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**EUROPEAN UNION ACTION
TO PROMOTE LOCAL EMPLOYMENT INITIATIVES**

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FOREWORD

Over the last few years, several tens of thousands of jobs have been created in Europe in the personal services, leisure and environment sectors as a result of local initiatives. Young people and jobseekers, with or without qualifications, have thus been able to gain access to the labour market, acquire new professional skills and contribute to the economic and social development of their regions, towns or villages.

As a reflection of an innovative society anxious to promote solidarity, improve its quality of life and preserve its diversity, local employment initiatives have come to occupy a vital place in our economies and employment systems. Experts and governments agree that they still offer considerable potential for growth.

However, this had not always been the case. When, in 1993 in the White Paper "Growth, Competitiveness, Employment" and in 1994 at the European Council meeting in Essen, the European Commission suggested that services responding to the new needs of the population and local development might offer ways to combat unemployment, the idea could be seen as far-fetched. The results that followed, however, proved it right. National governments and local authorities backed this grassroots movement by launching programmes to exploit new sources of employment and, in some cases, by adapting financing arrangements and legal frameworks.

Although they are in theory far removed from the modest initiatives implemented at local level, the European Commission and other institutions have a role to play in their development. By disseminating good practice and encouraging transnational and interregional cooperation networks, the European Union can help local pilot projects break out of their isolation and achieve a higher profile. By stimulating innovation, it can trigger the groundswell needed to apprehend the full diversity of new prospects that are opening up for Europe. This pathfinding role ought to be fully recognised by granting the European Commission adequate structures and resources.

This study by Marjorie Jouen, a researcher with Notre Europe, reviews the pilot scheme conducted since 1994 and draws a few conclusions for the future.

Jacques DELORS

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INTRODUCTION

At the end of the 1980s, the theory that part of the problem of European unemployment could be solved by establishing new services in response to new needs sparked sometimes lively debate in a number of countries. However, the progress made in the space of a decade in terms of job and activity creation has put paid to the criticisms levelled by neo-liberals, modernists and the nostalgic partisans of an all-embracing State alike.

The European Commission contributed to this trend by encouraging local development and employment initiatives (LDEIs) over a period of six years, from 1994 to 1999. The measure was endorsed by all Community institutions and was largely taken up by the regions and municipalities.

The policy – an original component of the coordinated strategy for employment and a formal priority under the Community's structural assistance for 2000-2006 – is now moving into a new phase. In the light of past experience and in a context which has greatly changed since the White Paper "Growth, Competitiveness, Employment" was issued, the time has come to reflect on the future prospects for local employment initiatives.

If the European Union is to continue this approach that successfully combines the social, economic and regional dimensions of European integration, the Commission must be given a new monitoring and planning role – a move which will require substantial reforms.

1 – AN ESSENTIAL COMPONENT IN THE NEW EUROPEAN EMPLOYMENT SYSTEM

Creating services to meet new needs has gradually emerged as a significant weapon against unemployment, to such an extent that these new jobs can now justifiably be said to have an essential place in the European social system. To review the progress made, we must start by addressing the four key questions initially put forward. How can such a diversity of sectors and cultures be defined? How can new jobs be created? Why is the local level so important? Can a middle road be found between privatisation and public service?

1.1 – Embracing European diversity

Identifying promising areas

In December 1993, the White Paper "Growth, Competitiveness and Employment – Challenges and Ways Forward into the 21st Century", under the heading "Dealing with new needs", indicated the existence of significant under-exploited potential for job creation in Europe. By highlighting the emergence of new needs resulting from changes in lifestyles, the document broadened the scope of "new sources of employment" to include areas such as local services, environmental protection, leisure and culture, the audiovisual sector and improvements in the quality of life.

Contending that there were insufficiencies in both the private and public sectors, it envisaged a three-pronged response:

- developing a new "social economy"
- using new financial instruments to stimulate demand
- exploiting the national and regional diversity

At the Brussels summit of 10 and 11 December 1993, the heads of State and government endorsed the conclusions and recommendations of the White Paper and called on the Commission "to study the question of new sources of employment".

In order to understand the mechanisms at work, the Commission departments carried out a systematic survey during 1994. Beyond national divergences in the assessment of new needs and political views on what must be encouraged, the survey of positive experiences found that the local and social situations were very similar from one country to another, simply because all European societies had experienced the same changes and the same shortcomings in responding to them.

The promising areas were selected according to four simple criteria:

- substantial potential demand, linked to demographic trends, changes in behaviour and lifestyles
- supply only partially meeting this demand
- structural obstacles to job creation
- and finally, the presence of local or national pilot projects, replicable in the European Union, that provided satisfactory solutions and created new markets

The approach based on needs in four broad sectors – namely daily life, quality of life, leisure and the environment – yielded a list of 19 job areas: home services, childcare, new information and communication technologies, assistance for young people at risk and social integration, housing improvements, security, local public transport, redevelopment of public urban areas, local shops,

energy management, sport, tourism, the audiovisual sector, the cultural heritage, local cultural development, waste management, water management, the protection and maintenance of green areas and combating pollution.

This list has no objective scientific value, nor does it pretend to be exhaustive; however, it does enable many diverse activities to be included. It is therefore regularly used as a reference by researchers and political decision-makers in the Member States.

In 1994, hearings of experts had confirmed that all these new services and related jobs could not be defined using existing terminology. The private/public or the market/non-market classifications were not relevant, and there appeared to be an endless diversity of legal statuses and financial packages. On the other hand, the hearings had shown that successfully exploiting "new sources of employment" often depended on a complex approach involving three dimensions: social (job creation), economic (business start-ups) and regional (local development). The term "local development and employment initiative" (LDEI) was therefore coined to reflect this combination, and offers the tremendous advantage of being easily translated and understood in all of the languages of the European Union.

Development factors and obstacles

Job creation prospects vary from one job area to the next, notably according to consumption trends, the supply structure, the degree of market maturity and possible profit margins. The main development factors and obstacles for each job area are summarised in the tables below.

THE MAIN FACTORS IN THE DEVELOPMENT OF INITIATIVES (Source: Commission report SEC 95-564, adapted and completed)

JOB AREA	MAIN FACTORS
Home services	Population ageing / new schedules for women employees / restrictions on public finance for dependants
Childcare	Working women / urbanisation / increasing similarity between rural and urban lifestyles / increasing socialisation of children / distance between work and home
New information and communication technologies	Time savings / population ageing / requests to open up isolated areas / means of reducing ecological, economic, etc. risks / adaptability to individual needs (training, continuous assessment of health, etc.) / reconciling of budgetary constraints and quality of services
Assistance for young people at risk and social integration	School failure / rising education levels / unemployment of unskilled young people / immigration
Housing improvements	Dilapidated housing / change in family structure (need for small housing units) / unemployment (income problems)
Security	Crime / public finance restrictions / population ageing
Local public transport	Changes in reasons for travel / technological innovations / population ageing / urbanisation
Redevelopment of public urban areas	Urbanisation of the 1960s and 1970s / public finance restrictions / dilapidated 19th century public amenities / interest in cultural heritage / conversion of industrial sites

Local shops	Population ageing / urbanisation of 1980s and of outlying districts / increasing similarity between rural and urban life
Energy saving	Scarcity of natural resources / pollution / management of individual accommodation and transport costs / reduction of public budgets
Sport	Increased free time / health and hygiene concerns among all age groups
Tourism	Individualism / reductions in working time / accessibility of new destinations / rising level of education
Audiovisual sector	Technological innovations / reductions in working time / rising level of education
Cultural heritage	Free time / population ageing / teaching techniques (children) / adapted technological innovations
Local cultural development	Conversion of industrial sites / unemployment / free time / rising levels of education
Waste management	Awareness about wastage / changes in consumption habits (consumerism) / education / scarcity of natural resources
Water management	Awareness about wastage / restrictions on public finance / scarcity of natural resources / dilapidated 19th century public amenities
Protection and maintenance of green areas	Rural outmigration / population ageing / leisure pursuits (appeal of rural areas) / pollution
Combating pollution	Increasing awareness of public health issues / adapted technological innovations / scarcity of natural resources

THE MAIN OBSTACLES HOLDING BACK INITIATIVES
(Source: Commission report SEC 95-564, adapted and completed)

JOB AREA	MAIN OBSTACLES
Home services	Low profitability / jobs often insecure and undervalued / no price indicators / isolation of rural areas / quality and continuity of service not guaranteed
Childcare	Lack of project promoters / jobs often insecure and undervalued / no price indicators / quality and continuity of service not guaranteed / low returns
New information and communication technologies	Weakness of infrastructures / access to funds / poor cooperation between private and public sectors / poorly trained users / psychological barriers
Assistance for young people at risk and social integration	No price indicators / lack of information / poor link between education, training and social integration / financing too briefly available
Housing improvements	Qualifications undervalued / financial systems favouring new housing / supply too unidimensional / lack of integrated approach (housing, finance) / labour costs / inadequate occupational standards
Security	Inadequate cooperation between public and private sectors (public contracts, licensing systems) / quality and continuity of service not guaranteed / labour costs / lack of a comprehensive social and occupational integration path

Local public transport	Inadequate cooperation between public and private sectors / high investment costs / insufficient frequency and quality of service / strong adverse lobbies / training needing reviewed / inappropriate public service constraints
Redevelopment of public urban areas	High investment costs / inadequate cooperation between public and private sectors / lack of flexible legal instruments
Local shops	Low profitability / over-rigid legal and statutory systems / access to funds / lack of innovation and external logistical backing
Energy saving	Little awareness / inappropriate regulations / conflicting organisation of energy producers and distributors
Sport	Inappropriate professional organisation (competition) / versatility requirements / labour costs
Tourism	Jobs often insecure and of a seasonal nature / lack of professional standards / over-rigid legal system / lack of quality control
Audiovisual sector	Access to funds / weakness of infrastructures / need for training of users / jobs often of short duration / new occupational skills
Cultural heritage	New job skills / elitist behaviour / lack of quality control for SMEs and of professional code of ethics / unsuitable legal systems / investment cost
Local cultural development	Inadequate cooperation between public and private sectors / no acknowledgement of motivation other than profit / lack of information and financial training / complex legal instruments
Waste management	Labour costs / limited outlets for recycled products
Water management	Severe public service constraints / high cost of investment
Protection and maintenance of green areas	High cost of investment / poor cooperation between public and private sectors / unwillingness to pay for use / low profitability / lack of legal instruments
Combating pollution	Extra costs for consumers / new job skills / public authority approach sometimes inflexible

The findings of pilot schemes conducted over the last few years have confirmed this analysis by sector. Three main trends, broken down by family of services, can be identified:

- Housing improvements, security, local public transport, redevelopment of public urban areas, local shops, waste management, water management, protection and maintenance of green areas, and energy management can roughly be grouped together as services used by the community as a whole. In general, these new services benefit from strong local support stimulated by public administrations and politicians, who capitalise both on the jobs created and on the improvements to the area's image (quality of life and attractiveness). LDEIs are usually developed as part of integrated local strategies and can be accompanied by new regulatory measures in the fields of urbanism, government contracts and the environment. Where this is the case, local initiatives have trouble freeing themselves from direct or indirect public supervision and the conditions governing service provision and job creation remain quite distant from those of the market.

