

# First report on local development and employment initiatives

Lessons for territorial and local  
employment pacts

Employment & social affairs





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**Employment & social affairs**

Employment and labour market

**European Commission**  
Directorate-General for Employment, Industrial Relations  
and Social Affairs  
Unit V/A.1

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This report was completed in November 1996 and therefore does not take into account the conclusions of the Amsterdam Council of June 1997 in respect of employment policy.

The contents of this publication do not necessarily reflect the opinion or position of the European Commission, Directorate-General for Employment, Industrial Relations and Social Affairs.

A great deal of additional information on the European Union is available on the Internet. It can be accessed through the Europa server (<http://europa.eu.int>).

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## SUMMARY

A survey, conducted in 1994 in the European Union on creation of jobs to meet new needs, prompted the Commission to promote the idea of local development and employment initiatives (LDEIs). As part of the follow-up to the Communication on "a European strategy for encouraging LDEIs", this first report is intended to enable future territorial and local employment pacts to benefit from the lessons of LDEIs.

- The first part aims to examine in more detail and consolidate the initial assessment. It already shows that LDEIs are at the heart of a new European movement.

The recent statistical and sociological analyses confirm the job creation potential in the 17 fields identified by the survey carried out in 1994; they add two new domains to the list: sport and energy saving.

The growth in the services generated by LDEIs proves that the needs of Europeans and the aspirations of new entrepreneurs coincide; it provides information on the means of surmounting the traditional obstacles to the creation of enterprise in Europe. It is worth noting that LDEIs do best in the countries where there is a full range of legal entities suitable for various types of projects for integrating the unemployed and developing new activities, and where various kinds of financial support are available, from public subsidies and local sources of funding to bank loans.

Whereas local development policies are increasingly concerned with job creation and with the improvement of the quality of life of inhabitants, the analysis of "good practices" improves the way in which LDEIs operate.

However, this growth does not always produce quality jobs. The priority given to the fight against unemployment sometimes leads the public authorities to adopt emergency measures, which are likely to devalue for a long time the sectors and the jobs associated with the LDEIs.

- The second part attempts to identify the roles played by various actors, located at the three levels - local or regional, national and European - with reference to the guidelines drawn in the Commission's Communication. It shows that a cooperative European strategy in favour of LDEIs is beginning to take shape.

Local and regional authorities are the main promoters of LDEIs in Europe and most often work together with the general public. Large public-sector enterprises, such as some trade unions, are not indifferent to this new dynamism. On the other hand, the private sector still keep LDEIs at a distance.

At national level, whereas the use of new financial instruments is developing, progress is slow in the recognition of qualifications and the development of training appropriate to the skills required by the LDEIs. In addition to the programmes aiming to encourage the creation of micro-enterprises or the development of the social economy, some Member States have launched structural reforms to facilitate the transfers between various legal statuses for employees and companies. Finally, some countries are trying to integrate their measures at local level over a wider geographical area.

At European level, the European institutions and the actors in the economic and social fields took on board the concept of LDEIs. Overall, the measures taken by the Commission since June 1995 are impressive and increase the visibility of the job-creation activities of the LDEIs.

- In conclusion, the local level increasingly claims to be a relevant level for the creation of new activities and for the use of the new employment resources. This is also where intersectoral cooperation relations can easily be established for the benefit of the community and its economic development.

The experience of the LDEIs highlights certain desirable components of the territorial and local employment pacts, inspired by the European Confidence Pact: the key parameters are duration, territorial scope and partnership between the sectors involved.

It also reveals the fields where efforts must be given priority, not only to consolidate LDEIs and local employment-promotion measures, but also to avoid their becoming marginalised before they come to fruition, owing to emergency social-policy measures or the distrust of the private sector.

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## INTRODUCTION

Since the adoption of the White Paper on Growth, competitiveness and employment, which first examined the employment potential of meeting new needs, the situation in Europe with regard to local development and employment initiatives (LDEIs) has changed considerably.

After the survey conducted in 1994 in the European Union, the Commission was in a position to give a positive reply to the question "can the European economies still create new jobs in keeping with their traditions of maintaining economic and social cohesion?" Seventeen fields where jobs could be created had been identified, comprising everyday services, services to improve the quality of life, leisure and cultural services and environmental services<sup>1</sup>.

Once the conditions for creating jobs had been identified, the next step was to promote the idea of local development and employment initiatives. This concept results from the combination of a sector-based and territory-based approach. In very schematic terms, it represents the a crossroads between job creation, enterprise creation and local development.

Such local initiatives have three advantages: they offer new opportunities for employment and they enable fresh needs to be met by creating new occupations. They fulfil the aspirations of new entrepreneurs especially people running small businesses, and people who wish to contribute to reinforcing social cohesion. Finally, they often contribute to local processes of economic, social and environmental renewal and development of rural and urban areas.

However, promising though they may be, such local initiatives cannot easily be developed without aid. They come up against a number of obstacles, mainly because of the difficulties in creating new markets for and the high labour intensity of these services. Some of the barriers are peculiar to each of the areas of employment but four types - financial, legal, technical and institutional - are frequently encountered.

In its Communication on "a European strategy for encouraging local development and employment initiatives"<sup>2</sup>, the Commission called upon the Member States to dismantle structural obstacles and to examine on a case-by-case basis how sectoral barriers can be lifted *"all the while respecting the traditions of each country and the specific national context"*.

The Commission undertook to step up its activities in three ways. It will continue with new experiments, ease access to the various Community programmes concerned and improve coordination and assessment of the results. It will step up the dissemination of information using cooperation networks and information networks. Finally, it will support national experiments and policies by means of structural policies and by promoting a coordinated approach towards national reform, mainly through the multiannual employment plans.

This analysis of the situation was echoed throughout the Union. At European level, the Parliament and the Economic and Social Committee came out in enthusiastic support for LDEIs. National employment policies show that, over the last 18 months, the Commission's efforts to circulate information have started to bear fruit, and political support has also been forthcoming from some Heads of State and Government since the Essen summit in December 1994.

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<sup>1</sup> These are domestic services, child care, new information and communication technologies, assistance to young people facing difficulties, housing improvements, security, local public transport services, revitalisation of urban public areas, local shops, tourism, the audiovisual sector, cultural heritage, local cultural development, waste management, water management, protection and conservation of natural areas, monitoring and control of pollution and the corresponding installations.

<sup>2</sup> COM(95) 273 of 13 June 1995



It is apparent that the approach pursued by the Commission is in keeping with movements towards decentralisation of policies and administrations to promote employment in almost all the Member States. Today, competitiveness is a product of constant innovation and a region's ability to stay true to its own character. Efficiency requires local measures to be tailored more precisely to local problems, and equality demands that groups of excluded persons are integrated more effectively and policies are coordinated at local level. It therefore becomes necessary to combine traditional macro-economic instruments with measures to organise local development. The two are combined with a view to sustainable development, as there are just as many local as global conditions for development. Support for the LDEIs is therefore gradually creating a place for itself alongside more traditional macro-economic measures.

The changes which have occurred in society over the last few decades and their impact on the creation of employment and wealth have been for the good but the persistence and scale of unemployment has led the President of the Commission, Jacques Santer, to ask questions about this "European disease". He feels that Europe is suffering less from a growth deficit than a lack of confidence and cooperation and has called upon all economic, social and political players to commit themselves to a concerted effort to promote employment at both European as well as national and local level.

This first in a series of regular reports is intended to enable future territorial and local employment pacts to benefit from the lessons of LDEIs in Europe, the fruits of reinforced local cooperation and better interaction between public administrations at all levels and in all sectors.

**The first section aims to examine in more detail and consolidate the initial assessment** of LDEIs. Indeed, as the process described in 1994 develops and progresses, new instruments and phenomena will be worth studying.

**The second part** attempts to identify the roles played by various actors, located at the three levels - local or regional, national and European - to foster the LDEIs. It tries **to evaluate the progress made** by the public policies, at each level, in order to target better the efforts which remain to be made in order to achieve a coherent European strategy.

## 1 - LDEIs AT THE HEART OF A NEW EUROPEAN MOVEMENT

Growth in the services generated by LDEIs testifies to the way in which the needs of Europeans, the aspirations of new entrepreneurs and the concerns of the authorities in the fight against unemployment coincide. However, this growth does not always produce quality jobs. We need to know more about national and European situations in order to establish which of the obstacles already identified by the Commission are the greatest.

### 1.1 The demand for new services continues to grow

*The recent statistical and sociological analyses confirm the job creation potential in the 17 fields identified by the survey carried out in 1994; they extend the list and help make it possible to refine the initial diagnosis.*

- Over the last ten years there has been sustained growth in employment in the 17 areas in all the Member States, e.g., domestic services, child care, new information and communication technologies, assistance for young people facing difficulties, housing improvements, security, local public transport services, revitalization of urban public areas, local shops, tourism, the audiovisual sector, cultural heritage, local cultural development, waste management, water management, protection and conservation of natural areas, monitoring and control of pollution and the corresponding installations.

**This expansion generally arises from changing patterns of behaviour in households** and lively demand for specific services.

Therefore, despite the widespread crisis in the building sector, there are more and more initiatives for renovating housing which enable the occupants themselves or unemployed people from the same area or the same small region to get back into work. New technical skills are required to respond to concerns such as reduced energy consumption, sound insulation and more environmentally-friendly construction methods.

The sharp rise in supply by private companies or associations of domestic services, mainly for elderly or dependent persons, also illustrates this trend, which is not accounted for solely by reduced public expenditure and the need to rationalise public social services. On the supply side, it is prompted by a number of professional initiatives which lead to an individual process of retraining or an autonomous collective one. On the demand side, it is the result of a slow but steady change in personal behaviour inspired by weighing time against money and making a choice between various types of daily activities. Gradually, certain tasks hitherto carried out within the family are gradually being externalised because of the distance between people's place of residence and place of work and the geographic mobility they have opted for or been forced into.

- Depending on the area concerned, **LDEIs seem to take three distinct forms:**

- **Collective utility services**, such as those for improving the quality of life and the environment (housing improvements, security, local public transport, revitalisation of public urban areas, local shops, waste management, water management, protection and conservation of natural areas and energy savings) inspire strong local support, sometimes encouraged by rules being adopted as incentives to change patterns of behaviour. Until recently in Europe, these services were mostly in the hands of local public authorities and were delivered along standard lines. In other cases the needs simply remained unmet because there was not sufficient general interest. Now it seems that awareness amongst local communities, i.e. the residents and sometimes their elected representatives, is enabling innovatory legal and economic experiments to be undertaken. The authorities are not required to assist but to encourage and facilitate projects which create local employment.
- **Leisure and cultural services** (tourism, the audio-visual sector, cultural heritage, local cultural development and sports) have good prospects of expansion. Profit-making and non-profit-making activities exist alongside each other with different areas dominating, depending on the

Member State. As occupational integration of young people is becoming a more and more acute problem in Europe, developing such services constitutes a crucial new social challenge as the jobs are particularly attractive for young people.

- **Certain services for everyday life** (child care, domestic services, assistance to young people in difficulties etc.) are today at the heart of an ideological debate. Whilst everybody acknowledges that there are good prospects of creating jobs, and probably more than in other areas, there are two obstacles to these needs being met. Heavy social pressure, occasionally compounded by the monopoly of voluntary organisations, is making households reluctant to enlist aid from outside to carry out domestic tasks and is preventing the professional supply side from being built up. At the same time, private or semi-public supply is being prevented from developing on the pretext that it would be a challenge to the State's delivering of certain services. However, the recent experiment of vouchers for child care in Finland shows that accommodations can be made without comprising the quality of service and with a net gain in employment.

