion	Strong; Moderate; Weak; None	PSOINCL
	Acitive labour market policy	Strong; Moderate; Weak; None	PALMP
	Human resource development	Strong; Moderate; Weak; None	PHRD
	Economic development	Strong; Moderate; Weak; None	PED
Program links	upward	Strong; Moderate; Weak; None	LUP
	downward	Strong; Moderate; Weak; None	LDOWN
Role of EU programs	EES	Moderate; Weak; None	REES
	Struct.Funds	Strong; Moderate; Weak; None	RUSF
Coherence		Strong; Moderate; Weak; None	COHER
Initiated by		Government; TradeUnion; Employers; NGOs	INIT
Legal Status		Gov.Author.; Pub.Agency; Indep.NPO	LSTATUS
No. Of Partners			NPART
Leader		Gov.Author.; Pub.Agency; Indep.NPO	LEADER
Funding	Amount (per year)	m €	FAMOUNT
	EU-share (direct funding)	%	FEUSHARE
	Indirect EU-funding	YES; NO	FEUIND
Networking	regional	Strong; Moderate; Weak; None	NETREG
	trans-national	Strong; Moderate; Weak; None	NETINT
Meetings per year		number; n.a.;	MEET
Innovation		Strong; Moderate; Weak; None	INNOV
Output	Participants	number; n.a.;	PARTIC
	Projects	number; n.a.;	PPROJ
	evaluation	generally; occasion.; none	EVAL
	Variable	Categories	Variable Name

Efficiencies	strategic approach	YES; NO;	ESTRAT
	learning effects	YES; NO;	ELEARN
	coordination, partnership	YES; NO;	ECOORD
	innovation	YES; NO;	EINNO
	approach was mainstreams	YES; NO;	EMAIN
	sustainability	YES; NO;	ESUST
Inefficiencies	lack of coordination lack of transparency	YES; NO;	ILACKCO
	conflicts among partners	YES; NO;	ICONFL
	National bureaucracy/centralism	YES; NO;	INBUR
	EU bureaucracy	YES; NO;	IEUBUR
	lack of coordination among EU programs	YES; NO;	ILACKEU
	Low cost efficiency	YES; NO;	ICOST
Achievement		<i>Sucess;Failure;NA</i>	ACHIEV
EU Programs' importance	Objective 1	<i>Strong; Moderate; Low; None</i>	O1
	Objective 2	<i>Strong; Moderate; Low; None</i>	O2
	Objective 3	<i>Strong; Moderate; Low; None</i>	O3
	LEADER	<i>Strong; Moderate; Low; None</i>	OLEADER
	URBAN	<i>Strong; Moderate; Low; None</i>	OURBAN
	INTERREG	<i>Strong; Moderate; Low; None</i>	OINTER
	EQUAL	<i>Strong; Moderate; Low; None</i>	OEQUAL
	Article 6	<i>Strong; Moderate; Low; None</i>	OART6
TEP	YES; NO; NA	OTEP	

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