- Cultural, leisure and education services are pushed by growing demand linked to converging sociological developments: both employed and unemployed people have more free time and a greater interest in ongoing education. Profit-making and voluntary activities share a growing

market. Growth in these areas is further fuelled by the interest from young people, as either consumers or producers.

- Personalised everyday services (home services, childcare) offer the most promising prospects for job creation. However, hopes are sometimes thwarted by the very slow change in attitudes and, above all, a double barrier put up by established operators on the market. Certain voluntary and care organisations holding a virtual monopoly cultivate the reluctance of households to turn to paid external aid for their domestic tasks, and thus hinder the emergence of a professional supply. Likewise, the public authorities, afraid that the principle of equal access to services for all might be undermined, curb – without always admitting it – the development of a private-sector or semi-public supply.

As regards the profitability of activities, a clear distinction must be made between the emergence and development phases. Start-ups are necessarily risky in developing markets and innovative services. This justifies temporary financial assistance from the public sector. After the start-up stage, activities divide into two approximately equal groups depending on the form of consumption. "Personal and leisure services seem to offer the best prospects for profitability, in contrast to services linked to improving the quality of life and the environment. Wrongly considered 'free', self-financing is more difficult for the latter services (cleaning rivers, upkeep of urban open spaces, security, etc.)."¹

1.2 – Creating new jobs

Removing structural obstacles

The focus on new sources of employment is often criticised by those who have doubts about public-sector intervention and prefer to leave the satisfaction of new needs entirely to market forces. However, studies on public welfare by sociologists and economists and bare examination of the facts indicate that the factors prompting the supply and demand for services often have little to do with commercial logic. For example, the relationship of trust with the customer and the social qualifications of service providers play a key role in the development of home services, while private individual consumption is by no means the main engine of growth in sport, cultural and security services.

However, the crux of the issue is the existence of specific obstacles to development that the LDEIs cannot overcome alone. The cost of services is not the only problem. These obstacles appear at each of the three main levels of public authority – local, national and European – and are specific to each of the 19 job areas. Public-sector intervention can therefore be justified, not in the stereotypical and ad hoc form of a subsidy, but as a means of establishing a stable framework conducive to developing entrepreneurial spirit and encouraging initiative.

Setting the right conditions for projects to emerge is mainly a matter for the local level: providing information, advice and assistance for project promoters, creating a climate of cooperation between players in the public and private sectors, supporting innovation, etc. National policies must focus mainly on removing structural obstacles and implementing four types of horizontal measure: establishing a new range of financial instruments (including service vouchers, local mutual funds and the reform of some public spending rules), adjusting training provision and consolidating new job skills, upgrading the legal framework to promote new forms of entrepreneurship and crossovers between the public and private sectors, and increasing the

¹ Commission report SEC 98-25

decentralisation of administrative action. Assistance at European level, on the other hand, plays a flanking role in supporting experimentation, disseminating good practice, encouraging cooperation networks and providing financial assistance for national policies through the Structural Funds and through increased coordination (in areas such as taxation, energy and competition).

Micro-economic simulations were carried out in four countries (France, Germany, the United Kingdom and Spain), using the service voucher as an instrument to encourage demand for these new services. They silenced those who claimed that this job-creation method was inordinately expensive for a negligible result. In each country, national experts identified the main areas with a high growth potential where consumption had been held back by the cost of services. They then evaluated – working from an estimation of the level of assistance necessary to trigger demand – the initial cost if the public authorities were to cofinance 50% of household spending for four years. Using the Commission's econometric model QUEST, they were able to evaluate the positive and negative induced effects on the economy in each country. The results were quite encouraging, showing that additional annual employment growth of 0.2% could be achieved². Ten times more effective than a Keynesian approach to boosting the economy (through large-scale infrastructure works for example), and five times less expensive than simply increasing the number of people employed in the public sector, creating these 140,000 to 400,000 jobs per year generated an interesting multiplier effect without major risk of inflation. The study's findings were widely accepted, and taken up by many European researchers. They have unquestionably accredited the economic value of exploring new sources of employment.

Thousands of jobs at a reasonable cost

Local employment initiatives have suffered from one major handicap from the outset: an inappropriate statistical framework, which is unable to provide straightforward data. Nevertheless, a number of creditworthy sectoral studies are available. The results of programmes launched by local authorities and national governments, in France and the Netherlands for instance, also point to positive conclusions (see Annexes 1 and 2).

In statistical terms, most new jobs come under the indeterminate category "other services" or are related to traditional sectors, such as hotels and catering or construction. The qualitative changes in supply and demand that can support the development of local initiatives therefore fail to be spotted for lack of an appropriate analysis framework. For example, it is impossible to identify new professional openings related to energy management or housing security facilities from the figures available at Community level today. There is also little conclusive information on the share of cultural, educational and sporting activities in the supply of tourist services.

In a recent study on local community jobs (see bibliography), Gilbert Certe deplored these shortcomings at European level, but also put forward another explanation: "The limited number of these assessments is no doubt due to the fact that they require normative hypotheses which are difficult to establish and inevitably weaken the quantitative content. There is no doubt that two teams of economists assessing the potential for developing local services through public-sector assistance in the same country could come up with very different results."

² This rate of 0.2% should be set against the 0.5% objective put forward in the White Paper alongside the recommendation to halve unemployment by 2000.

As a consequence, and for want of any large-scale survey, researchers are reduced to comparing fragmented information and relying on sectoral analyses which they know offer an incomplete picture: a sectoral approach often fails to show the effects on adjacent sectors or on the area concerned. And these are precisely the effects that local initiatives build on; their success depends on their ability either to transcend sectors (in the so-called "integrated" approach), or to exploit the gaps between two market sectors (in what is known as a "niche" approach).

The information obtained from various European pilot programmes and the territorial employment pacts has confirmed the value of the local initiative approach. While the cost of jobs created varies considerably according to the country and job area, in all cases, encouraging LDEIs has proved more efficient than other more conventional job creation schemes.

In 1998, the Commission made the following comment on the results of the "Pilot projects for the long-term unemployed" programme: "In view of the expenditure related to the supporting measures (meetings, training courses, local coordinators' remuneration, etc.), which represent the most innovative part of the pilot projects, the cost per job created varies from ECU 12,000 to ECU 55,000. Despite having a disadvantaged target group – long-term unemployed people over 40 – the results are fairly comparable to those provided by the ex ante evaluation of job-creation measures in the Objective 2 Community programmes for 1997-1999³. In this evaluation, the average gross cost to the public per job varies between ECU 9,159 and 51,006 depending on the country."⁴

In the case of less particular target groups, variations of some 30% have been recorded. They can be explained by better concentration and more effective use of public finance and human resources. Thus, a recent survey of the impact of structural assistance on small and medium-sized enterprises (SMEs) in Europe highlighted an average cost per job created or saved of EUR 17,000, compared with the EUR 13,000 of jobs related to the development of new sources of employment under the territorial employment pacts (see bibliography).

The 1999 evaluation of the cost of jobs created under the territorial employment pacts showed that, on average, creating or preserving a job under the programme required a budget of EUR 29,500, including EUR 19,100 of public finance (EUR 8,800 of Community funds and EUR 10,300 of regional and national cofinancing). On the whole, these job-intensive measures meet the immediate and real needs of the citizens and businesses that became involved in the pacts; a sustainable effect on employment can therefore be expected. Their impressive performance (EUR 13,000) is comparable to that of "soft" action on the economic environment of businesses and the development of human resources. They tend to show that an innovative approach to job creation can reconcile economic efficiency, social cohesion and effective use of public finance.

The analysis by country of euros-to-job ratios shows substantial disparities. Relatively low costs per job can be observed in pacts located in regions with a high unemployment rate (in particular in Finland and France) as well as in Austria and the United Kingdom. This is due to the fact that the areas concerned benefit from a wide range of instruments for combating

³ COM (97) 524 of 14 November 1997, *The new regional programmes 1997-1999 under Objective 2 of the Community's Structural Policies - focusing on job creation*

⁴ Commission report SEC 98-25

unemployment, in particular employment aids and socio-professional integration programmes supported and cofinanced by national policies. The cost per job is below average in the "cohesion countries" (Ireland, Greece, Portugal and Spain) because they have set a priority on local initiatives (SMEs, third system, etc.) rather than large-scale investment. In addition, the lower levels of wages and qualifications in these countries tend to reduce the cost of creating or preserving jobs.

1.3 – Taming the local level

The importance of the local level

In response to the fears of some administrations, which doubt the value of an approach based on local partnership and cooperation, it must often be explained that the increased importance of local areas and the community in social and economic policy reflects a new competitive situation.