There are few Member States where there is a clear view of the stakes involved in a market for domestic work and domestic services. For 50 years the division between what was delivered by the State and what was a matter for the private sphere has remained more or less stable but today the boundary is blurring and shifting, leaving room for the private sector and associations. The fact that expenditure on services is increasing steadily whilst purchases of goods and food are stagnating in relative terms is merely sharpening the appetite of the private sector. Faced with this situation, however, adjustments the authorities might make to guarantee access for the most disadvantaged groups to quality services are not adequately explained.

- Since 1994, **several countries have used the list** drawn up by the Commission to launch programmes to create jobs or enterprises. In most cases they have seen fit to add other areas to cater more closely for the national economic or cultural environment (crafts and traditional occupations in Portugal, recycling of materials and repairs in Ireland etc.) or have identified priorities (neighbourhood services in France and in Belgium etc.).

As the initial list was never restrictive, the possibility of incorporating the areas of energy savings and sports has been examined following an in-depth analysis of the situation in Europe.

As for the previous fields, it was confirmed:

- that there was a substantial potential demand, connected with the population trends, with the development of new patterns of behaviour and lifestyle;
- that current supply only partially met this demand;
- that job creation encountered structural obstacles;
- and finally, that various local or national experiments, transposable in the European Union, supplied satisfactory solutions and created "new markets".

**Saving of energy** (annex 1) can be included in the category of services to improve the quality of life. Its prospects for development are roughly the same as for housing renovation and local public transport since in the medium term most of the progress which can be achieved in reducing energy consumption will be in property or collective management of local travel. The new jobs will also require comparable skills as new techniques will have to be used and the consumers or local authorities will have to be persuaded to make investments and to change their habits. However, the greatest potential for creating jobs is in counselling activities for individuals and in setting up local promotion agencies. In the absence of any practical examples to illustrate this area, it is probably best to consider them as a branch of "housing improvements".

**Sport** (annex 2) clearly falls into the category of leisure services. As in the case of local cultural development, job creation is restricted less by weak demand than by traditional means of organising supply. A wide range of sporting activities is developing for population groups such as women, elderly people and the handicapped. A twin challenge is involved in creating permanent jobs. Training facilities have to be organised within the association sector and ways of meeting a great variety in demand have to be found (taking care of adults on holidays has nothing in common with training youngsters for competition and paramedical care for the elderly is very different from that for champions). All national initiatives to develop jobs in sports give priority to local facilities and to organising partnerships between

municipalities, schools and parents or between the world of sport and health professionals or again between the authorities responsible for social affairs, youth and employment.

- **Finally, experiments conducted in all the countries of the Union since 1994 with the support of new financial tools (annex 4) are conclusive:** LDEIs enable jobs to be created at a cost which is generally less than other more assistance-based instruments in the fight against unemployment. They have not been inflationary, they have produced few windfall and substitution effects since in most cases they have made a significant impact on underground labour (in France, the Netherlands and in Denmark) and have produced a net increase in consumption (in Finland and France in the case of child care and in Spain in the case of tourism for elderly persons). They all reduce the costs of unemployment benefit (in the Netherlands, Germany, Austria and in Spain for seasonal workers) and especially other expenditure on social assistance (in Ireland, Sweden and Portugal).

## **1.2 Entrepreneurs are finding new ways of bringing their projects to fruition**

*The local initiatives approach coincides with the ambitions of the new entrepreneurs: it provides information on the means of surmounting the traditional obstacles to the creation of enterprise in Europe, when this involves self-employment or the social economy.*

- There is today a common perception throughout Europe that **the entrepreneurial spirit is lacking**, although there are some exceptions (especially Greece). Young graduates are criticised in many countries because their main ambition is to find employment in the public sector. And a self-employed worker or the head of an enterprise is too often regarded as being in an insecure rather than an independent position. The 19th century image of the entrepreneur has been overlaid with legal and financial insecurity, dependence on banks or the family and heavy working commitments.

However, the LDEIs contradict such reasoning. They reveal the true characteristics of the people who now want to create an enterprise in the private sector or social economy and who have little in common with the "raiders" of the 80s. The majority of them are unemployed people being retrained or people expecting to be made redundant. The LDEIs also show that these entrepreneurs are using paths which are beginning to be better defined: self-employment or micro-enterprises on the one hand and the social economy<sup>3</sup> on the other.

- Some countries such as Ireland, the UK, Portugal and Austria have chosen to **promote self-employment** as a response to the dual challenge of creating jobs for the unemployed and meeting new needs. In fact, in the majority of the areas identified by the Commission, job creation is linked more with creating new independent enterprises than increasing employment in existing ones. This relatively flexible option also enables rapid adjustments to be made to changes in demand and to local economic or social change. In rural areas, self-employment largely represents a mix of skills, activities and products. On the whole, these small businesses are well integrated into their environment as they have often arisen from a careful study of local needs and benefit from the psychological support of the population and other enterprises. Very high success rates and the avoidance of precariousness can be achieved because individual support is provided and all the occupational and personal needs of the unemployed can be met.

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<sup>3</sup> The definition of "social economy" remains very vague in Europe, because it covers differing legal and economic national realities, such as cooperatives, mutual societies, associations and foundations. Concerning the approach of the LDEIs, two criteria should be retained: the absence of any profit-making aim and the combination of the private and public resources.

### **Enterprise creation aid for the unemployed in Ireland**

In Ireland, the back-to-work allowance is the most suitable means of helping the unemployed to set up new businesses. Of the 10 000 candidates each year, 8 000 are unemployed people who wish to work for themselves in the areas identified by the Commission. This instrument has the merit of simplicity for the unemployed and is an effective means of combating the informal economy. Almost 20% of the people participating in the programme were part of the undeclared labour force and another group (20%) were engaged in legal casual work.

- There is another phenomenon which is characteristic of the 15 countries. From Sweden to Italy **new types of associations** are developing. These are smaller than the cooperatives and mutual societies at the beginning of the century, are more concerned with profitability (as a condition of their survival and independence) and are built around local life.

### **Social cooperatives in Italy**

Social cooperatives developed slowly from 1966 onwards, then more rapidly in the 80s. In 1994, there were 2 000 of them in Italy, offering employment for some 40 000 persons and 15 000 volunteers.

The social cooperatives are run in accordance with three basic principles; they are small, regional and specialised. Law 381 of 1991 recognised these principles and the original aim of the enterprises which is "the general interest of the community in the promotion of human values and social integration amongst its citizens". The law distinguishes between two types of cooperatives: those engaged in the sectors of social and health welfare (A) and those who help disadvantaged persons such as prison inmates, drug addicts and alcoholics to find their way back into work (B).

### **New women's cooperatives in Sweden**

In the most sparsely populated areas of Sweden, such as Jämtland, there has been a boom in new cooperatives since 1980. Employment has increased tenfold in less than 15 years due to new methods of local development and development grants allocated by the Stockholm government. The strategy concentrates hard on meeting local (mainly women's) needs and making the most of local potential.

The new smaller cooperatives are an important instrument for development, particularly in areas where the social economy is a stepping stone between the tradition of informal exchanges and the market economy. In Jämtland there are 100 cooperatives employing some 400 full-time staff, creating jobs for 2 500 other people.

There are several reasons for this boom:

- First of all, the social economy offers a practical means of meeting the need for flexibility. Whatever form associations take, they require few formalities to put a collective project into practice. They are highly flexible in legal and financial terms when an idea is put forward, even before it is formalised as a project. They also lend themselves readily to being organised into networks and accept partners or members whose legal status differs from their own.
- Secondly, social economy bodies can effectively complement conventional institutional instruments in supporting small businesses and organising new support and guidance occupations. They raise awareness of self-employment by providing information on existing aid, training and technical assistance in defining legal status, compiling financial plans and devising a strategy. They frequently support founders of businesses for several years, often integrating them in networks.
- Finally, the social economy is essential for encouraging non-standard projects. Experiments in rural tourism initiated by farms in Spain or crèches run by parents in France show that such

initiatives also encourage the development of traditional sectors and the emergence or development of new activities. As no profit has to be made, the most innovative projects can be implemented and there is no penalty for failure. Whilst much lip service is paid to the freedom of initiative as the wellspring of a dynamic economy, it is probably the only form in which this is tolerated in Europe.

- **Whilst LDEIs and the social economy have much in common it would be wrong to treat them as if they were the same.** It would also be a mistake to see any conflict between creation of SMEs and development of the social economy as they are actually more likely to complement one another. The role of the social economy is neither to replace the public sector nor to compete with the private sector. It has its place in the complete range of legal entities and is suitable for various types of projects for integrating the unemployed and developing new activities.

Moreover, if we look around Europe we can see how the boundary between the market and non-market sectors or between profit-making activities and non-profit-making activities fluctuates from one country to another as a result of political options, historical heritages and cultural features. In some countries, jobs are created through LDEIs by developing the private supply side to complement the public and voluntary sectors. In others the challenge is more to develop mixed structures with public and private capital. It is worth noting that **LDEIs develop best in the countries where there is a full range of financial support, from public subsidies and local sources of funding right through to bank loans.**

### **1.3 The search for new sources of employment plays an increasingly important role in local economic renewal strategies**

*Whereas local development policies are increasingly concerned with job creation and with the improvement of the quality of life of inhabitants, the analysis of "good practices" improves the way in which LDEIs operate.*

- 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.** It is increasingly central to local renewal strategies as the growing number of applications in response to calls for national or Community proposals referring to LDEIs testifies. (In 1995 and 1996 alone, 360 applications were received for the Article 10 NGE pilot project under the ERDF and 45 for the pilot scheme (B-2605) for the long-term unemployed).

This movement is often underpinned by national programmes ("Single regeneration budget" in the UK, "City contract", "Local economic integration plans" in France, the "Melkert plan" in the Netherlands, the "Integrated local development programme" in Portugal, the "Local partnerships" in Ireland, the "Insertion programme for refugees" in Sweden and the "Action 8000" programme in Austria). Sometimes it is the result of a virtually spontaneous development such as the spread of the "local district administrations" in France, Belgium and the Netherlands.

- European studies to examine instances of good practice show a converging trend:
  - they all tend to emphasise the benefits to the population and in terms of policy impact when the local community is involved. The good results recorded by the "Partnership areas" (IRL) and the "Pathways" of Merseyside (UK) confirm these analyses.

### **Several good economic and social reasons for involving the local population**

The members of the local population are too often considered solely as beneficiaries and consumers. They are also experts who are capable of expressing individual and collective needs. In economic terms they represent a community of consumers and producers who can find innovatory means of organising services to the maximum advantage of everyone concerned (workers and customers). Finally, they are long-term partners for all the programmes because the survival of the initiatives depends on them.

The local community can be involved in different ways and to varying degrees. The local population may receive grants, or information on projects or, better still, be consulted on the programme and the way it is run. It may include members of a group or an association taking action under the programme and may be employed in such actions.

Many European case studies<sup>4</sup> show that active participation by the local population in urban or rural regeneration programmes has a two-fold impact: it enhances the impact of public policies and adds to their value by identifying fresh needs and new ways of meeting them.

The benefits are not only economic or social but may also be political and societal. It is not uncommon for involvement of the local community to revitalise local democracy, put relations between public services and users on a new footing and change attitudes towards the environment.

- In all countries, debate and studies are in progress to define the right area for action, underpinning the theoretical concept of "neighbourhood services". These have also given rise to a pragmatic debate on subsidiarity, which was thought to have been settled permanently by law.

- Finally, LDEIs bring to bear new legal and financial instruments which seek to combine economic and social action to promote sustainable local development. Municipalities and regions resort more and more to flexible subsidies, in order to encourage the projects to ensure their self-financing within 2 or 3 years.

In the majority of cases, successful operations are those which allow the promoters of the projects to build up an ambitious project gradually – achieving relative financial independence and assuming responsibility for it – and to give the area and its inhabitants a time scale within which progress can be made.

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<sup>4</sup> *Added Value and Changing Values - Community Involvement in Urban Regeneration*, a 12-country study for the European Union, Final Report, Community Development Foundation for DG XVI (May 1995)

### **Modena (I), externalisation of public cultural services**

For the past ten years the municipality has been pursuing a policy of externalising 14 local public services<sup>5</sup> with a view to reconciling two aims, namely reducing management costs and the burden on the municipal budget and diversifying and upgrading supply. This experiment has produced a net gain of 700 jobs with private companies or associations.

The municipality has retained the right to make the political decisions and to lay down scientific guidelines for cultural services but has contracted out or subcontracted its commercial activities. Coordinated management has quadrupled the use of the municipal libraries. The management of cinemas was farmed out in stages. First, a subcontracting agreement was signed with an association employing young people trained under an integration programme, then the articles of association were changed and a genuine enterprise was set up on the strength of its financial performance. A similar procedure was followed to set up enterprises for managing theatre costumes and scenery.

### **Berlin (D), service providers to protect the environment and create jobs**

The B & S.U., an environmental services and counselling company was founded by the Land of Berlin in 1991. Its activities are two-fold, as it is a promoter of projects for the UFO, UFP and ÖSP programmes<sup>6</sup> and a company providing services in the environmental sector for the regional employment framework programme. It also provides technical advice for SMEs on investments in environmental protection and provides financial and technical assistance for projects devised by unemployed persons who wish to set up their own businesses. B & S.U., which is a state-owned private enterprise, now employs some 60 qualified persons. Under the ÖSP programme for the city of Berlin, it has helped to create 5 600 jobs, 600 of which are in the regular labour market, and to finance 214 projects in the fields of redevelopment of public urban areas, pollution control, water management and waste management.

### **Parthenay (F), diversity as a source of multiple local identities**

The municipality has taken up the challenge of encouraging untrammelled diversity amongst its inhabitants. Unlike the Anglo-Saxon approach, which builds on local roots as a means of empowering the local community, it is exploring a more contemporary approach to identity. It accepts that behaviour is becoming more and more individualistic and attempts to build a community made up of myriad collective identities.

One of its main objectives is to integrate handicapped persons in novel ways. The PERISCOPE travel agency, a specialist in dealing with handicapped persons which was founded in 1981 in the same region, came to Parthenay because it thought the local environment was more promising. Since 1990 this non-profit-making organisation has increased its activities five-fold, is financially independent and employs ten full-time staff and 150 seasonal workers.

Local development methods designed to create jobs are becoming more sophisticated and are leading to intensive consultation between large and small towns, and small regions beyond national or regional frontiers. Cooperation networks and even projects for franchising networks (e.g. the "Wise Group" in the UK in the housing improvements sector and the revitalisation of urban public areas, and "ENVIE" an electric materials repairing and trading network in France) are gradually taking form.

<sup>5</sup> Childcare and crèche facilities, services for the handicapped, school transport, sports facilities (swimming pool, stadium, baseball pitch and a gym), cinemas, funeral transport services, slaughterhouses, livestock markets, public green areas, safety, and a reproduction centre.

<sup>6</sup> UFO: Umweltforschungsprogramm (environmental research programme)  
UFP: Umwelt Förderprogramm (environmental promotion programme)  
ÖSP: Ökologisches Sanierungsprogramm (ecological remediation programme)



- Two questions now arise for local promoters, experts and public decision-makers in the light of the most advanced experiments. How can good practice be transferred to less dynamic areas? What are the best local conditions to take advantage of top-down policies?

Some experts recommend a prior study of the local players' ability to undertake LDEIs<sup>7</sup> as a means of selection, whilst others are more interested in surveying the need for innovation in rural areas<sup>8</sup>. Researchers are asking questions about the legitimacy of such experiments and emphasise the need for transparency and accountability on the part of local decision-makers, who must sign contracts to formalise the decisions they have taken and the results they have produced<sup>9</sup>. The last group<sup>10</sup> stresses the need for coherent overall policy to prevent uncontrolled development of local initiatives compromising the overall effectiveness of public policies. It therefore reiterates the need to provide a stable framework (of regulations, incentives or corrective measures).

#### **1.4 Job creation is hampered by emergency social policies**

*The priority given to the fight against unemployment sometimes leads the public authorities to adopt emergency measures, which are likely to devalue the sectors and the jobs associated with the LDEIs in the long term.*

Analysis of the multiannual employment programmes shows that **for several Member States, the topic of LDEIs is partially assimilated to insertion policies for the long-term unemployed**. This confusion can be explained by the coincidence of certain fields favourable to the development of the local initiatives and the sectors towards which the unemployed are directed when they are considered insufficiently qualified, and for which aid at the time of recruitment is often authorised. But this assimilation is misleading, because such policies underestimate and ignore two essential characteristics of the LDEIs dimension:

- the development approach, which takes into account the length of time necessary for adequate skills to be acquired, and for a qualitative offer to appear and match the emerging demand,
- the "bottom up" approach, which guarantees lasting job creation in a local environment.

- The authorities' enthusiasm **for community work jobs is easily accounted for** since they have to respond urgently to the problem of social exclusion occasioned by long-term unemployment and to budgetary constraints which challenge the public delivery of social welfare services (household aid for elderly or dependent persons, child care, leisure services for young people etc.).

The numbers involved are considerable. In France the number of beneficiaries of "unemployment solidarity contracts" now working in municipalities and associations is put at 400 000. In Finland 20 000 long-term unemployed persons have been hired under six-month contracts for community work, in Sweden almost 50 000 long-term unemployed people are currently engaged in local temporary public employment for six months under the ALU programme and in Germany 350 000 people are employed under the ABM programme.

In some countries, the field of activity is relatively unimportant and it is simply a matter of providing the unemployed with an occupation, in the hope that this "activity" will be enough to give them a taste for work and will constitute the first step towards social reintegration. In Belgium, 14 000 people are placed

<sup>7</sup> *Social and economic inclusion through regional development - The Community economic development priority in European Structural Funds programmes in Great Britain*, P. Lloyd – University of Liverpool for DG XVI (1996)

<sup>8</sup> *Guide méthodologique pour l'analyse des besoins locaux d'innovation (Methodological guide for analysing local innovation requirements)*, Leader II, Observatoire européen Leader AEIDL (1995)

<sup>9</sup> *Irlande - Partenariats locaux et innovation sociale (Ireland - Local partnerships and social innovation)*, Ch. Sabel and the LEED programme, in OCDE Développement Territorial (1996)

<sup>10</sup> *Etats et actions locales de l'emploi dans les Pays Membres de l'Union européenne, Rapport de Synthèse du programme LEDA (Local employment situations and activities in the Member States of the EU. Summary Report on the LEDA programme)*, X. Greffe, Paris-Sorbonne for DG V (1996)

regularly by local employment agencies to do jobs for individuals without losing their status as unemployed persons.

#### **Local Employment Agencies (ALE) - Belgium**

Local Employment Agencies, which were created in 1987 and modified in November 1993 when the *Global plan* was adopted, provide assistance for unemployed people who are finding it difficult to obtain work because they have too few or unsuitable qualifications.

In cooperation with the national employment offices, the agencies' aim is to:

- help the local labour market to function properly,
- offer additional resources for the unemployed. The unemployed retain their status: they may not work more than 45 hours a month and receive an allowance of 150 BEF per hour in addition to their unemployment benefit,
- meet the needs of households and, under certain conditions, associations and municipalities and prevent undeclared labour. The sectors concerned are mainly domestic and family services, aid for the elderly, environmental protection and security,
- make the long-term unemployed employable again.

A provisional assessment shows that 42 000 employers have used ALE vouchers since their launch, providing work for more than 24 000 long-term unemployed persons, mainly in households. At present there is no conclusive evidence that the aim of getting such persons back to work has been achieved.

- **Such forms of "social treatment" of unemployment meet with widespread criticism** because they introduce confusion between creating new jobs and putting the unemployed to work. From a social point of view, the effectiveness of such measures in the fight against long-term unemployment is questionable. It is not uncommon for these persons to return to the ranks of the unemployed at the end of a contract without having acquired any occupational experience. The lessons learned from the European programme ERGO 2 help to explain this setback.

## ERGO 2

The assessment of Community programme ERGO 2 (1993-1996) provides interesting information on the conditions under which experiments to get the long-term unemployed back into work can succeed:

- **personal support for the job seeker** (counselling, taking stock of a career, training etc.), bearing in mind that "not all unemployed people need training";
- **a global approach to reintegration** (employment, housing, health etc.) which assumes that the various players in the local labour market (employment agencies, social services, reintegration associations etc.) cooperate;
- **no training or courses** designed to increase the employability of the long-term unemployed should be undertaken **without specific short-term prospects of a job** and an improvement in living conditions.

The report confirms that successful experiments are often on a small scale. Transfer of local good practice into other regions or other countries is only possible if the local partners are already prepared to cooperate in formulating policies and in applying sectoral measures.

In any event **it is a more drawn-out and costly process to reintegrate long-term unemployed persons than other job seekers**. Microeconomic assessments based on European experiments all rate the additional costs of integrating a long-term unemployed person at between 25 and 30% of the cost of the job over the first two years.

Whilst the long-term unemployed and unskilled people need preferential treatment (training, partial subsidies to make up for their initial low productivity etc.) the only means of preventing competition with other unemployed people is to offer them specific jobs and explore new areas in which jobs can be created.

- **These policies carry a not insignificant risk of creating a two-tier society.** Once the labour market has been rigidly compartmentalised, it will be difficult or even impossible for a worker from the "second labour market" to enter the "regular market". In countries where the informal economy still represents a not insignificant source of income for certain groups of the population, such an option is tantamount to adding an obstacle to access to official and socially recognised work.

From an economic point of view, local development agents such as private or "social" entrepreneurs often criticise the way **such social employment policies are presented in the media<sup>11</sup> and their disruptive effect on budding demand.**

- On the one hand the LDEIs project promoters are often tempted to take advantage of any existing employment and integration measures. Whilst LDEIs encounter similar financial difficulties to SMEs, they are more dependent on public funds and have to contend with very long waiting periods whilst decisions are being made and then delays in payment. This causes the project to shift into line with the dictates of the programme, with future entrepreneurs' main concern being to meet the criteria for the allocation of aid. In practice, these measures turn out to be a handicap for the medium-term viability of the enterprise owing, for example, to low productivity when too many long-term unemployed persons have been taken on or to the requirement to return any profits to the state.

- On the other hand, too many changes in the rules or in funding make it too difficult for service providers to gain access to the market and jeopardise the steady emergence of a new sector. It takes several years for consumer patterns to change and the process can be brought to a complete halt in several months.

<sup>11</sup> Official announcements of the instant creation of several thousand jobs and an equivalent reduction in the jobless figure rarely have any basis in fact and discredit the services involved.

Giving subsidies to households directly without monitoring the way they are used has proved disappointing in terms of job creation. Either the households save the subsidies (as in the case of allowances for dependants) or they benefit existing private SMEs which leads to unfair competition between sectors without guaranteeing job creation (in the case of subsidies granted to households for investments in housing improvements).