This clearly emerges from a number of scientific studies by economists specialising in regional matters, in particular from Italy, the United Kingdom and the United States. There are three main points involved:

- First, what is commonly referred to as "glo-calisation"; a mix of local and global. Large global companies are becoming increasingly aware that their competitiveness is linked to the attractiveness of the areas in which their production units are located. The quality of the immediate surroundings and the availability and proximity of human, scientific and technical resources are an asset.
- Secondly, it is at local level that the deficiencies and unsuitability of outdated social protection schemes are most felt. Thanks to action on the part of local authorities and associations, adapted responses can be brought to the critical situations caused by the shortcomings of social protection at national level.
- Lastly, meeting new needs is very closely related to the local communities that have expressed them, since they also reflect the changes in lifestyle and new aspirations of the local inhabitants. The diversity of villages, towns and regions therefore constitutes a vital reserve for European development. The local level is recovering significance because diversity, instead of being an obstacle, has become a precondition in addressing quality and innovation requirements.

Furthermore, local initiatives now often also reflect a desire to open up to the outside world. LDEI promoters and local coordination groups make considerable use of information technology. On the look-out for new ideas, they are eager to compare methods and trade experiences. They contribute to the vitality of transregional and transnational networks throughout Europe.

The dynamism of towns and regions

The development of local initiatives in Europe coincided with two converging trends. On the one hand, the local dimension gradually came to be integrated into employment policies during 1995-1996. These new programmes, the forerunner of which was the Dutch Melkert Plan - REWLW, replaced existing measures for the "social treatment of unemployment", which were deemed too costly and inefficient. On the other hand, local development policies have increasingly focused on creating jobs and improving the local population's quality of life. At the end of 1996, the Commission accurately noted that "at local level, both in rural areas and in large cities, systematic exploration of new sources of employment to meet fresh

local needs has become a policy in its own right."⁵ National programmes, such as the single regeneration budget in the United Kingdom, the city contract and local economic integration plans in France, the integrated local development programme in Portugal, local partnerships in Ireland, the integration programme for refugees in Sweden and Action 8000 in Austria have had a triggering effect. They have forced local authorities to develop integrated strategies to combat unemployment and boost economic activity in distressed districts and municipalities, or even the whole of their local area.

Comparative studies have highlighted three essential methodological components of local employment development expertise:

- Effective and wide-ranging partnerships. They can be either horizontal, i.e. between all the private-, public- and social-sector players of a given area, or vertical, between partners responsible for implementing the same policy at various geographical levels.
- The choice of geographical area (population and surface area), which will determine the structure, profitability, financing and available partners of a service.
- The length of time needed for a project to mature and integrate into the local economic fabric, which will determine its long-term longevity.

The support of local authorities at all geographical levels (regions, provinces or counties, towns or rural municipalities) far exceeds the statistical results and draws on the many social, cultural and environmental spin-off effects of initiatives, such as the renovation of old housing in a village, the arrival of new inhabitants and their families, commercial activity related to the tourist trade, renewed security in a district, the cultural prominence of a region, a clean river or beach and, of course, new direct or indirect jobs. Beyond the economic assessments, these benefits are considered as positive signs of a possible trend reversal after 20 years of crisis and decline. They legitimate a political or strategic choice in the eyes of all partners. This is particularly the case in rural areas with a low population density where creating a few jobs can be regarded as the first step towards a diversification of activities and new work opportunities for the local population. In industrial regions, these new services often become a springboard for a wider conversion to the services sector.

The pilot projects financed by the European Regional Development Fund's innovative action "New sources of employment" are indicative of this new trend.

LOCAL INITIATIVES LAUNCHED THANKS TO THE ERDF'S INNOVATIVE ACTION "NEW SOURCES OF EMPLOYMENT"

Late in 1996, the Commission undertook to cofinance 41 local LDEI promotion strategies in the 15 Member States for a minimum period of 24 months. The scheme is intended to show that a number of sustainable jobs can be created in the 19 job areas previously identified by the Commission, through thorough analysis of unsatisfied new needs, market studies and financial assistance for business start-ups. The aim is to support the organisation of an innovative supply of services which must gradually build its own customer base and achieve financial self-sufficiency.

⁵ Commission report SEC 96-2061

Only 16 of the 41 projects target just one family of services; the others have a more cross-sectoral strategy. This diversity is illustrated by the table below.

<u>Name and location of the project</u>	<u>Objectives and fields targeted</u>	<u>Number of jobs expected</u>
Berlin – service (Germany)	To establish a market for home services (staff training, marketing, price level required to break even, and new work relationships between households, service providers and their employers).	54
CACEP Loures (Portugal)	To encourage the establishment of very small neighbourhood companies by setting up two advice centres specialised in finance and training.	60
BAMB Magdeburg (Germany)	To enable unemployed women living in rural areas to create their own jobs.	70
JHC Lahti (Finland)	To set up a private sector or social economy supply of home services, then replicate the initiative in the 12 neighbouring municipalities.	80
ACCUREG Berlin (Germany)	To establish an innovative collection, recycling and repair service for nickel cadmium batteries aimed at private customers and businesses.	5
CLEAN Cork (Ireland)	To meet local environment-related needs in four areas: restoration of buildings worthy of conservation as part of urban heritage, recycling of construction and chemical waste, a centre for traditional ship building, and a local network for electronic data exchange.	160
Dansk Kur-turisme Aalborg (Denmark)	To provide a full medical care service linked to tourist and leisure activities in nine "centres" established in old renovated buildings.	262
Esparru 17 San Sebastian (Spain)	To encourage new business start-ups through the introduction of vouchers for tourist and cultural services.	200
Job-Spring Attiki (Greece)	To form an employment partnership between six municipalities in the suburbs of Athens, by creating services focusing on the needs of businesses (E-mail), young children (nursery, transport, safety) and the local population in general (lost pets, school renovation).	50
ERNE! Navarra (Spain)	To stimulate entrepreneurship in economically viable areas: services for older people and children, active tourism, local cultural development and the media, the exploitation of natural sites, and local shops in rural areas.	300

1.4 – Renewing welfare services

Transforming the supply of services for the population

The controversy in France surrounding the "petits boulots" (odd jobs), which hampered employment growth in the services sector for almost a decade without resulting in any constructive solutions, never stirred up as much debate in the other Member States. However, defenders of the welfare State frequently highlighted the risk of insecurity related to the development of atypical jobs during 1994 and 1995. They even suspected policies in favour of LDEIs of seeking to roll back the social advances upheld by public-sector services and their principle of universality, by recreating private services dependent on household income. In the Scandinavian countries, this was seen as a threat to "the social pact for equality" between men and women concluded in the 1960s. Over the years, the edge has been taken off these claims, in particular further to the adoption of European rules mapping out the future of non-market services and to a better understanding of the true nature of LDEIs. These did not grow on the ashes of the welfare State. Nor do they exploit it; rather, they contribute to its reform. The growth in employment associated with them cannot be explained solely by an opportunity or replacement effect.

In most cases, local initiatives merely fill a vacuum left by the public services. Experience, including in the United Kingdom, has shown that the decision to discontinue a public service or privatise it is rarely purely ideological. It more often reflects awareness that the service is not operating properly or is unprofitable owing to user disaffection. It is the impracticability of reforming services set up on a uniform and Taylorist model which seals their fate.

Whether they take the form of new private companies as in Finland or social cooperatives as in Sweden, the growing number of LDEIs offering services for the population is indicative, on the one hand, of the emergence of "neo-entrepreneurs" wishing to provide quality innovative services and, on the other hand, of a profound change in attitudes. Further to a survey of personal service providers (see bibliography), Anne Kovalainen and Leila Simonen concluded that "within the Scandinavian welfare model, the State is no longer seen as the only solution for service provision." The experience gained from a scheme of municipal vouchers for childcare services implemented by the Finnish government since 1995 also provides valuable pointers on the social trends under way (see Annex 3).

As regards the nature of these jobs, there can be no doubt that local initiative projects reflect the general trend affecting European business as a whole: in the 1990s, irrespective of the sector, half of the recruitments were under fixed-term contracts and the proportion of part-time jobs rose from 13% to 18% between 1990 and today. Insecurity, however, can be avoided if the social partners and administrations manage to establish and enforce minimum standards governing the quality of the service and jobs.

An increasingly blurred boundary between public and private sectors

Besides the speed at which new services have spread and their strong local roots, comparisons between countries have also naturally revealed traditional national preferences: an emphasis on services for everyday life and the satisfaction of social needs in northern Europe, promotion of tourism and the cultural heritage in the southern countries and Ireland, and a relative lack of interest in tourism in the United Kingdom and the Nordic countries. However, they also bear witness to the emergence of new concerns: care for older people in Italy and

Greece, the need to respond to environmental problems in Italy and Spain, and safety and quality of life in towns in France, the Netherlands and Italy. In countries with a strong tradition of decentralisation, the local dimension of these new jobs is reflected mainly in increased powers for the regions or municipalities (Denmark, Spain, Italy, Germany, Austria and Finland).

Another lesson that can be drawn from national comparisons concerns structural changes which have not been given much attention to date and which relate to the concept of the enterprise "that is breaking all previous academic, fiscal and accounting boundaries."⁶

In less than 10 years, nearly all the Member States have had to invent new forms of enterprise or adapt the older ones, as the following table illustrates:

NEW LEGAL FRAMEWORKS IN THE 15 MEMBER STATES

(Source: Commission report SEC 96-2061, adapted and completed)

Belgium	Employment integration enterprises; companies with a social aim; social workshops (Flanders)
Denmark	Rehabilitation companies
Germany	Arbeitsforderbetriebe; service companies under public contract
Greece	Social cooperatives
Spain	Employment enterprises; associative employment cooperatives; employment integration enterprises
France	Régies de quartiers; employment integration enterprises; intermediary associations; employers' associations
Ireland	Workers' cooperatives; community enterprises
Italy	Non-profit-making social organisations; social cooperatives
Luxembourg	Intermediary organisations for local services
Netherlands	Régies de quartiers; social cooperatives
Austria	Non-profit-making community enterprises; cooperatives; foundations
Portugal	Employment integration enterprises; social enterprises
Finland	Social enterprises
Sweden	Social cooperatives
United Kingdom	Community enterprises; voluntary associations; intermediate labour market organisations

The diversity of paths chosen to satisfy new needs reflects the cultural heritage as much as the political options of the governments in power. In some cases, LDEIs are promoted to create a private-sector supply complementing the public and non-profit sectors. However, they can

⁶ Commission report SEC 98-25

also contribute to developing new entities which combine public- and private-sector capital. The range of statuses available is still expanding and the boundary between the private and public sectors is becoming increasingly blurred. Complex financial packages involving partners from various sectors are spawning hybrid entities whose status may change several times over the years, depending on how their activity develops. The concept of a continuous spectrum stretching from the public to the private sector, including the social economy, is replacing that of clearly defined legal categories.