Nevertheless, it must be acknowledged that many Member States are showing increasing readiness to go further than simply providing the unemployed with an occupation. They are trying to create **intermediate or transitional labour markets**<sup>12</sup> designed as a bridge between subsidised and conventional employment<sup>13</sup>. Thus, they are conducting structural reforms in their employment systems, in order to create a more favourable framework for the creation of sustainable jobs at the national level, as well as at the regional or local level.

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<sup>12</sup> This approach is supported enthusiastically by the Swedes and the Danes. Gunther Schmidt of the WZBerlin also recommends it in several papers prepared for the OECD and in "Unemployment insurance and active labour market: an international comparison of financing systems".

<sup>13</sup> In France, despite differing views on the effectiveness of subsidised-employment enterprises, they are the most popular remedy; in the Netherlands there are plans to create 20 000 jobs this year using this method.

## 2 - TOWARDS MATERIALISATION OF A EUROPEAN STRATEGY

In its 1995 Communication, the Commission indicated some steps towards a more effective interaction between public policies in favour of LDEIs at the various levels involved (local, regional, national and European) which outlined a medium-term European strategy:

- the expansion of the LDEIs and their contribution to increasing the employment intensity of economic growth had to be achieved through a more effective use of public policy measures.
- General guidelines had been outlined in order to give each level and each party involved an opportunity to take part in a collaborative process.

A brief look at the measures recently adopted and the initiatives taken by the various parties at 3 levels shows that this strategy is beginning to take shape (annex 3).

### 2.1 Mixed reaction of the economic and social actors to local development

*Local and regional authorities are the main promoters of LDEIs in Europe and most often work together with the general public. Large public-sector enterprises, as well as some trade unions, are also implicated in this new approach. On the other hand, the private sector, with rare exceptions, keeps LDEIs at a distance.*

- At local level, an alliance between politicians and the populace for encouraging LDEIs is easily attainable. **The decision-makers in large cities**, faced with the increasing financial burden of social assistance to disadvantaged sections of the population (young people, the long-term unemployed) have to find innovative ways to put their funds to efficient use while at the same time meeting the daily needs of the population (safety, housing, waste disposal, etc.) **They are therefore the main promoters of LDEIs.**

In the inner-city crisis areas, the local population, their associations and sometimes administrators (responsible for education, housing, employment, local business, etc.) generally show a great willingness to help LDEIs along and have an immediate interest in any activities likely to improve their quality of life. In countries with low population density (Ireland, Sweden, Finland), **some social groups** (women, farmers, young people) **are taking action** to prevent fairly unprofitable public services from being cut and to stop the process of depopulation, and in this connection often find new work opportunities responding to their needs.

- **The regions** represent a key link in the chain, which ranges from local to European levels. It is at this level that the allocation of public resources (regional, national and sometimes Community) is frequently decided and where local initiatives can be combined in a coherent way. Although less directly subject to budgetary constraints than certain municipalities, the regional authorities are, nevertheless, **concerned about the harmonious economic and social development of their territory**. They are gradually becoming aware of the minimal effect on local employment of strategies purely centred on the attraction of new enterprises by advantageous tax conditions and on large infrastructure projects. Thus, in the programmes part-financed by the Community Structural Funds, but also outside of this framework, regional mechanisms intended to encourage the LDEIs and to create a favourable context for them are multiplying.

- **LDEIs by no means enjoy universal support among trade unions** in all the Member States at local level. This approach seems to find greater acceptance in countries which do not have a deep-rooted industrial tradition, and when promotion of the service sector is based on a strong national consensus. The opposition among trade unions also seems to be inversely proportional to the level of unemployment. It must be admitted that these measures give rise to a livelier debate in countries where uniform standards prevail, whilst they are regarded with indifference in countries which have largely deregulated labour markets.

The attitude of the trade unions also depends on the sector involved: public utility jobs resulting from "social treatment" of unemployment arouse hostility amongst the public sector trade unions as they see these jobs as competition with traditional public employment. But they are more aware of budgetary constraints and the needs of the population and are generally open to experimental measures which may provide alternatives to straight privatisation and may lead to quality jobs. Some unions even go so far as to become directly involved in getting an LDEI off the ground; examples of this are the "LEADER local action group" run by the *Commissions Obreras* in Castilla-La Mancha, and the support given to local partnerships by the INOU, the Irish trade union for the unemployed.

- **The reactions in the private sector to LDEIs sometimes may be disappointing.** The concept of the "citizen company", which was promoted as part of the "European manifesto of businesses against exclusion"<sup>14</sup>, is not as widespread in Europe as one would think. When they come across innovative local projects, businesses often prefer to take the "sponsor's" approach (in the form of one-way financial investment) rather than commit themselves to a genuine partnership which will probably lead to changes in their methods of production and organisation.

The involvement of the private sector in local projects varies according to the fields: it is greater where the opening of profitable markets is distinctly outlined. This is true of tourism, of the management of water and of waste, and, to a lesser extent, of new information technology and of cultural services.

As regards household services or those for improving the quality of life, likely to spring up in the vicinity of businesses, a survey of European examples clearly shows that prospects should not be overestimated in a difficult economic climate.

#### **The lessons of the European survey of neighbourhood services offered by employers to their staff**

In a survey<sup>15</sup>, the *Foundation Roi Baudouin* shows that the main motivation of businesses is competitiveness, improved availability of staff and greater productivity. Job-creation in the immediate region in which they operate is rarely a matter that concerns managing directors. Large businesses are more concerned because of either their traditions or because of their scale.

There are, however, factors which have led to the development of this type of service: the increased proportion of female employees, the prospect of the public sector no longer being involved in the provision of welfare services, flexible work arrangements including in particular the introduction of flexible and staggered working time, increasing demands as regards work performance and skills, a condition for which is a low rate of absenteeism among employees owing to sickness, and sound mental health. Finally, the provision of such services may, in a period of low wage claims, become an added component in collective bargaining.

Such experiments do have an effect, even if they are not very substantial in number. In Denmark, it is estimated that 4 000 jobs have been created by services which employers have offered to employees.

The most popular areas of activity are sport and leisure, child-minding services and, to a lesser extent, household services not carried out at home (such as ironing, administrative formalities, shopping).

**Public companies**, because of their areas of activity (public service networks, production and supply of energy and raw materials) **take an active part** in the fight against exclusion. Because of their size, they took an interest very early on in creating or preserving jobs locally. Their approaches vary from collective negotiations with employees' trade unions (taking on young people, agreements on working hours), contracts with public authorities at national or local level (maintenance of services in low-

<sup>14</sup> The "European manifesto of businesses against exclusion" of November 1994 outlined its proposed aim: to develop services closely related to employees with the aim of creating work opportunities and jobs for the unemployed. The European business network for social cohesion today has some 30 members.

<sup>15</sup> *Expériences de services de proximité proposés par des entreprises à leur personnel dans l'Union européenne*, ID-SOFT and King Baudouin Foundation for DG V, (1995)

population areas, coordination in creating local jobs in connection with major infrastructure projects) and establishing relations with subcontractors.

Although they have an immediate interest in the economic climate and the social situation at local level being improved, **existing SMEs often regard the newcomers as competitors** because they underestimate the precariousness of LDEIs during the launch phase. The lack of visibility on the future of a sector, combined with the isolation of some SMEs, sometimes explains such reactions.

It should be recognised, however, that **original arrangements have been tried out in some countries** and certain areas of activity, such as agencies for child-care services in Germany and the promotion of personal services by the *CNPF* in France. The French venture involving service job vouchers (annex 3) which is in the process of being launched is an attempt to create new conditions for involving businesses and employees in the creation of related jobs via works councils. Finally, amongst the requests for funding of LDEIs pilot projects which were received in 1995 and 1996 by the Commission, most partners from the private sector were professional associations or chambers of commerce; this seems to indicate a change in approach.

#### **The *Kinderbüro* agencies (Germany)**

Created in 1992, *Kinderbüro* is a commercial partnership with 10 business establishments in various German cities and some 38 employees. Its main area of activity is selecting and training persons who will be recruited by families to look after their children (about 1 000). The agencies aim to find quality solutions to all child-minding problems encountered by the employees of businesses with which they have concluded agreements. The services of the *Kinderbüro* are financed directly by the employer or works council in order to allow women to continue working or to reduce absenteeism among parents.

#### **The Union of personal-service companies (France)**

In June 1995, a large number of French company managers decided to set up a "Union of personal-service companies" to translate into action their wish to provide these services to meet market needs and to create lasting skilled jobs. This mobilisation on the part of management is obviously aimed at offering consumers of private-sector services complementing similar or existing services in the public sector, while at the same time combating clandestine work.

This venture takes its inspiration from identical developments in services to companies during the 1980s. The Union's demands are therefore not concerned with flexibility (i.e. of wage levels or working hours) but rather with the framework conditions in this emerging market: a reduction in the rate of VAT for providers of services (in France, it is expected that such a step would increase consumer spending by FF 10 billion and create 40 000 jobs) and various adjustments to accounting rules.

## 2.2 - Establishment of stable and coherent national frameworks

The European Commission had called on the Member States to get rid of structural obstacles in order to enable LDEIs to achieve their full potential. **The way this message was received varied according to the role given to the public authorities in creating jobs:**

- In some countries, taking into account the excessive government interventionism in the past, a "minimalist" approach to the labour market is adopted. The public authorities only prepare the unemployed for taking any jobs which become available without interfering with the "natural" job-creation process.
- In other countries, while traditional Keynesian economics is rejected, government policy aims to tackle structural weaknesses as regards job-creation by encouraging businesses to take on more employees or by helping to develop labour-intensive sectors (including encouragement for people to set up in business).

*To systematically evaluate the progress achieved, it is advisable to return to the four components of a national framework favourable to the development of the local initiatives, as they were stated in the 1995 Communication:*

- to set up a different range of financial instruments;
- to improve training and qualification to make the new activities more long-lasting;
- to revamp the legal framework;
- to make provision for adequate administrative decentralisation.

- As regards the **use of financial instruments** to meet the demands of households and encourage the provision of services in the private sector, a number of countries have over the last two years experimented with new types of consumption subsidy or have launched service-voucher schemes (Denmark, Finland, United Kingdom, Netherlands, Germany, France). The types of service targeted in recent measures (personal or household services) and the aims being pursued (better quality of life, job-creation, social treatment of unemployment) can be clearly identified. The following table enables a better understanding of the coherence between the aims, the practical measures and the results (annex 4).

	Personal services	Household services	Other
Quality of life	Nursing care insurance (Germany); vouchers for persons accompanying old people and for day nurseries (Finland); nursery vouchers (UK)		INSERSO holiday vouchers for elderly people (Spain)
Job-creation	Service vouchers (France)	Service vouchers and payment orders (France); home service scheme (Denmark)	
Social treatment of unemployment	Local employment agency voucher (Belgium)	Local employment agency voucher (Belgium); cleaning service scheme (Netherlands)	

The service voucher (or other forms of consumption subsidy) seems at the moment to be the most effective means of creating new markets and lasting jobs because it is directed at potential consumers.



By targeting sectors in which the supply side is small and/or artificially restricted (such as public-sector monopolies) on the one hand and in which there is still no clearly defined demand (new demand related to demographic, social or professional trends) on the other, it is possible to reduce windfall effects (jobs which would have been created anyway), substitution effects (one type of job being replaced by another) and competition effects (disruption of the existing supply side).

This is confirmed by the fact that numerous arrangements aimed at improving the quality of life and increasing consumer choice are rapidly becoming a success with consumers and are leading to a "spontaneous" net increase of jobs created in 20-50% of the supply side.

Service vouchers enable public authorities to play a new social and economic role. Most Member States have chosen to try out schemes in a limited geographical area for one or two years before extending it to cover the whole country, and have provided for quick evaluations of these schemes (with the Finnish and Danish arrangements probably being the most sophisticated).