Whether the issue is self-employment in Ireland, the United Kingdom, Portugal and Austria or the social economy in Italy, Belgium, Sweden and Finland, the arguments put forward are often similar: the legal status chosen must provide for quick adjustment to demand, take into account the mix of skills, activities and products involved and enable projects to integrate properly into the local environment. It must be stressed that these projects are often based on in-depth analyses of local needs by their promoters.

2 – THE KEY ROLE OF THE EUROPEAN UNION

Since 1993, the Community institutions have played a steady and important part in demonstrating the significance of this job-creation method in the Union and in ensuring that the contribution of local initiatives to reducing unemployment was recognised. There are many facets to the Union's action, depending on whether it is considered from an institutional point of view, in terms of the decisions taken by the Council and the Commission, or from a more operational perspective, in terms of the pilot schemes carried out with the Commission's support.

2.1 – Decisive impetus from the Commission and regular endorsement from the Council

In response to a request from the Council following the adoption of the White Paper in December 1993, the Commission undertook a pragmatic survey and analysis exercise, collecting as much information as possible from all countries, comparing sectoral analyses and collaborating with many – over a hundred – experts and practitioners already working in established European networks. Over a period of six months, some thirty theme-based hearings were organised to determine how the satisfaction of new needs could translate into job creation, compare the merits of the various financial and legal instruments used and evaluate opportunities for replication.

After having been submitted at the European Council meeting in Essen in December 1994, the investigation's results were discussed at a conference in Opio, organised under the French presidency. They were set out in the report⁷ on "Local development and employment initiatives - An investigation in the European Union", which was widely disseminated in March 1995 to help interested parties exploit the new sources of employment.

The Commission then decided to give greater political and administrative weight to the information and lessons learnt from the report by issuing a communication entitled "A European strategy for encouraging local development and employment initiatives", which was adopted in June 1995. In the following months, a standing group – coordinated by the Forward Studies Unit – was set up, bringing together departments from some 10 Commission

⁷ Commission report SEC 95-564

directorates-general. The group has become a forum for informal internal exchanges of information, thereby ensuring that the various initiatives taken within the Commission are consistent. Its tasks include launching new pilot programmes, redeploying old measures, commissioning specialised studies from research institutes, organising awareness-raising and training seminars, etc. It has also often acted as a contact point for experts, national and regional administrations and local initiative promoters in the European Union. Two evaluation and policy papers on local initiatives were published in November 1996 and January 1998 respectively⁸.

The impetus given by the Commission and its implementation of a policy to promote LDEIs have been regularly endorsed by the Council and the other Community institutions (see Annexes 4 and 5).

The Portuguese, Irish and Danish governments thus pushed the Council to give the Commission a new brief at the Corfu summit on 24 and 25 June 1994. The aim was to draw up an inventory of Community initiatives to foster local development and propose measures for enhancing the consistency and effectiveness of these initiatives. At the European Council meeting in Essen in December 1994, a framework to support and coordinate national employment policies was introduced and the new sources of employment were mentioned under the point on increasing the employment-intensiveness of growth. At the 1995 Madrid summit, encouraging local employment initiatives was one of the eight priority areas for the national multiannual employment plans. And the European Council meeting in Florence launched the territorial and local employment pacts, by linking them to the LDEIs.

Lastly, they were "institutionalised", so to speak, in the employment guidelines for 1998 adopted at the extraordinary European Council meeting on employment in Luxembourg on 20 and 21 November 1997. Local initiative jobs were included under the "second pillar" on promoting entrepreneurial spirit, and greater emphasis was gradually given to the role of local authorities and the social partners in exploiting new sources of employment, including in the social economy sector. These recommendations quite closely reflect the conclusions expressed by the Commission⁹ in which it called on local employment services and bodies to become genuine partners in a proactive local strategy.

Given the level of detail with which national delegations scrutinise the draft conclusions of each European summit before they are adopted, considerable energy must have been required to ensure that local initiatives were included among the range of tools to combat unemployment. However, these developments are indicative of far more than just an isolated tour de force; the consistency of ministerial conclusions over six years reflects the significance and diversity of the support the LDEIs have received from various countries, political persuasions and sectors.

2.2 – The success of the territorial employment pacts

Territorial and local employment pacts illustrate the close coordination that has developed since 1996 in this area between the Community institutions and the towns and regions. Initially designed as a minor strand of the European Confidence Pact for Employment

⁸ Commission reports SEC 96-2061 and SEC 98-25

⁹ Commission report SEC 98-25

proposed by Jacques Santer to the governments and social partners, they soon became a key component of the scheme.

When their launch was announced, the territorial employment pacts immediately caught the interest of towns and regions, which were prompt to respond. The enthusiasm expressed by the European Council at its meeting in Dublin in December 1996 reflected the excitement that had seized Europe. The initiative was soon endorsed by the other Community institutions: first the Economic and Social Committee, then the European Parliament and the Committee of the Regions. But although most national governments supported a move which indicated a desire to promote employment while reflecting the advances of decentralisation, two countries, the United Kingdom and France, dragged their feet and displayed a clear lack of enthusiasm.

Yet since the early 1990s, partnership has been an unavoidable issue in most European countries:

- In the United Kingdom, where local authority coffers are empty, project promoters and members of the non-profit sector must look to the private sector for the means to survive.
- In Ireland, the government has explained the "national economic miracle" by the fact that since 1987 it has complemented measures to promote inward investment by foreign companies with an ambitious education and training policy and a 10-yearly programme encouraging local development and social cohesion. Over the years, Ireland has encouraged all forms of partnership, whether national, local, or social.
- In the Nordic countries, where the tradition of consultation is an integral part of social progress, institutional partnership is finding a new lease of life.
- Even some Mediterranean countries are joining the trend – first Italy, then Spain and Greece.

The success of the approach initiated by the Commission also depends on the link that the local players establish between the pacts and the LDEIs. In September 1997, the Committee of the Regions pointed out in an initial interim report that "21 out of 89 pacts have undertaken to create jobs in the 19 areas identified by the Commission. Half of the 25 most advanced pacts are envisaging a strategy which covers several of these areas while 25% are focusing on only one sector. Tourism, protecting the cultural heritage and local cultural development top the list."

However, the objective laid down for the territorial pacts goes beyond exploiting new sources of employment. The purpose for the Commission was to give a new impetus to the economic and social cohesion policy, three years before the end of the 1994-1999 structural programmes. The aim was therefore to make effective use of the Structural Funds for job creation. The rules were quite simple: 89 regions or micro-regions in the Union were identified for their commitment to taking effective action for local employment through strengthened partnership with the main political, economic and social decision-makers, including those from civil society, education and research. Support was then provided from the Community budget, through financing known as technical assistance, for project development and local coordination. Most of the actual project finance came from resources already earmarked in regional programmes (ERDF and EAGGF) or other programmes (ESF), topped up with national cofinancing. The launch took longer than expected but the pacts are now starting to show their worth. In the three years between 1997 and 1999, 54,400 new jobs are expected to have been created as a result of redirecting public finance towards employment (EUR 1,600 million, of which 480 million from the structural funds).

The pacts should be credited with one last innovation: they created an original form of conference at European level, bringing together increasing numbers of local practitioners. Members of each pact present their methods and projects and discuss them with the representatives of other areas with a view to pooling ideas and possibly collecting suggestions for the future. Thus the Commission has had to adjust to a new role for the pacts, as indeed for other pilot programmes. It has reinvented the concept of large medieval fairs... but for the exchange of ideas.

2.3 – A huge pool of experience

In 1994, local pilot projects were compiled during almost one year as part of the Commission survey. Despite not being very systematic, the procedure was extremely fruitful. Information was provided both by the Commission's pilot programmes and by sectoral and national sources. The exercise effectively highlighted the number of initiatives already under way and their linkage in more or less formal networks.

The determination of the European institutions to check and expand the analyses of 1995, and of Europeans to support job creation at local level, were to generate hundreds – even thousands – of projects. A memorandum from the secretariat of the Local Economic and Employment Development (LEED) programme of the Organisation for Economic Cooperation and Development (OECD) on the contribution of local development to economic progress, social cohesion and democratic participation underlined in 1997 that "the local initiative movement has generated a huge pool of experience where the economy and society can be reconciled on modern terms."

For it must be recognised that the spread of local initiatives was no longer spontaneous by 1993-1994, even supposing it was in the late 1980s. It resulted from a strategy at local and regional level to exploit all sources of employment systematically. In the case of the European authorities, the trend reflected a concern to understand the mechanisms governing job creation in the services sector and identify the best policy mix. The Commission launched, either on its own initiative or that of the European Parliament, some 15 programmes or pilot initiatives between 1995 and 1999, each with a very clear purpose.