The management of schemes sometimes opens up the possibility of a public partnership (at national or local level) or private partnerships (business and consumer involvement in financial management and organisation).

However, it is often the case that insufficient use is made of service vouchers because of a lack of adequate technical backing. The training and regulation arrangements are inadequate and the service vouchers in circulation are equivalent to mere coupons. Given that such schemes were only recently launched in some countries, this situation may be regarded as temporary and likely to improve.

**Encouraging local-level financing does not seem to have led to any recent reforms.** The success of this kind of financing is highly dependent on its being integrated into arrangements for the promotion of local investment. These measures should be complemented by reliable information on the potential effects. It is often necessary to put in place solid networks involving business managers and established bankers alongside local elected representatives and administrators. Local-level financing will develop all the more easily when the specific arrangements involved are more clearly defined for savers (lower proposed guarantees and less collateral but greater anticipated effects) and for project promoters (loans together with technical and financial supports).

- **There is slow progress in the recognition of the qualifications and the development of training** corresponding to the skills required by the LDEIs. On the other hand, **the quality control of the new services is an increasing concern in the Member States.**

In the light of experiments conducted in Europe **new occupations** in services can be divided into four main categories:

- Skills in local development: e.g. consultants and mediators who can identify latent demand, developers/organisers of partnerships, social entrepreneurs and providers of technical support to new enterprises.
- Skills in new information technologies and informatics applications catering for local needs: e.g. people who can offer guidance to customers or users, provide them with information or access to information available on informatics networks and help them to take certain decisions regarding, for example, investment.
- Activities requiring interpersonal skills, including *know-how* and personal presentation, and team management skills.
- Multi-skilled occupations which combine technical, financial and interpersonal skills.

**The development of training arrangements to offer the skills required by LDEIs is fairly slow except in the field of new technologies,** which are given constant attention in almost all Member States. This is not surprising if one considers the process of adjustment to training requirements. Broadly speaking, the type of approach taken by the various countries can be divided into three categories:

- changes result from negotiations between the social partners (France, Austria);
- they are the outcome of a public desire for them, with priority given to active employment policies (Sweden, Denmark, Netherlands, Ireland);
- changes are left to the market or the initiative of public or private institutions (Belgium, Spain, Italy).

Rapid development is only possible in countries and sectors of the economy in which the social partners request this and the public authorities are convinced that it is justified. It is rare that both these conditions are met: in the Netherlands, measures are under way to train unemployed people in community work schemes under the Melkert Plan (security, maintenance of public areas in towns, etc.). In France, forward study contracts concluded between the Ministry of Labour and the social partners have made it possible to ascertain the future availability of and demand for training in the fields of computing, hotels/catering, caretaking of buildings, youth activity organisers and the performing arts. In Sweden, local employment agencies are showing an interest in the skills required for household services with a view to placing "unemployed refugees" in jobs in this field.

In some countries the influence of Community action has been a key factor in upgrading the level and diversity of training overall. Several programmes are helping to establish needs more precisely and to multiply innovative experiments.

#### **Recognition of skills and qualifications for seasonal tourist workers in Europe**

A report on tourism under the Community programme FORCE (1990-1994) for the development of continuing vocational training highlights the problem of seasonal workers, estimated to account for 60% of workers in France and 12% in Ireland.

The questions of developing certification and qualifications are a problem at all levels of the sector. However, whilst managers and supervisory staff have better access to certification or qualifications, there is virtually nothing open to the workers on the operational side.

All training and work experience, whether acquired full-time or in seasonal work, should come under a system for recognising qualifications. This would enable seasonal workers to take advantage of what they have learnt to build up a career profile. Training providers should ensure that the training which they supply can be recognised under such systems. Accreditation systems vary from one Member State to another and each country has its own approach. However, there are models which could be adapted.

*In the United Kingdom:*

The system is based on certification of skills (national vocational qualifications) which can be acquired either during formal training or through experience (accreditation of prior learning). It is open to seasonal workers who can build up their qualifications on a modular basis.

*In Ireland:*

The job training system (JTS) helps workers to build up a "skills passport" through the OTS training facility.

The situation is more varied as regards local development occupations. Although they have expanded fairly rapidly in countries and regions where they have been strongly supported in the framework of programmes aimed at the promotion of LDEIs. (There has been strong support in the Leader programme in rural areas in Ireland and in Portugal), they are non-existent elsewhere. In general terms, personnel in public administrations is still rarely trained in these methods.

In services even more than in industrial or agricultural production, **service quality is a sine qua non for the survival of the enterprise**. It can be guaranteed by skill levels and proper control. This view, although widely held in the European Union, is sometimes contested on the grounds that it is up to the consumer to choose freely on the basis of value for money. The risks of such an approach have been highlighted clearly by events in the United States where the "households services" sector is collapsing and a type of new domestic service is emerging. In 15 years the private supply tripled, reaching 38% of the market in 1992. However, these unskilled services, which have a turnover of 4 billion US\$ with enterprises organised in chains, are very rarely profitable. Unskilled workers are paid wages which are close to the official poverty threshold and the high turnover of employees (70%) is reflected in the quality of service. There are frequent complaints due to poor treatment, fraud and theft.

To ensure quality control, some countries have opted for prior public authorisation: a list of accredited service providers for childcare has been distributed by Finnish municipalities, prior notification of house-

cleaning enterprises in Denmark and in the Netherlands, a list of tourist enterprises selected for the INSERSO programme has been published in Spain and official accreditation of associations or enterprises providing services in France. Other countries have opted for *a posteriori* assessment: the ALE programme in Belgium and child-care vouchers in the UK. There is a possibility that, if progress is made in the social dialogue in several areas (domestic cleaning and security, etc.) this can also be managed by the companies themselves. In France, quality certification procedures are already being put in place for domestic services.

- In addition to the programmes aiming to encourage the creation of micro-enterprises or the development of the social economy, **some Member States engaged structural reforms to facilitate the passage between various legal statuses for employees and companies.**

These include, for example, the "entreprises d'insertion" (subsidised employment enterprises) in France, intermediate employment agencies "Start" in the Netherlands and "Community development projects" in the UK. In Belgium, the creation of a new type of company under Belgian law, the *société à finalité sociale* is likely to make it easier for social-economy organisations to obtain capital and open up public-sector markets and export opportunities. Efforts have been aimed at advice on how to go about setting up a business (Portugal, Sweden, Austria, Spain) and reducing the amount of red tape (France, Portugal). The results are also positive: in France, for example, the introduction of an arrangement whereby only a single formality has to be met in order to set up a business, along with a loosening of management and accounting rules has made possible a 50% increase in the number of unemployed persons setting up in business in 1994 (increasing from 54 000 to 78 000 in one year).

- **The local dimension of LDEIs is not always developed** in multiannual national employment plans, **but some countries are trying to genuinely integrate their local measures at the territorial level.** The Flemish region of Belgium is seeing the emergence of regional platforms and forums which are intended to develop partnership-based subregional strategies.

Other countries are trying to organise their activities within a given area around an existing local authority: the *Land* in Germany, municipal authorities in the Netherlands, county and municipal authorities in Denmark, and regional councils and groups of communes in Finland.

In other countries, a specific activity or priority aim rather than a local authority is the platform for territorial integration: local economic integration plans in France, training and public funding (TECs in the UK, Denmark, Sweden) or the social partners (Ireland).

Finally, some countries try to coordinate measures through intermediate bodies and the social partners (such as the *ÖAR* in Austria). This approach caters for the wishes of those promoting LDEIs who stress the crucial importance of outside parties (retirement funds, municipal authorities, works councils of large companies, etc.) in encouraging cooperation and partnership.

The Commission's plea for better coordination between the various levels was well received in a number of countries. In Ireland, local development programmes now have a prominent place in policies to tackle unemployment and in economic and social development. In France, prefects running the *départements* have since May 1995 had the specific task of increasing the level of employment through measures geared to three priority areas: improving the quality of administrative authorities, coordinating employment-promotion initiatives and looking for new sources of employment. Recently, the Finnish association of local authorities and the Ministry of Labour entered into a pact to develop LDEIs. The aim is to create jobs by making partnership with the public sector (at national or local level) available to businesses and the non-profit-making sector.

Over the last few years, all governments have been preoccupied with **how well employment services work and have been trying to take a more active role in finding jobs for the unemployed.** One approach has been to bring these services closer to the grass roots and to increase their responsibility in the local labour market. Particular mention may be made of the local employment agencies set up in Belgium, local employment services in Spain, the reorganisation of the National Employment Council in Sweden and the creation of Employment Initiative info-points in France. These reforms are sometimes also accompanied by the break-up of a public-sector monopoly on job-placement services, as is the case in the Netherlands.

### 2.3 Action at European level on the right track

*The European Commission set itself the task of accompanying the efforts of the Member States in order to create favourable conditions for the development of LDEIs. This aim is very likely to be achieved because the European institutions and the actors in the economic and social fields took on board the concept of LDEIs. Overall, the measures taken by the Commission since June 1995 are impressive and increase the visibility of the job-creation activities of the LDEIs.*

- At Community level, LDEIs have been the subject of a **lively debate in the European institutions** following distribution of the Communication.

The Cannes European Council in June 1995 stressed "*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*" and placed emphasis on "*the need to disseminate initiatives undertaken at national level*". At the Madrid summit in December 1995, the European Council urged "*Member States to regard as priorities ... promoting local employment initiatives*". Finally, at the Florence summit in June 1996, it subscribed "*notably to the priorities for the use of available margins [of the Structural Funds] ... for the support of local employment initiatives*".

The support of the European Parliament has been just as important and led the Commission to continue with and intensify its experimental measures, the provision of information and financial support. The numerous resolutions in the Schiedermeier report placed particular emphasis on the three key factors for the success of a promotion policy:

- wide dissemination of information to future promoters of LDEIs, initially for awareness-raising purposes and then to provide them with sound advice;
- partnership arrangements at local level which are geared to various situations and sections of the population;
- increased cooperation with public authorities for the benefit of LDEIs and training of civil servants in approaches to local development.

The Economic and Social Committee also adopted an opinion on "Local development initiatives and regional policy". This document gave rise to a joint declaration of the economic and social committees of the European Union, thus helping to widen the debate in socioprofessional circles at national level in the Member States.

Conferences aimed at raising awareness of LDEIs and providing information on good practices were held on the initiative of the Council Presidencies; a conference was held in Spain on "New needs, new activities and new jobs" in November 1995 and in Italy on "The European Social Fund and new sources of employment" in June 1996. Under the Irish Presidency a Conference on Local development was held in November 1996.

- In their 1995 joint declaration on employment, the **European social partners** gave their support to the LDEIs approach and stressed their view that intervention on their part, either individually or jointly, could have a beneficial effect on job-creation and the development of these sectors. Through their understanding of the general economic and social context of the promotion of local initiatives, they may effectively contribute to raising the awareness of their members at national and regional level. In October 1996, an initial agreement was concluded between the European social partners (FENI and EURO-FIET) in the cleaning industry with a view to creating quality jobs in the field of cleaning services for private individuals. In particular, this memorandum asks the national authorities to set up the conditions necessary for exploitation of these new sources of employment, by adapted financial and tax mechanisms and by the diffusion of vocational training and collective bargaining.

As regards the trade unions, this subject was at the centre of some ambitious proposals, as was shown at the seminar organised by the ETUC (European Trade Union Congress) in June 1996 in Vienna. A great

deal is at stake in the view of one representative, who stated that if the trade unions are to prosper, they must take the initiative and contribute to the development of these sectors and their social organisation. They must therefore establish and maintain contacts at a decentralised level in order to become really involved at local level. They all have an interest in playing a constructive role in devising policies to encourage LDEIs and in organising funding to ensure that lasting, quality jobs are created. Their role also consists in promoting good practices in terms of working conditions and pay in new fields of activity where the social dialogue is still in its infancy. The representatives concluded by saying that they must also contribute to developing training and meeting the needs of workers in these sectors.

Those taking part in this seminar recognised that the trade unions are faced with the need to take a new approach to the way they work. They will probably have to set up networks – including new areas of activity in the non-profit-making sector – as well as exchange information horizontally rather than vertically or by sector in order to identify good practices, and establish a basis for assessment, rather than reject these sectors outright because they do not correspond to the traditional model.

- **European associations of cities or regions**, such as Eurocities, the Council of European Municipalities and Regions (CCRE) and "Quartiers en crise" have also encouraged their members to look at this issue. Their work took the form of a survey of good practices, the exchange of technical information and sometimes policy recommendations or practical resolutions. The reports, seminars and guides to good practice (which are multiplying in an effort to present and make more comprehensible local policies geared to creating jobs and meeting people's needs) confirm the Commission's message, namely that strategies to encourage LDEIs do not have to remain the responsibility of the European institutions but should involve all Europeans.

- **As regards the departments of the Commission, there have been practical follow-ups to the commitments undertaken in the Communication** (see Annex 5).

Various sector-specific documents have stressed the role of LDEIs in job-creation<sup>16</sup>, and two important memos set out specifically the proposal that more systematic support be given to LDEIs under the structural funds: the Communication from the Commission on "Community structural assistance and employment"<sup>17</sup> and the "Confidence Pact"<sup>18</sup>.

Pilot schemes have been launched, particularly under Article 10 of the ERDF ("new sources of employment" and "urban pilot projects"), the pilot-action B2605 in favour of long-term unemployed, Article 6 of the ESF, the programmes "Voluntary service for young people" and "Raphael", and the Community Initiative programmes "INTEGRA" and "LEONARDO".

Expert opinions have been called for to look at specific aspects of LDEIs and to draw lessons from schemes currently running (Annex 6).

A special effort has been made to facilitate access to information through better internal coordination (with the introduction of a *Tableau de bord* - synoptic table) and the use of appropriate channels such as meetings of committees of national experts, information networks specialising in local development and computerised communications. A database containing details of several hundred local initiatives will soon be created and made available for consultation on the Internet.

Measures of this kind show more clearly the obstacles still to be overcome, the possibilities that are still largely unexplored, and the most appropriate solutions which should be promoted to exploit the potential of LDEIs to the full.

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<sup>16</sup> Especially COM(96) 160 *1st Report on the consideration of cultural aspects in European Community action*, presented by the Commission (April 1996) and COM(96) 509 *Cohesion and environmental policy*, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions (November 1995)

<sup>17</sup> COM(96) 109, March 1996

<sup>18</sup> CSE(96)1 *Action for employment in Europe - A Confidence Pact*, June 1996

### 3 - CONCLUSIONS AND PROPOSALS: WHERE SHOULD EFFORTS BE CONCENTRATED?

*The local level increasingly claims to be a relevant stage for the creation of new activities and for exploiting the new sources of employment. It is also where intersectoral cooperation can easily be established for the benefit of the community and its economic development.*

*In proposing the conclusion of territorial and local pacts for employment, inspired by the approach of the European confidence Pact, President Santer's aim is to create a framework for mobilising all those active in the field of employment at local and regional level.*

*The experience of the LDEIs enables certain desirable components of these pacts to be identified and indicates the fields where efforts must be concentrated, in order to strengthen the commitment of the partners in favour of employment.*

#### 3.1 Some lessons for territorial and local employment pacts

- **The relationship between LDEIs and territorial and local employment pacts is multifaceted.**

- Both draw on common principles for action in the public domain: sustained strategical commitment, choice of appropriate areas, broadly based partnerships, active involvement of the population, liaison with higher-level public authorities.

- The territorial and local employment pacts provide a framework where a collective strategy for territorial development can flourish. It contains several elements, such as the promotion of new activities generating employment and technological innovation, improvements in education and training, and in the quality and efficiency of infrastructures, and modernisation of the production sector. Thus, they may create a favourable environment for LDEIs.

- Local initiatives can be substantial components in the work programme of an employment pact. They strengthen and enhance local measures for economic and social renewal. By improving the quality of people's daily lives and their environment, by responding to their needs and offering them new employment opportunities, they are a concrete application of the aspirations of the employment pacts.

- The circumstances under which LDEIs emerged and developed are very instructive as regards the methods which are currently regarded as the most effective for getting local measures under way and creating jobs. Of the key parameters identified since 1994, **recent experience has shown that duration, area-based action and partnership between the sectors involved** are the most essential points.

The development of projects, the acquisition of new skills and matching supply with demand on completely new markets all takes time: at least 18 months and often longer. It sometimes takes five to six years if a change of mind-set among the population has to be achieved. But this can also be an advantage. Forward projections provide a common goal to aim for: they often transcend disputes between the parties involved, who might otherwise be tempted to pursue their own interests and follow their own timetable.

The choice of a suitable area is also very important because it is then easier to bring partnerships into play and create active involvement in a joint project while drawing on the assets (training and knowledge) of the population and sense of local identity. Although the proximity of beneficiaries and project organisers seems to be decisive in the start-up phase, it is important for initiatives to be able to count on support both at higher levels (training, social partners, etc.) as well as from a uniform and solid framework at national and international level (information, legal protection, finance, standards, taxation, infrastructure, etc.). Local initiative is not a form of autarchy, but just the opposite as external relationships prosper through participation in transregional or transnational networks which allow exchanges of experiences.

Finally, partnership should be regarded as two-dimensional: rather than being considered to be only a "horizontal" arrangement bringing together all involved parties in the private and public sectors and the public authorities in a given territory, there is also a "vertical" dimension with parties at different levels in the territory concerned working to implement the same policy. The public authorities must learn to work together by crossing the dividing lines between specific areas of competence, and should involve

the general public and the business sector. Activities in connection with LDEIs have a societal dimension; decisions cannot be taken merely on the basis of technical or administrative considerations, but must be the result of a democratic process. Such an approach can attain credibility by taking as its basis a broad social dialogue at local level involving not only the social partners and elected representatives but also representatives from the non-profit-making sector and from the field of education.

### **3.2- Avoiding the pitfalls of marginalisation**

*The challenge now is not only to consolidate LDEIs and local employment-promotion measures, but to avoid their becoming marginalised, before they come to fruition, owing to emergency social-policy measures or the distrust of the private sector.*

- LDEIs have shown that they can be an effective way of reducing unemployment and increasing the rate of job-creation. As they flourish, local initiatives will bring about a profound change in the nature of intervention by public authorities and in the role of those operating on the market. However, it must be recognised that it will not be easy to bring about these changes and that they will often bring with them certain tensions and even outright rejection.

- If a choice had to be made between the goal of social integration and that of improving the quality of life, the future of LDEIs as a source of job-creation would clearly be based on the latter. To restrict LDEIs to being a tool of policies for alleviating unemployment and providing assistance to the most disadvantaged groups in society is to run the risk of creating a sub-category of jobs and citizens and devaluing an important range of services. This is why **support for LDEIs should be allied with development policy**, while accepting that mistakes will sometimes be made and while gaining greater experience.

The success of LDEIs is the result of a reversal of the logic underlying the consumer society and uniform production methods. Supply must be driven by demand, bring together all forms of technological, commercial and social innovation, and take into account social and environmental assets as well as the financial costs. It must be based on an accurate initial assessment of the strengths and weaknesses of the territory concerned and the local population.

As regards administrative authorities and their staff, this approach requires a profound change in working methods so that they can become genuine intermediaries for local development. If a target-public approach (women, the long-term unemployed, young people, etc.) is replaced by one that is activity-based, the funds to be allocated can no longer be given to a single body or administrative authority without reverting to old habits and running the risk of an atmosphere of vote-catching emerging.

- The credibility of LDEIs as a source of new jobs depends on the creation, in a difficult economic climate, of (private or non-profit-making) businesses which hold their own. Although **an improvement in the handling of public-authority support for very small businesses or non-profit-making organisations offering access to the jobs market** could help to meet this challenge, the indifference and sometimes even hostility to LDEIs on the part of private-sector businesses is a real obstacle.

Although the basic principles underlying the provision of support for very small businesses have been well-known to specialists for a long time, they are still rarely applied and merit repeating. LDEIs call for specific start-up funding and specific organisational advice:

- In order to avoid the fate of many projects which have to fund start-up costs quickly by reducing wage costs, it is important to give priority to funding intangible investment, which determines the quality of future services and the soundness of the project concerned. Two thirds of this investment<sup>19</sup> on average represents the time invested by the project promoters and other persons involved, and one third is devoted to consultancy fees.

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<sup>19</sup> Owing to empirical studies, the cost amounts between ECU 25.000 and ECU 32.000.

- Financial assistance for getting a project up and running should last at least one year. One solution might be to make financing available when two conditions are met: the legal framework has been officially confirmed and an agreement has been signed with a local or national body responsible for accompanying the project until its formal launch. The problem of the project promoter's precarious position can be solved by organising, for a charge, training for project promoters who are not yet ready to launch their initiatives.
- One of the difficulties as regards allowing an initiative to develop in terms of professionalism and improved quality of services stems from the funding arrangements for executive and management posts in the first three years. One solution might be to launch a specific aid programme with respect to these jobs based on a sliding-scale funding arrangement running over three years, or to provide assistance in setting up a working capital in proportion to the number of jobs created.
- Support for economic measures for getting people back to work involves developing the partnership between traditional private-sector businesses and subsidised employment enterprises (subcontractors' agreements, financial assistance, joint auditing arrangements, acquisition of capital holdings), providing a financial framework (local responsibility for development funds, intermediation with the banks, searching for and setting up financial partnerships), managing and making available equipment and operating facilities, and even sharing certain services with other LDEIs.
- Business start-up support includes the processing of applications and initial expert scrutiny of projects, help in getting a project on its feet (organisational advice, feasibility study, acquiring funding and partners in the technical or financial field), verification of the technical and financial aspects of projects, project support before and after their launch through the use of sponsorship arrangements in particular, follow-up and training of the business creators (training and establishment of creators' clubs) and possible integration into "business incubators" (joint premises and services adapted to the needs of the new business, provision of support and advice).

Over time, it will be possible to overcome the reticence of SMEs by **more effectively raising awareness of the positive effects at local level of policies promoting LDEIs**: provision of personal services for employees (day nurseries, domestic services, etc.), improvement of the environment and local amenities (refuse disposal, water management, local public transport, security, local businesses, better housing), and a wider range of existing services. Collaboration between private-sector SMEs and very small businesses or non-profit-making organisations should be encouraged since it would benefit both existing businesses and newcomers to the market.

The policy of encouraging LDEIs would have everything to lose if it exclusively favour a particular legal entrepreneurial status: it should instead endeavour to create a neutral type of framework conducive to initiative. The public authorities should direct their efforts to **creating or consolidating links** between the various legal and financial arrangements in order to develop a coherent whole.