A FEW EUROPEAN PILOT PROGRAMMES AND THEIR SUBJECTS

NAME	TYPE OF PROGRAMME	SUBJECT
LEADER	Community initiative	Innovation and rural development (vocational training, rural tourism, support for small businesses, exploitation of agricultural and forestry production and local fishing, improvement of the quality of life and the environment)
Third system and employment	Pilot project initiated by the European Parliament	The job creation potential of organisations belonging neither to the public nor the private business sector in social, cultural and local services related to improving the quality of life and the environment

New sources of employment	Innovative action (under Article 6 of the ESF regulation)	Job creation relating to new needs and new developments in skills and industrial relations (technological progress, protection of the environment, demographic trends, sectoral and geographic mobility for workers)
New sources of employment	Innovative action (under Article 10 of the ERDF regulation)	Regional and local strategies to support local employment initiatives in priority sectors related to improving the quality of life (personal services and the natural and living environment)
INTEGRA	Community initiative	New pathways to enter or return to the labour market for the most disadvantaged population groups, in particular victims of racism and xenophobia
Second chance schools	Pilot project	New teaching methods based on a network of partners from local authorities and the business community to reintegrate young people with a view to finding a job
Action in favour of the long-term unemployed	Pilot project initiated by the European Parliament	Innovative solutions for helping unemployed people of over 40 years of age and people unemployed for more than two years to return to employment
Urban pilot projects	Innovative action (under Article 10 of the ERDF regulation)	Innovative and integrated regeneration and development strategies, in particular through the promotion of environmental, social, cultural and economic activities in order to create sustainable jobs and improve the local population's quality of life

Given that each programme involves several dozens or hundreds of projects, this European pool contains at least 5,000 to 6,000 initiatives which are regularly evaluated and analysed. Placed in controlled conditions as if in a laboratory, they are carefully monitored from their inception through every stage of their development up to their conclusion. The evaluation may involve the legal and financial procedures adopted, the integration pathway chosen, the economic viability of activities in the medium term or the spin-offs for the local area and partnership. Its purpose is to highlight the most suitable methods and their replicability in other regions, thereby providing pragmatic indications for future employment and local development policies.

Initiatives are usually selected further to a call for projects at Community level or possibly at national level in the case of Community initiatives. The Commission draws up specifications for candidates. At the same time, a budget implementation plan established for internal use lists the various measures planned.

Although more than a hundred Commission officials have been actively involved in monitoring and evaluating the schemes implemented by the Commission between 1994 and

1999, the staff working full-time on the programmes is quite limited: around twenty persons at most. A technical assistance office or external consultants often need to be called in to provide methodological advice and handle the coordination of projects. The necessary funds are earmarked from the outset of the programme.

2.4 – A European laboratory

This role of support for experimentation was what justified including a 1% appropriation in the Structural Fund regulations adopted for 1989-1993 and 1994-1999 to enable the Commission to carry out innovative actions under the cohesion policy. The underlying principle was that the lessons drawn from the pilot projects will be applied on a larger scale within the framework of Community initiatives, whose main purpose is to promote experimentation on a larger scale and the dissemination of good practice through transnational cooperation networks. At a later stage, the positive findings from these programmes will contribute to enhancing regional and national programmes cofinanced by the European Union.

There can be no doubt as to the usefulness of the process, notwithstanding some minor shortcomings, for it enables the Commission to collect a wealth of information. Properly carried out, the pilot projects allow policy-makers to save considerable time. They provide access to neutral data for the purposes of analysis and comparison, and to a much wider range of methods than would be available if the initiatives were implemented on a purely national basis.

The lessons learnt from several pilot programmes have made it possible to identify the typical stages of a successful strategy for encouraging LDEIs.

<u>Preliminary stages</u>	<p>Acculturation of the area</p> <p>All those involved and the local population must be receptive to the concept of new sources of employment, i.e. to the possibility of creating new services jobs in the 19 areas. They must be convinced of the benefit of committing their locality to a unconventional economic development strategy, which is neither agricultural nor industrial.</p>
	<p>Autonomy of local operators</p> <p>All partners who have an important role in the project must be empowered to commit themselves at their level without their financial or technical assistance being conditional on other decision-making bodies at regional or national level.</p>
	<p>Climate of confidence and cooperation</p> <p>There is a risk that a project will never get off the ground if it has to contend with conflicting political interests, strong trade union opposition, competition between projects and personal rivalries.</p>
⇒ <u>Identification of a strategy and appropriate partnership</u>	
	<p>Survey of demand</p> <p>A comprehensive local analysis based on the SWOT model</p>

<u>Exploitation of new sources of employment</u>	(strengths, weaknesses, opportunities and threats), canvassing of existing businesses, and market and household surveys must be carried out before the recruitment phase.
	<p>Identification of supply (selection of candidates)</p> <p>Many pilot projects experienced difficulties because they focused too much on the supply side, i.e. on unemployed people and their recruitment and training. Helping long-term unemployed people return to work entails a period of motivation and personalised learning of the new profession. Focusing too much on target groups jeopardises the viability of projects.</p>
	<p>Project design</p> <p>Matching supply to demand is a crucial stage; original approaches have successfully shortened the process by backing networks that already had "dormant projects" likely to involve unemployed people, local trade unions for the unemployed, local associations, associations of municipalities, etc.</p>
⇒ <u>LOCAL DEVELOPMENT AND EMPLOYMENT INITIATIVE</u>	
<u>Sustainable jobs and activities</u>	<p>Financial and technical project development</p> <p>Contrary to current practice resulting from the increase in public subsidies for job creation or recruitment of unemployed people, the allocation of finance and training should occur only at the end of the process.</p>
	<p>Monitoring of projects and promoters</p> <p>This aspect must not be neglected, particularly in the case of long-term unemployed people who may get discouraged after a few months, even if the project is developing smoothly.</p>

This type of Commission action substantially renews the somewhat static view of the sharing of powers between public authorities offered by the subsidiarity principle. By not limiting its role to mere donor, by providing opportunities for those involved at local and regional level to meet, by maintaining direct dialogue with transnational networks in order to identify "good practice", the Commission is contributing to promoting European integration from the bottom up.

3 – AN UNCERTAIN OUTLOOK

Although the European institutions have played a useful demonstration role and while there is strong momentum behind local initiatives, the battle is still far from won. Inventive as local project promoters may be, those who oppose them for fear of change have demonstrated their ability to slow the process. The movement is also undermined by individuals, groups or companies that do not hesitate to make use of the slightest progress achieved by LDEIs to serve their own political or economic agenda. It would therefore seem necessary to preserve a monitoring and forward planning function at European level and equip the European institutions with the necessary means to this end.

3.1 – Persistent national obstacles

Administrative inertia

How many good projects and generous initiatives have failed because of sluggish administrations in all sectors, institutional deadlocks of all kinds and the barriers of conventional wisdom and attitudes? Far too many, if issues such as unemployment and the population's quality of life are to be dealt with seriously. The truth is that national and regional authorities, whatever the Member State, are generally ill-prepared and lack the resources to exercise the new coordination role expected of them.

Education systems and recruiting methods – open competitions – tend to comfort the outdated view that civil service applicants have of the public authorities' duties. They place too much emphasis on legal knowledge, to the detriment of operational expertise and the interpersonal skills needed to carry out projects within partnerships.

It is regrettable that the officials responsible for economic development, relations with the business community, employment and regional issues should rarely have statistical, sociological or forward analysis tools at their disposal. How many have access to precise analytical data on the situation in their region (regarding the state of industry and services, development and export prospects, social inequalities trends and available professional skills, for example)? How many are familiar with the latest good practice developed by other regions and countries in their specific field of expertise? How many know how to interpret the results of the measures they have implemented in previous years? In these circumstances, how can they provide effective advice for unemployed people, companies, economic project promoters and local groups?

Subsidiarity between local, regional and national authorities is exercised in a negative rather than a positive manner: conflicts over responsibilities are more frequent than cooperative collaboration. Certain issues that would require a pooling of resources, beyond the responsibilities of each level or sectoral department, may therefore be neglected.

This situation is particularly problematic for new jobs in the services sector, since project promoters have ambiguous expectations of the public authorities. They need the latter to establish a favourable climate, reduce certain structural obstacles and, sometimes, provide seed capital. At the same time, they want increased room for manoeuvre and less rigorous supervision.

The workings of public authorities can put considerable strain on the small organisations they are supposed to help. The main problem is payment deadlines. Admittedly, those who are used to dealing with public administrations and the beneficiaries of conventional public assistance have long taken this restriction on board and include these additional costs when calculating the cost of a service or drawing up a tender. But these deadlines are even less justified where pilot projects are concerned and put unnecessary strain on innovative projects. One of the practices most commonly used to overcome the difficulty is to resort to bridge financing from local public organisations or other institutions that have greater financial flexibility. But this automatically gives an edge to those with backing from large bodies, including sizeable financial organisations.

The Commission has frequently noted that approximately 10% of projects selected under a pilot programme do not take off because the partners have given up waiting for the subsidies to be paid. "The start-up delays appear [too] long. The constraints specific to public funding channels create a bottleneck common to all pilot schemes... there are on average 12 months between the deadline for applications and receipt of initial funds by the beneficiaries."¹⁰ The situation could be considerably improved by imposing delivery mechanisms on public administrations, as is increasingly being done in the Nordic and Anglo-Saxon countries. Instead, public administrations continue to apply the rules of another age – that of the all-powerful State: mismanagement goes unpunished as long as there is no misappropriation, and the infrequent evaluations come too late to prompt any effective redeployment of measures. However, a reform of accounting procedures does not appear to be on the agenda of most Member States for the moment.

Certain governments may also deliberately favour certain types of employer or legal framework for the development of new activities and job creation. These options have a sustainable impact on the characteristics of the new sectors. For instance, the Danish government in 1994 and the Dutch government in 1996 chose to encourage the development of home jobs and services (cleaning, gardening, laundry, decoration, etc.) through conventional job-creation schemes based on existing companies and consumption subsidies, rather than by introducing service vouchers which could have stimulated supply from micro-enterprises in the private and social economy sectors. The main justification put forward was the relative legal and social assurances offered by the statuses of salaried employee and company under private law.

In another case, that of Germany, the establishment of an insurance and allowance system to meet the needs of old and disabled people was expected to generate rapid growth in the home services sector. However, instead of making payment of the dependence insurance benefit conditional on the purchase of a service, the decision on how to use the funds received was left to the families. They could either purchase the service from a private-sector company, resort to charity organisations or pay family volunteers. This political option has had a significant effect on the development of the sector in recent years, strengthening the predominance of traditional social organisations rather than stimulating the emergence of new forms of professional service.

The inflexibility of the legal framework and current assistance schemes

In a context of greater flexibility in the social sphere, LDEIs have to contend with new obstacles. In 1996, the Commission underlined the fact that "there is greater difficulty in accepting this approach in countries which have a deeply rooted industrial tradition."¹¹ Nowadays, tensions seem to be concentrated on two issues: occupational status trends and the adjustment of employment policies.