## ANNEXES

- ANNEX 1: ENERGY SAVING
- ANNEX 2: SPORT
- ANNEX 3: NATIONAL POLICIES IN FAVOUR OF LOCAL EMPLOYMENT AND DEVELOPMENT INITIATIVES
- ANNEX 4: NATIONAL EXAMPLES OF THE USE SERVICE VOUCHERS AND SUBSIDIES FOR CONSUMPTION
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- ANNEX 7: A EUROPEAN STRATEGY FOR ENCOURAGING LOCAL DEVELOPMENT AND EMPLOYMENT INITIATIVES - COM(95)273 OF 13.6.1995

## ANNEX 1

### ENERGY SAVING

#### **1. Prospects**

Following the crises that occurred during the Seventies, the use of energy became a national issue in certain countries; households and companies became aware of the need to restructure their consumption.

However, it is apparent today, that there is a constant rise in energy consumption due to the modern way of life and production (mobility of persons and of goods, "just in time" production system). An effective policy of saving energy would involve reducing fuel consumption in transport, as much as electricity and heating consumption in the home. But, in practice, while transport provides the most interesting prospects, little progress has been achieved and it is in the field of housing that the major savings are recorded.

The introduction of new technologies allowed changes in construction techniques and the use of new materials in building, for multi-energy heating systems and in refrigerators. On islands, where the cost of energy is generally very high, the new technologies can be very advantageous.

An energy-use policy has many consequences:

- reductions in energy dependence by better use of local resources
- better environmental protection and an improved way of life through reduction in the emission of pollutants.
- contribution to the competitiveness of companies by reducing their energy expenditure.
- reductions in public expenditure on heating of buildings and public transport.

Restructuring of energy consumption can generate jobs insofar as it requires investment or installation work in old buildings (offices, houses) and where it encourages the development of new counselling functions at local level. A study carried out under the THERMIE programme considers that the spread of double glazing could create 127.000 jobs in the European Union, over 10 years, for a cost of 84 billion ECU

The new technologies can have both positive and negative effects on employment:

- Negative when they result in generalizing the use of new materials and equipment requiring less manpower for their production and maintenance.
- Positive when they make it possible to re-use in a profitable and modern way neglected local energy sources (e.g. automatic feed wood pellet fired boilers).

#### **2. Lessons from existing initiatives**

A wide range of jobs are concerned and the corresponding qualifications are very varied:

- jobs connected with the improved energy saving in construction, such as the insulation of buildings.
- jobs connected with counselling as regards energy. The role of local energy producers has extended to include counselling of consumers. The new approach involves the sale of a product and the sale of an associated service. In addition, advisory agencies for private individuals in cities have developed, as in Newcastle for example.
- jobs connected with the development of the new solar or wind energy resources, or even those linked to wood<sup>20</sup> and household rubbish. The choice of certain technologies can have a significant impact on employment. It has been proved that using wood for heating instead of imported fuel allows savings and creates jobs. To produce 1000 TEP, the use of wood creates 4 jobs, whereas the use of gas creates only 1,5.

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<sup>20</sup> The use of wood is only acceptable if it does not lead to a net increase in CO<sup>2</sup> emissions.

### **“Energy efficiency” (Newcastle, UK)**

In Newcastle, 150 people are employed by the Energy Agency EAGA in the framework of the national programme for the household use of energy HEES. At one end, the employees act as advisors to the households, canvass future clients and prepare estimates for the work, etc. Furthermore, it is considered that the agency's activities have helped to create more than 4000 jobs in administration, valuation, installation and advice on energy use.

### **3. The main obstacles**

Job creation connected with the saving of energy comes up against various obstacles:

#### **- A variable interest by the population for energy saving**

In the countries of southern Europe, the weather and limited heating expenditure partly explain low sensitivity of the households to energy saving.

The argument of job creation is difficult to put forward because the profits of a more rational use of energy are more easily quantifiable by a macro-economic approach than by a micro-economic approach.

#### **- Sectoral obstacles**

The development of the new kinds of energy is limited by the major energy monopolies, in the states where the production system is centralized.

#### **- The absence of adequate regulation**

At the national level, although certain countries, such as Denmark, have made substantial regulatory efforts (standards, norms, etc.), others have only taken timid measures. Administrative staff are often lacking in qualifications in this field and do not have an adequate financing mechanism to encourage private or public investment.

#### **- A poorly developed regulatory framework**

Jurisdiction is shared between the European Union, the Member States and the local authorities, with no real cooperation. In spite of numerous Community interventions, there is neither a real European policy nor a coordination of the programmes between the Member countries.

Whereas the local level appears to be the most suitable for conducting campaigns of information and prevention, it is often ignored. In some countries, the local authorities' lack of autonomy forms a significant barrier.

### **4. Possible approaches to removing the obstacles**

#### **4.1 At European Union level**

The Community Programme VALOREN demonstrated the potential of the local level in this field and the added value achieved by an exchange of transnational experiences.

The granting of quality badges for cities or regions undertaking remarkable operations can also contribute to the popularization of good energy saving practices.

## **4.2 At Member State level**

Actions encouraging energy saving fall into two categories:

- sectoral activities, carried out separately in the building, industry, agriculture and transport sectors, but which involve at the same time horizontal information, planning and audit actions carried out in parallel in all these sectors.

- actions based on one type of renewable and local energy supply (like solar, wind, hydraulic, wood and biomass power ...). These actions go beyond traditional horizontal projects and also require technology advice, training, technological transfer, etc.

Information on energy saving must include a message on the advantages of a sustainable development policy for the citizen. In certain cases, this information, combined with considerations about the local job creation impacts, may be more convincing than tax or financial calculation alone.

For new facilities or buildings, only regulation appears to be effective in encouraging builders to modify their practices.

## **4.3 At local level**

The principal targets for energy saving are households, companies and government services. The best approach is to set up local agencies responsible for promoting a local policy of energy saving and for advising consumers. Such structures should make it possible to reach targets which are characterized by their small individual size, territorial dispersal and very large numbers (there are as many consumers as there are individual members of the population).

## ANNEX 2

### SPORT

#### **1. Prospects**

The increase in demand for sport can be attributed mainly to the fact that people have more leisure time and are able to adapt their working hours, but one explanation is that new population groups, such as women and the elderly, are now more likely to take part. Another contributory factor is concern about health and fitness - which gives rise to sports for the disabled, clubs for senior citizens, etc. Certain activities are, of course, fashionable (tennis, golf, keep-fit, off-road cycling, etc.). The authorities have also been promoting sport outside mainstream education, as part of social policies targeted at young people in difficult areas and demand has thus been created (e.g. basket ball).

Over 100 million citizens are involved in sports activities in Europe. 47.7% of French citizens between the ages of 14 and 80 practise sports and the number of members of sports clubs, etc. increased from 4 million in 1950 to 13 million in 1995; in Denmark the proportion is 76% of young people between 16 and 25 and in Finland only 10% of the population claim to do no sports at all (source: Council of Europe).

It is estimated that 2% of household consumer spending in Europe is associated with sports but it is difficult to quantify this information because expenditure varies considerably; not only does it cover both active and passive participation and the purchase of equipment but it also includes expenditure on betting, physical education, etc.

The CNOSF (French National Olympic and Sports Committee) has pinpointed four specific sectors of demand: education, professional sport and sporting events, sport as socialisation and the sector covering fitness and adventure.

Like other leisure activities, sport has a positive effect on employment in associated sectors: sales, the manufacture of sports equipment and consumer products, audio-visual equipment, etc.

#### **2. Lessons from existing initiatives**

Recent experience has shown that real jobs can be created: in Germany there were approximately 8 000 jobs directly or indirectly associated with sports activities in 1994 - 70% voluntary; in Italy there are 213 120 jobs in the sports sector and approximately 400 000 associated jobs; in the United Kingdom the economic activities of 467 300 people depend on sports (just over 2% of all jobs).

Countrywide measures to promote jobs in the sports sector in countries such as France, Germany, Belgium and Denmark, are all locally based and designed to encourage cooperation between municipalities, schools and parents, between the sports and health sectors or between the authorities responsible for social affairs, youth and employment.

In Belgium, a "sports manager" training course is beginning to be recognised. This is a course for club managers (voluntary) who need to learn about financial and human resource management techniques.

A new approach in France has been the idea of neighbourhood projects designed to link sports as a means of integration with measures to make medium-term projects permanent. Over a period of six months 15 "development agent" posts have been created in "départements" or in towns; these agents are expected to set up local integration projects funded by sports bodies and the State. The object is to promote local initiatives by helping sports associations to become employers.

In Germany (Thuringen) a programme to create 200 jobs in sports for young unemployed people has been co-financed by the ESF.

**"Sport provides work and improves the quality of life" (Mikkeli, FIN)**

The programme, initiated by the Finnish National Sports Federation, is financed primarily through public funds (50% from the Ministry of Labour). The idea is to develop new local projects on the basis of a detailed analysis of demand in municipalities, schools, churches, senior citizens' associations and health institutes and to offer services which meet these needs by creating jobs. It is a way of combating "unemployability": sport will thus be a step on the way to permanent integration into working life.

The first four projects led to the recruitment of 70 persons and a training course for 300 young people. The aim is to offer training and training placements to 10 000 young or unemployed persons without qualifications over the next four years to give them a better chance of integration into the labour market.

In Mikkeli, in the south of Finland, the regional association - Kasli - has entered into an agreement with the municipality and the employment authorities of the district. One coordinator and five project leaders have been recruited and 16 young persons are now undergoing training.

Other measures include:

- *A good start in life for young people* in 500 clubs (DK)
- *Profession sport 38* (sport as a career) in Grenoble (F)
- *Passe-sport emploi* ("pass-sport" to employment) in Ile-de-France (F)
- "*Sport Initiative*" in Essen (D)
- "*Sporting coordination*" in Leipzig (D)

### **3. The main obstacles**

The problems associated with the creation of new jobs are:

- Lack of organisation in the labour market:

Sports have so far been regarded as leisure time or competitive activities but not as services providing jobs and creating a financial market. Jobs in sports are often regarded as temporary and voluntary and people in charge of clubs are often very suspicious of real job creation projects.

Authorities and consumers deal mainly with sports federations and Olympic committees.

Labour relations in the sector reflect this and do not correspond to the reality of sports as a growth industry (fitness clubs, holiday clubs, etc.). In most EU countries there is no management/labour dialogue and, in some countries, jobs in the sector are not recognised as part of the official labour market.

There is, at the moment, no proper framework (contractual or regulatory) for working conditions, working hours and pay.

- Training is not adapted to a career structure:

Numerous skills are required for these new jobs in the sports sector. They fall, very broadly, into the following categories:

- sports techniques;
- preparation, coaching and teaching (coaching adults on holiday bears no relation at all to training young people for competition);
- paramedical surveillance (there is a vast difference between elderly people and sports champions);
- club management as a profession (maintenance of equipment, administrative and financial management);
- vocational integration of young people without qualifications.

There is very little training in these areas.

- Financial barriers:

The supply of sports services still depends very much on public funding. Because of budgetary restrictions jobs in the sector are very often short-lived.

VAT on sports services is high (18-20%).

- Supply is too one-sided:

Demand does not come from any given population group: the categories are many and varied. In addition to those who practise sports on a regular basis, much younger children (even babies), working adults (because of the reduction and adaptation of working hours), senior citizens, the disabled, etc. are becoming involved. People want to diversify their sporting activities over the year and throughout their lives. They are more interested in individual than group sports. There is also another type of demand involving visual consumption rather than participation as from spectators.

More and more people want to practise a sport and are prepared to pay for it, but they do not want to belong to an association. The sports on offer are, however, organised mainly through associations and, in many Member States, there is no such thing as a non-profit-making enterprise, despite the fact that this legal and commercial form would lend itself to the development of a market.

#### **4. Possible approaches to removing the obstacles**

##### **4.1 At European Union level**

In view of the large pool of sports federations and Olympic committees, it should be possible to look into the possibility of structured labour relations in the sector at European level.