Promoting an entrepreneurial spirit and the adjustment of organisations and employees to the new production and competitive environment feature regularly in the recommendations of public reports on employment issued by international organisations (the OECD, the International Labour Office and the European Union) and national authorities. The advice from these international organisations is based on the observation of an economic trend which

¹⁰ Commission report SEC 98-25

¹¹ Commission report SEC 96-2061

has not spared local initiatives, as new legal entities: the discontinuity of career structures. The symptoms were already clearly apparent in 1998: "Individual occupational statuses and social systems seem to be increasingly unsuited to potential entrepreneurs, who often see business creation as a step forward in their working life and do not want to be penalised personally for having attempted to carry out an ambitious project."¹² This particularly important structural obstacle is due to the very slow adjustment of labour legislation, which has failed to take full account of the profound changes in employment patterns and the generalisation of flexibility – whether desired or endured – throughout working life.

As regards the emergence of legal frameworks to accommodate new economic projects, the numerous changes recorded over the last decade still appear quite timid. The main stumbling block for local initiatives is the lack of fluidity between the various systems. This prompted practical recommendations in 1998. "The creation of an environment conducive to the entrepreneurial spirit requires more than simply reducing administrative formalities. The various forms of entrepreneurship have to be encouraged simultaneously by increasing the number of bridges and the extent of cooperation between private SMEs, micro-enterprises and social economy businesses and by developing appropriate financial and legal instruments, chiefly by taking full advantage of good local practices."¹³ Unfortunately, this resistance to change is indicative of the reluctance of public administrations, professional organisations, banking institutions and the social partners to be more receptive to the needs of small companies and do everything they can to satisfy them.

Over the last few years, nearly all the Member States have reformed their employment policies. However, instead of assisting the development of local initiatives, the reformed employment services seem to resist them. This paradox was highlighted by the Commission in 1998: "in a number of regions, implementation of a local strategy has been hampered either because control of the project has been entrusted to the employment services, or because of competition from national systems to combat unemployment."¹⁴

At least two reasons – one economic and the other sociological – can be advanced to explain this apparent contradiction:

- Firstly, the regulatory and financial procedures upset the economic balance needed to start up an activity and create jobs. LDEIs are suffocated by unnecessarily sophisticated national measures. Under the pretext of ensuring that public-sector occupational reintegration funds are used only for profitable and sustainable activities, projects are expected to meet excessive requirements. Furthermore, in the case of new labour-intensive services, salaries and social or tax charges place the break-even point at unrealistic levels on account of the low productivity of the reintegrated workers. In other cases, generous unemployment benefit discourages unemployed people from accepting jobs that will lead to only a slight increase in their revenue. The risk of failure and, above all, the obligation to retrain outweigh the modest prospective gains.

- Secondly, employment services are having trouble moving beyond the assistance-based and monopolistic approach traditionally attached to their role. Despite a few effective national practices, in numerous cases, national employment agencies are perceived as bureaucratic

¹² Commission report SEC 98-25

¹³ Commission report SEC 98-25

¹⁴ Commission report SEC 98-25

organisations mainly concerned with enforcing regulations or preventing unemployment benefit fraud. These employment services often lack the staff to cope with the sharp increase in unemployment; furthermore, their officials often do not have the skills required to make an effective contribution to local development projects even with the best of intentions. Those who are well trained are sometimes forced, on account of internal efficiency requirements, to unilaterally "re-frame" new initiatives in order to make them fit the proposed programmes and produce statistical figures which will reinforce these programmes' results. Where they are unable to incorporate projects into national programmes, they have no compunction about excluding them, even where these projects are underpinned by a strong local partnership and supported by the European Union.

3.2 – New threats

In the current economic and social climate, LDEIs seem to face two main threats of "subversion". The first is the isolationist temptation often lurking behind demands for the recognition of local areas. The second, at the opposite extreme, is the triumph of economic priorities over social and local concerns.

The isolationist temptation

The "local community" component underpinning many local initiatives makes them particularly vulnerable to the most backward-looking ideas. By preserving the illusion that a sanctuary can be created to keep outside progress at bay, these doctrines can appeal to groups or areas (such as rural areas undergoing agricultural restructuring or outlying regions), which feel that they have lost out from recent economic developments.

This trend is reflected in the sectors chosen by several local groups for creating new service jobs, such as exploiting the local heritage and traditional know-how. In the hands of some local groups and in specific cultural contexts, LDEIs can become a powerful instrument of social control, reinforcing the age-old role of women (sewing, embroidery, lace, food preparation, assistance for the elderly, childcare, etc.). However, we should not over-generalise; some projects are very innovative and can deliver genuine social advances for women by providing them with training, an improvement in working conditions and a source of income.

The risk of isolation can be compounded by certain economic and social policy options. Thus, encouraging unemployed people to create their own jobs, while affording a partial solution to unemployment in some areas and for some people, can be risky if it becomes a systematic means of occupational reintegration. On the one hand it can cause the local economy to get bogged down in a pre-capitalist approach, and on the other it can confine individuals to an obsolete and paternalistic model of social and industrial relations. Several Member States (the United Kingdom, Sweden and the Netherlands) have favoured this option to combat social exclusion and unemployment among migrant population groups, perhaps without measuring the full extent of the risks involved.

Badly managed, certain local development programmes could help non-democratic groups take control of an area. Of course, these threats are somewhat vague today; however, if they were to materialise they could discredit local initiatives as a whole or jeopardise the pursuit of experiences in certain regions and countries. It is possible to guard against such trends. The

best solution is to identify and ensure compliance with strict yet shared rules for all areas and groups.

Takeovers by large organisations

The attentions of large groups from the private sector or the social economy, attracted by the prospect of a substantial market likely to generate profits in the medium term, are also a threat to LDEIs. There would not be so much cause for concern if this intrusion did not often result in technical and economic streamlining and the exclusion of the least productive staff, who owed their job to the social objectives of local initiatives.

Large groups in the tertiary sector offering a package of services related to quality of life and the environment (such as water, waste and energy management) are thus gaining an ever greater hold. Over the years, the market share of LDEIs has dropped to marginal levels except where local authorities have adopted a deliberate policy to diversify supply or optimise the impact of investments and subcontracting agreements on employment. Occasionally, initiatives have clearly played a pioneering role in developing procedures or creating demand, but have been forced out of the market on reaching maturity, either by a friendly takeover or by tougher competitive practices. This trend should not be underestimated because it ultimately indicates that what happened in the industrial sector is occurring again in services. Indeed, Fernand Braudel (see bibliography) has suggested that this form of cannibalism is a secular phenomenon. Large organisations have a huge advantage in that they can achieve economies of scale, if not through the sheer volume of services provided then at least through the extensive range offered. Accordingly, they tend to propose entire packages of integrated services to municipalities.

Another factor is the actual regulatory frameworks established to promote the development of new jobs and services. Consolidating innovation and growth in a new niche market usually requires stabilising supply and demand conditions. Furthermore, certain technological procedures entail deferred returns on investment and expensive and risky research. In such cases, size is an incomparable advantage. As regards environment-related services, specific financial measures (such as eco-taxes) can provide new sources of revenue and make the market more attractive. But while LDEIs can benefit from such measures, larger organisations obviously stand to make much greater gains. Local initiatives are therefore at a competitive disadvantage on account of their small size, and are doomed to make way for larger organisations sooner or later.

Several techniques are currently implemented to offset this handicap. The first is to pursue a strategy focused on innovation – a endless race which can yield rewards but can also be exhausting in the long term. The second option applied to date is for local initiatives to break out of their isolation by joining forces and developing networks through which they can pool certain peripheral or secondary functions, such as research and development, access to finance, training and marketing. Though interesting, this solution cannot easily be applied to all areas and not all Member States have a legal environment conducive to this form of networking.

Local initiatives in the home services sector are also subject to strong competition from large organisations in the private sector and the social economy. They have to contend with two strategies: either a monopoly of associations and charity organisations prevents them from

entering the sector, or industrial-type streamlining (as in cleaning services) forces them into a devastating price war (a spiral of devaluation and deskilling).

At all events, the threat presented by large organisations should be viewed in the context of the more general debate on SME potential which has arisen since the 1990s. Contrary to what one might think and despite the facts and figures showing the contribution made by SMEs to job creation, their cause is far from won.

3.3 – The need for innovation monitoring at European level

The new framework of Community action

The framework for future assistance from the Union to LDEIs now appears to be clearly identified:

- As regards employment and business start-ups, the "coordinated employment strategy" and the guideline relating to "possible sources of jobs" give Member States, local authorities and social partners responsibility for reducing obstacles to the development of new activities, through public employment services in particular.

- As for the geographical dimension, the heads of State and government finalised, on 26 March 1999, the new regulatory and financial framework for the Union's cohesion policy up to 2006. Promoting LDEIs was included among the measures eligible for cofinancing from the ESF and ERDF as part of region-specific programmes under Objectives 1, 2 and 3, and Community initiative programmes. Community assistance will therefore be forthcoming if measures to promote LDEIs are included in the development strategies established by regions and national governments. This recognition may significantly raise the profile of such initiatives throughout the Union. However, it omits an important facet of the European process, reflected in transnational and interregional networking.

Thus, true to the principle of subsidiarity, the future of local initiatives depends almost exclusively on local public- and private-sector operators on the one hand, and national governments on the other. Given that the 1999 reform was broadly concerned with budgetary control and efficiency, with the deliberate intention of reducing direct action on the part of the Commission, it is hardly surprising that innovative actions and Community initiative programmes should have suffered during the final negotiations at the European Council meeting. The share allocated to innovative actions for the period 2000-2006 was cut to 0.4% of the structural assistance, compared with the previous 1%. Henceforth, pilot projects will receive support only from the ERDF and ESF. As for the four Community initiative programmes (INTERREG, EQUAL, LEADER and URBAN), whose appropriation of 5.35% of the Structural Funds assistance is a third lower than during the period 1994-1999, local crossborder cooperation has been given the lion's share.

One may therefore legitimately wonder about the capacity for initiative left to the Commission in this area, given that the rules and the procedures applied for conventional financial assistance are ill-suited to emerging projects and innovative initiatives.

The financial and legal reforms indispensable for this new role

The misunderstanding today appears to be complete: to control the expansion of direct relations between local initiatives and the Commission, those responsible for public-sector reform are proposing to increase the use of evaluation whereas what is needed is precisely the opposite of a commonly applied standard.

Since the late 1980s, public-sector measures have had to become more transparent and efficient. This trend was clearly reinforced within the Union in 1995 when Sweden and Finland strengthened the position hitherto held by Denmark. Each Community decision is therefore almost systematically subject to an evaluation procedure. This exercise, which is still very new, is supposed to serve two purposes: to provide details on the results achieved and thereby justify the expenditure on the one hand, and to enable a prompt reorientation of measures on the other. Its qualitative contribution is indisputable compared with the rudimentary control methods traditionally used, such as "value for money" checks and statutory audits. Accordingly, the Commission insisted on the need to step up evaluations in 1998. "How these measures perform must also be assessed in the light of the local context, and qualitative data must be included. Social and environmental indicators should therefore be introduced for analysing developments in the "attractiveness" of the territory, integrating data relating to changes occurring locally in other private and public sectors, discussing the quality of jobs and services and, finally, adopting a timescale compatible with the growth cycles of the areas studied."¹⁵

Nevertheless, the conventional forms of analysis used in these exercises are not adapted to the pilot initiatives implemented by the Commission since the value of these initiatives resides as much – if not more – in the methods used as in the final results achieved. The prototype nature of the pilot schemes, their small size and the specific conditions in which they are undertaken seem ill-suited to the quantitative analysis which remains the main feature of evaluation exercises. New criteria which are more qualitative and orientated towards process analysis (composition of partnerships, sharing of responsibilities throughout the various stages of the project, relevance and consistency of the strategy pursued) must therefore be established.

In spearheading a European trend to promote services jobs which match the new needs of society, the Commission has ended up encouraging many local initiatives directly. But it would be a mistake to believe that this increase in the number of pilot programmes is the result of an uncontrolled drift and hidden agendas in Brussels.

Rather, the trend reflects advances in European integration. In fields related to economic and social development, the value added of Community action does not consist only in assisting or redistributing as it has been the case under the ECSC treaty with the ESF, then under the common agricultural policy with the EAGGF, and again to an even greater extent under the cohesion policy with the Structural Funds. It also consists in enabling the Commission to test new practices. Community action derives its legitimacy from the ability to support pilot schemes, draw the appropriate lessons and translate them into reforms which can increase the efficiency of public-sector action at Community and national level. The Commission therefore needs to manage programmes directly, and its responsibility in this area cannot be restricted to ensuring proper use of funds by the Member States.

¹⁵ Commission report SEC 98-25

The evaluation report of the programme "Pilot projects for the long-term unemployed", submitted by the Commission to the European Parliament in 1998, is perfectly clear on this point: "The Community authorities have two separate roles to play in monitoring:

- a role of financial and regulatory control, including monitoring compliance with commitments in accordance with the pre-established timetable;

- a role of continuing technical assistance to promoters and project sponsors, in two ways. First, the Commission must act as a 'resources centre', by helping ideas to circulate, making available the lessons learned from other programmes, and facilitating procedures (through financial management models, methodological guidelines, etc). Next, the Commission must not underestimate co-ordination tasks on the ground. Community influence can, and did in this programme, play a decisive role in persuading certain partners to participate."

This research coordination role – project selection, management, monitoring and evaluation – requires a particular financial and legal framework. The Community institutions should view these activities in the same way as a large industrial group with a research and development department, by allocating substantial human resources, out of proportion to the amounts committed, accepting the possibility of failure, yet expecting rigorous monitoring procedures and detailed reports on the lessons learnt. Such a reform raises the problem of whether they have, in-house, the technical skills needed to carry out these tasks.

Strengthening the Commission's pathfinding role will require its officials to learn a new job. They must be able to evaluate, benchmark, compare, coordinate and provide technical assistance for the pilot schemes under way. No in-depth survey is needed to realise that these talents are rare within any public administration and that this trend represents a considerable challenge for the Commission.

CONCLUSION

After six years of encouragement, analysis and evaluation, the European LDEI picture is clearer, but also a lot more complex. It offers an impression of both vitality and instability which should be seen as reflecting a dynamic European reality and a powerful – yet diversity-conscious – movement for integration.

The ambivalent role played by the Commission and some other Community institutions as regards local initiatives reflects a change in the duties expected of the European Union as a regional power. To make proper use of its right of initiative in a context of increased integration, the Commission can no longer afford merely to draw up intricate regulations and monitor their implementation; it must act as a pathfinder for Member States. It must adopt a forward-looking approach which will enable it to anticipate future developments and inform Member States about the most useful policy trends. This new role deserves to be fully recognised and given an appropriate framework and resources.

Much is at stake: the renovation and strengthening of the European social model, in line with the aspirations and needs of societies in the 21st century. And the renovation of the power of initiative exercised by the Commission, a key player in the "institutional triangle".

ANNEX 1 : THE "NEW SERVICES, NEW JOBS" PROGRAMME IN FRANCE

In October 1997, the French government launched the "New services, new jobs" programme, aimed at encouraging the creation of 350,000 jobs for young people by the end of 1999 in job areas that reflect the new needs of society. The jobs shall be cofinanced by the State for five years, up to EUR 14,000 per job and per year. Such a programme is new to the French social system on account of the length of public-sector commitment (five years) on the one hand, and the focus on local development on the other. Never before had the Ministry for Employment so clearly relied on bringing together local operators, elected representatives, associations and the private sector with a view to setting up activity creation projects that respond in a new way to local demand and identifying young people for recruitment. A local coordinator was appointed in each area to organise the projects.

The programme has deliberately avoided focusing on a particular category of young person, activity or geographical area. The launch was accompanied by measures relating to the professionalisation of young people and services and comprehensive statistical monitoring and evaluation provisions. The beneficiaries are mainly young people under 26 years of age. The age limit can be extended to 30 years, however, for persons who have never or hardly ever been in employment. They are employed by the local public authorities or by non-profit organisations and are given fixed-term (60 months) or permanent contracts under private law.

More than two years after its launch, the following interim conclusions can be drawn.

- The local authorities did not want these new jobs to compete with local public-sector employment or be confused with occupational reintegration schemes for disadvantaged people. These objectives appear to have been met.
- By late 1999, 220,000 jobs had been created (including 129,000 on the initiative of local authorities and associations and 75,000 by the ministry for national education) and 210,000 young people employed. The discrepancy can be explained by the fact that applications were dealt with in two stages: first of all approval was granted to the project and then the recruitment began. Over half of the contracts offer a salary above the minimum wage.
- A breakdown by area of activity indicates a clear prevalence of services for everyday life (37%) and leisure and culture services (25%). Then come environment-related services (14%) and improving the quality of life (8%), along with local development, coordination and technical assistance services for the associations (8%).
- Generally speaking, the programme has registered substantial participation on the part of large cities, in contrast to previous schemes for the social treatment of unemployment (such as "green jobs"), which featured a much larger proportion of rural areas and medium-sized towns. The marked discrepancies between regions reflect an unequal degree of local participation and the usual pattern of cooperation or non-cooperation.
- Detailed analysis of the projects has confirmed the scattered nature of jobs created in local micro-projects, in comparison with the large contingents borne by administrative departments responsible for the police and national education. Other instances of job creation on a large scale often relate to projects run by national association networks or specialist organisations, such as business foundations. These resort more systematically to employment agencies, whereas local projects tend to recruit within the community.
- The question of maintaining the jobs beyond five years seems to be approached from various angles depending on the type of service and the employer. In the local public sector, the young people are likely to be gradually integrated with the absorption of new activities by the public service. The same is true of non-profit associations that provide mainly social

activities. However, in tourism, culture, sport or the environment, the prospects of preserving jobs depend more directly on increased revenue and self-financing.

ANNEX 2 : THE MELKERT PLAN AND THE "REWLW" " PROGRAMME IN THE NETHERLANDS

In 1994, the Dutch minister for social affairs and employment, Ed Melkert, introduced new measures to encourage the reintegration of long-term unemployed people. The four-year Melkert plan comprised three strands. The first, and most ambitious, of these was designed to create 40,000 jobs by 1998 in local community services and personal help and care services. The beneficiaries of the measure had been unemployed for more than a year and had to be resident in the municipality receiving subsidies for this purpose. People living in large cities experiencing serious social problems were targeted as a priority.

In late 1998, the national authorities reviewed the programme and judged that the objective had been satisfactorily reached: 35,000 jobs had been created: 24,000 in municipal services and 11,000 in personal services. The two-thirds/one-third split between the two types of employment was roughly in line with the initial expectations. It is expected that, taking into account the usual start-up period and a few procedural delays, the 5,000 remaining jobs will be filled quickly.

The jobs created within local authorities are very diverse in nature, covering nearly all of the 19 job areas identified by the Commission. Four groups stand out, however: safety in public areas and in public transport (43%), education (21%), maintenance of public urban areas (16%) and childcare (10%). Because beneficiaries must be long-term unemployed, most of them have little or no qualifications. Women are not equally represented in all types of employment. While they hold 43% of jobs offered by municipalities, they account for 73% of the employees in new personal services.

In 1998, the Dutch government decided to launch a new programme, known as REWLW (Regeling Extra Werkgelegenheid Langdurig Werklozen) "New local community jobs for the long-term unemployed", which is due to create an additional 20,000 jobs by 2002. This scheme was substantially reviewed in the autumn of 1998 to place greater emphasis on the consolidation of jobs and professionalisation of unemployed people.

The main changes were as follows:

- Increased responsibility for local authorities in the organisation of services, the breakdown of jobs by sector and their financing, whereas previously and until the end of 1999 this regulatory role had been carried out by the national health institutions in the case of personal care services.
- Extension of the scheme to include the entire public sector, the non-profit sector and companies in the social economy sector.
- Allocation of 10% of the new jobs to the integration of disabled people.
- Increase of the salary ceiling for new "integration jobs" to 130% of the statutory minimum wage, compared with 120% previously. For "consolidated jobs" (a maximum of 10,000 jobs chosen from the overall 60,000), this limit was raised to 150% of the statutory minimum wage.
- Special attention, in the form of top-up finance, for training and the gradual adjustment of jobs with a view to developing non-subsidised activities.

ANNEX 3 : MUNICIPAL SERVICE VOUCHERS IN FINLAND

The launch of service vouchers for childcare in Finland reflects a desire to prepare a smooth transition from public to private service, without jeopardising the quality of the services provided, while giving parents a wider choice (in terms of timetables, teaching methods, geographical proximity, etc.). The initiative builds on experience from the service vouchers scheme launched in late 1994 in France and the example of Denmark, where municipalities have been managing an aid scheme for household services since January 1994. The Finnish government was also very much aware of the high expectations of Finnish society as regards equal opportunities for men and women and the achievements of the Finnish social model.

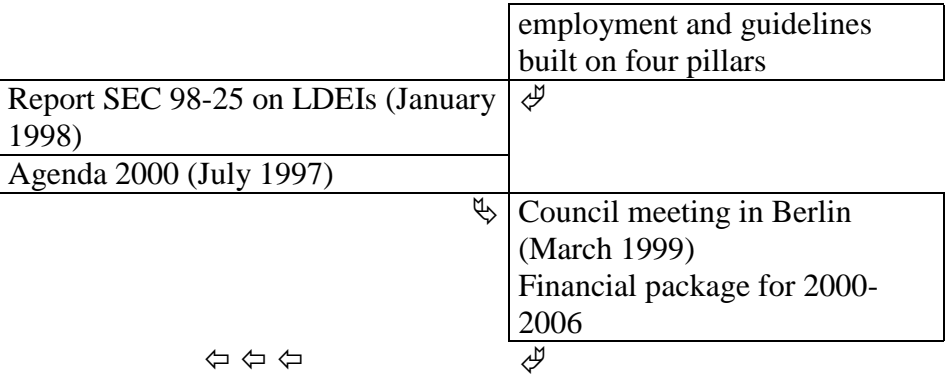
Childcare service vouchers were thus introduced in March 1995 for a three-year trial period in 33 of the 460 Finnish municipalities. The highly decentralised system gives local authorities a free hand in setting the amount of service vouchers and their share of the cofinancing. In practice, more than half of the local councils apply a system whereby subsidies are inversely proportional to the income of households, using the cost of the public childcare service, which has remained unchanged, as reference price. As regards supply, the only requirement relates to the quality of newly created services and the professional skills of nursery staff. Both are checked by municipalities, which make a register of approved service providers available to parents. The service voucher is a token which parents buy from municipal departments. The service voucher scheme is subject to ongoing evaluation at national level.

The pilot scheme has yielded positive results and unexpected findings. From the very first months, over a quarter of service vouchers were being used by families which had previously kept their children at home; the scheme had therefore prompted the emergence of fresh demand which had not previously been satisfied by the public-sector supply. Nearly 20% of parents are prepared to pay a higher price for private services if they provide a better response to their needs. Lastly, service vouchers have resulted in unexpected job creation: 22% of service providers are new to the sector. Admittedly, the choice of childcare as experimental field was by no means accidental; budgetary restrictions have already caused redundancies in some public social services. Most unemployed women would like to return to work and are therefore eager to make use of their professional experience by starting their own company or joining forces with former colleagues within a cooperative.

ANNEX 4 : CHRONOLOGICAL REVIEW

<u>PROGRAMMES</u>	<u>EUROPEAN COMMISSION</u>	<u>COUNCIL</u>
	White Paper "Growth, Competitiveness, Employment"	↗ Council meeting in Brussels (December 1993) Brief on "new sources of employment"
	Survey of "new sources of employment"	↖
		Council meeting in Corfu (June 1994) Brief on local development
	Working paper on local development Summary report on LDEIs	↖
	↗	Council meeting in Essen (December 1994) Promotion and coordination of employment policies
	Report SEC 95-564 on LDEIs (March 1995)	
	Communication on LDEIs (June 1995)	
	↗	Council meeting in Cannes (June 1995)
	↗	Council meeting in Madrid (December 1995) National multiannual employment plans
	Confidence Pact for Employment (June 1996)	
	↗	Council meeting in Florence (June 1996) Territorial and local employment pacts
Territorial employment pacts	↔ ↔ ↔	↗
	Report SEC 96-2061 on LDEIs (November 1996)	
	↗	Council meeting in Dublin (December 1996)
		Extraordinary Council meeting in Luxembourg (November 1997) Coordinated strategy for

Structural Funds
2000-2006



ANNEX 5 : COUNCIL CONCLUSIONS ADOPTED BETWEEN 1993 AND 1999

1993

At the Brussels summit on 10 and 11 December 1993, the heads of State and government endorsed the conclusions and recommendations of the White Paper. They included "developing employment in connection with meeting new requirements linked to the quality of life and protection of the environment" in the list of measures to be undertaken at national level. They also called on the Commission "to study the question of new sources of jobs" as part of the follow-up procedure provided for.

1994

On 24 and 25 June 1994 in Corfu, the heads of State and government noted that, "with regard to developing new employment in connection with meeting new requirements linked to the quality of life and protection of the environment, a number of initiatives have been taken but many of the new areas of job growth that were identified in the White Paper remain to be exploited." They underlined "the importance of the study to be prepared by the Commission before the next European Council on this subject." Following initiatives taken by the Portuguese, Irish and Danish governments, the Council added that it "considers that local development initiatives offer considerable potential for reinforcing the economic and social fabric of the European Union and for creating jobs. They are an essential element of the new model of development mentioned in the White Paper and will help to preserve cultural diversity within the Union." The Commission was assigned a new brief: "to draw up, within the framework of the report on new potential sources of employment to be submitted to the European Council in Essen, a detailed inventory of the various actions at Community level to foster local development and local employment initiatives, particularly those concerning micro-enterprises and handicraft industries. This inventory will be accompanied by the proposals deemed necessary to enhance the consistency and the effectiveness of those actions."

The Commission therefore presented the much awaited report at the Council meeting in Essen on 9 and 10 December 1994 and put forward a framework and coordination scheme for national employment policies. The new sources of employment rightly had their place in the section on increasing the employment-intensiveness of growth: "finally, 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." However, the report hardly generated more reaction than the supporting reports presented by the three governments, since its conclusions only mentioned the fact that "The European Council also noted the experience of Denmark, Ireland and Portugal in developing a framework at national level and structures and procedures at local level, in order to support an integrated concept for development at local level."

1995

At Cannes on 26 and 27 June 1995, the Council noted "with satisfaction the Commission's reports on the development of local employment initiatives. It further emphasised "the importance it attaches to the development of local employment initiatives, in particular in the field of services linked with the environment and living standards, crafts and traditional products. It takes note of the Commission communication on the subject. It places emphasis

on the need to disseminate initiatives undertaken at national level." It expected "the communication to be examined by the Council on Social Affairs and Labour, which will submit a report to the Madrid European Council."

In Madrid, the European Council took note of a short document drawn up by the Labour and Social Affairs Council which, while acknowledging the value added of Community action in this area, recommended cooperation between Member States in the form of exchanges of good practice. The conclusions of the summit on 15 and 16 December 1995 accordingly listed "promoting local employment initiatives" as one of the eight priorities for the multiannual employment programmes.

1996

The European Council meeting in Florence on 21 and 22 June 1996 marked the launch of the territorial and local employment pacts. Their relationship with the LDEIs is clearly established in one long paragraph of the conclusions: "In order to promote a common effort in local job creation and development, the European Council invites each Member State, where possible, to select regions or cities which could act as candidates for pilot projects on territorial and local employment pacts, with a view to implementing such pacts in the course of 1999. (...) In this context, the Council looks forward to the conclusions of the Conference on Local Employment Initiatives being held by the Irish Presidency in November next."

Meeting in Dublin on 13 and 14 December 1996, the European Council therefore reissued strong recommendations on the subject, with no major surprise. On the one hand, it recalled that "efforts to modernise the markets for goods and services and exploit new sources of employment should be intensified. (...) The fields of environmental protection and social services offer particularly promising prospects in this context." On the other hand, it took into account part of the recommendations made in a new Commission report specially commissioned for the Irish conference: "Local development should be promoted by:

- recognising the potential for stimulating employment growth, especially in new forms of work, targeting more effectively the needs of the unemployed and supporting the establishment and development of new businesses through vibrant local economies (...)
- promoting an exchange of best practice and experience in this domain (...)
- mobilising the resources and contribution of all relevant actors, including public authorities and the social partners at local level. In this context, the European Council notes that many Member States have been developing the capacity of local communities to participate actively in their own development and welcomes the positive reactions concerning the development of Territorial Employment Pacts, as proposed by the Commission."

1997

While the conclusions of the Amsterdam summit, which mentioned neither LDEIs nor new sources of employment, marked a pause in this long development, the extraordinary European Council meeting on employment held in Luxembourg on 20 and 21 November 1997 went some way towards institutionalising them in the "Employment guidelines for 1998". Quite judiciously, it granted them a place in the "second pillar" on developing entrepreneurship: "Exploiting the opportunities for job creation: if the European Union wants to deal successfully with the employment challenge, all possible sources of jobs and new technologies and innovations must be exploited effectively. To that end the 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."

1999

Some amendments were made to the guidelines for 1999 adopted by the Council on 22 February 1999, making them more proactive – for example "will investigate measures" was replaced by "will promote measures" – and defining more clearly the role played by the local authorities and social partners.

For the year 2000, the guidelines have been further refined as follows: "If the European Union wants to deal successfully with the employment challenge, all possible sources of jobs and new technologies and innovations must be exploited effectively. To that end the 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 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." These recommendations quite closely reflect the conclusions of the second report on LDEIs, which called on local employment services and structures to become genuine partners in a proactive local strategy.

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