Awareness of the obstacles and of ways of creating secure jobs in the sports sector could be enhanced by stepping up the exchange of experiences at national and local level.

##### **4.2 At Member State level**

The challenge is two-fold: a career structure is required in the voluntary sector and new types of supply are needed to respond to a more consumer-based demand.

Quality and health guarantees would speed up access to sports for these consumers. Attempts to adapt sports to specific activities on a more general basis have produced good results.

Recognition of diplomas could help to structure supply. The setting up of specialist employment agencies would also help to enhance public awareness of the career structures, job opportunities and skills required.

Enabling physical education teachers to work part-time in clubs by making statutory arrangements more flexible would also help develop employment in the sector.

Programmes to encourage the creation of jobs - which would gradually become self-financing - would give a considerable boost to isolated measures.

### **4.3 At local level**

The development of sport as a job-creation sector is largely in the hands of the authorities for reasons which are both social (integrating the unemployed, keeping young people from difficult areas occupied, education, health) and financial (making sports self-financing).

A voluntary approach (which may well be an essential first step) is not incompatible with a career-based approach (which may also give rise to a large number of associated voluntary activities), but the managers of sports clubs and regional leaders must be made more aware of changes in demand and of the potential advantages of becoming more professional.



### **ANNEX 3**

#### **NATIONAL POLICIES IN FAVOUR OF LOCAL EMPLOYMENT AND DEVELOPMENT INITIATIVES**

- 1. The exploration of the 17 fields**
- 2. The economic integration of the unemployed**
- 3. New financial instruments**
- 4. Training**
- 5. The development of SMEs**
  - 5.1 The transformation of legal structures**
  - 5.2 Creation of new businesses**
- 6. The local dimension of the LDEIs**

## FOREWORD

This "non-official" document was drawn up from information collected during informal meetings within the framework of the interservices group "LDEI" of the European Commission which took place between November 95 and October 96. It also synthesises documents transmitted by some experts questioned in certain Member States.

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## 1. The exploration of the 17 fields

### **BELGIUM**

At federal level, the multiannual employment plan of 3 October 1995 lists in detail the 17 fields in which new needs have not been met and which are genuinely new sources of employment. Although the plan gives priority to domestic services, measures have also been adopted in the fields of collective child-care services, integration of job-seekers in difficulty, housing improvement, urban security and renewal of the public heritage.

Other fields were explored at regional and local level; these included assistance for young people in difficulty and redevelopment of public urban areas. In the fields of tourism, waste management and water management, cooperation agreements were reached between federal and regional authorities.

The Fondation Roi Baudouin is carrying out a study and pilot scheme on the development of certain sectors, such as recycling, rural tourism, and environmental education. Nevertheless, it seems that Belgium is not yet witnessing the creation of a new market. The activities for which demand is increasing are not new. In the case of jobs related to crime prevention and security in the urban environment and to rural tourism, it is difficult to say if these really are new occupations.

Twenty-nine communes have so far concluded security contracts with the federal authorities. Local coordinators and prevention and security assistants have been introduced in communes and large towns as provided for in the basic rules governing local employment agencies (LEA).<sup>21</sup> Priority must be given to unemployed people who, because of their age and the length of time they have been unemployed, are least likely to find work on the conventional labour market.

The prevention and security assistants have two interrelated tasks: to improve security in town and increase the sense of well-being of the inhabitants. The tasks they have to perform cannot be carried out as part of the conventional labour circuit and include:<sup>22</sup>

- prevention of bicycle theft from public car parks,
- prevention of car theft,
- tackling environmental factors with a bearing on security in run-down areas,
- road safety outside schools,
- a presence on public transport,
- a presence in blocks of flats and offices.

Environmental jobs should develop more easily in the market sector and are already the subject of projects and initiatives carried out by the "Sociale werkplaatsen" and the Fondation Roi Baudouin. The Fondation Roi Baudouin, for example, is the originator of a project on "Railway and footpath, natural and cultural heritage", which is the fruit of a partnership between local government bodies.

Two major **obstacles** restrict the exploration of the full range of 17 sectors:

- firstly, the state of the Belgian national debt will entail major budgetary restrictions in the long term;
- secondly, Belgium's federal structure makes coordination between the various levels of public-sector activity more difficult; for instance, although a great many powers fall to the regions, tax and tax-related incentives are the responsibility of the federal State.

Some feminist movements oppose these new jobs as a new form of domestic service for women and demand that unemployed women should have access to full-time jobs.

The overall picture is therefore mixed; despite great potential and a high degree of inventiveness, much remains to be done.

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<sup>21</sup> Agences locales d'emploi.

<sup>22</sup> Cf. the texts adopted under the multiannual employment plan of October 1995 and in force since January 1996.

## DENMARK

The traditional welfare state system in Denmark covers many of the areas that are considered by the EU report to be the source of new jobs developing at local level. Some of the fields have been explored while facing strong opposition from the trade unions and other financial and administrative problems.

Home Services: Started in 1993, the objective of the "home services" scheme was the creation of new jobs subsidised by the government and the municipalities. The purpose was to develop a new labour market for persons without the necessary skills to compete in the ordinary labour market, and not only to create jobs for disadvantaged people. An indirect public subsidy is given to the households as they pay the services at a lower price than the market price and the Ministry of Industry reimburse the companies for the difference in their expenses. The municipalities offer to the households the list of "agreed" companies and also provide the workers with adequate training.

The expectation was the creation of 20,000 new jobs but at present only 2000 or 3000 jobs have been created. Although the Ministry of Industry has advertised the programme, the take-off has been very slow. It is too early to make an evaluation of this programme but the central administration seem to be optimistic about the result.

Various **obstacles** made it difficult to achieve a more general application of this measure:

- Corporate obstacles: The trade unions were strongly opposed.
- Cultural barriers: Many people consider it politically incorrect to have help for domestic tasks. Danish households are reluctant to accept this type of employment.
- Financial obstacles: The subsidy is not big enough to encourage people to use these services. The minimum wage is quite high (10,000 FFr/60,000BFFr) and the subsidy amounts to only 50% of the salary, which still makes it expensive for medium wage families.

Care for the Elderly and Child Care: These two sectors are traditionally covered by the welfare state, but a law passed in January 1996 created "sheltered jobs" in public interest services such as care for the elderly, child care, environment and culture. These new jobs should be created by the local authorities to provide new services, in a broad range of sectors. The local Employment Service pays 90% of the minimum wage and the municipalities 10%. The implementation of this programme is conditional to local agreements between the local authorities, the employment office and the trade unions. Until now, only one third of the potential target has been reached (5000 jobs out of 15000 currently long term unemployed).

Local Cultural Development: The National Theatre and Folk Schools, for instance, provide good examples of job opportunities for young people through the "sheltered jobs programme", but demand is larger than the offer.

The Cultural and Natural Heritage and the Environment Sectors: At present, it is not possible to say that these areas offer many new jobs, but there are good examples in some localities which show the potential of these sectors. The Green Centre in Storström, which integrated regional business and technology development strategies to reorientate agriculture towards more value added crops, is a good example of an initiative that can create new jobs (in this case 500 to 1000 new jobs are expected).

Programmes for recycling waste (the objective for the country is to recycle 59% of waste by the year 2000), such as environmental centres (Kaliningrad), biogas plant (Northern Denmark) and the

development of ecological local products and many other cultural development strategies linked with tourism, have been developed since 1993 in different municipalities, especially in rural areas.

## **GERMANY**

In Germany, labour market policy falls within the exclusive competence of the Federal Government. This means, that all activities of the Länder (the regional level) are additional and discretionary. Traditionally, the Länder's approach to labour market policy has focused on active labour market measures.

Using Federal funds and the legislative framework, the Länder develop and co-fund active labour market measures. The local governments (communes) in turn specify the use of funds and are responsible for the implementation of employment projects/initiatives. These local employment initiatives are carried out by the local government or specific employment (promotion) enterprises. Employment strategies at the local level are therefore the result of co-operation between the regional and local governments.

Especially in the new Länder, huge public employment programmes have been introduced as a response to the situation of "economic shock". Given the condition of "additionality" (meaning it must be proven that the activities could not have been realised under the conditions of the competitive market), local employment programmes have been primarily established in the areas of environment, social services, culture, sports, urban renewal and cultural heritage as well as improvement in housing.

Given the size of the programmes and the lack of funds available to local governments in the new Länder, employment schemes are increasingly delivering public services and therefore becoming crucial for the functioning of municipalities. In addition, employment projects serve as testing fields for developing new services and meeting or creating new demands.

The trade unions, which play a role decisive on the market labour in Germany, are very reticent about the development of the LDEIs. Indeed, they see in this category of new jobs, part-time and less well paid, a threat for the maintenance of their working conditions and wages. It would be advisable to follow a careful policy of professional revalorization of these jobs in services and to ensure a minimum income level.

## **GREECE**

### Cultural, traditional product development and tourism related services

A significant percentage of the active population is employed (or self-employed) in services related to tourism. It has been observed that many activities are related to the development and marketing of traditional products, the local cultural heritage, religious and historical monuments, and the creation of scenic tours. Local co-operatives aiming to promote the above activities have been established in many of the peripheral prefectures, mainly with the support of the Community initiatives, such as the Euroform Now-Horizon 90-93, and the current Employment and Leader projects. Usually, these co-operatives are formed by, and based upon, the experience of women in fields such as the preparation of traditional products and the supply of catering services to visitors. Until now, they have shown positive results.

## **SPAIN**

The national or local government authorities traditionally provided most of the services included in the 17 fields, but, faced with financial problems, they decided to privatise them. These privatisations do not always create jobs, since the public sector jobs are simply replaced with private sector ones. While the quality of the services is monitored by the public authorities, the effect on employment is not. Salaries are lower and working conditions less stable. By comparison with other Member States, these services are less developed.

### Domestic services

In the field of domestic services, there are three categories of business:

- private enterprises, which charge high prices for their services, and are therefore only accessible to a certain category of people;
- municipal home help services subsidized from regional or national funds: in future, these activities will be totally decentralized;
- small cooperatives set up by unemployed women, under contract to the town council.

It is estimated that 600 000 people work in domestic service.

In urban areas, the demand for domestic help is very high and is not fully met.

The markets for childcare ("kangaroo formula"), home cleaning services and care of the elderly are not sufficiently developed or transparent. The supply should therefore be structured and local initiatives launched. There are many activities which remain to be explored, such as preventive health services and after-school sports.

In the field of assistance for young people in difficulty, pilot schemes are being carried out in Catalonia with cooperatives, created by young people, which work solely for the town council.

### Local amenities

For local public transport, the local authorities currently prefer to privatize their services or encourage the formation of a local consortium taking in all public transport. In the field of accommodation, the need to reduce administrative costs is also leading to local services being withdrawn. Subsidies granted to households to make housing improvements generally benefit existing small private enterprises.

### Cultural and leisure services

Tourism has always been important to Spain. This does not really, therefore, constitute a new source of jobs. However, new types of tourism - rural, sport, cultural, for senior citizens and for the disabled - are being explored.

Furthermore, since the mid-1980s, cultural activities have been proliferating at the local level and are being given high priority by local authorities. Cultural ventures are developing but remain highly dependent on public financing. They provide all kinds of employment: voluntary, part-time and full-time.

In the new information technologies, job creation is still at an embryonic stage but training programmes are emerging that are geared towards developing local television stations, such as the hundred or so that exist in Catalonia.

### Environmental services

Initiatives focusing on waste management or resource recycling are proliferating. In Navarre, rubbish is collected, sorted and resold by workers hitherto excluded from the labour market. In Castile-Leon, water recycling systems are being installed in small towns. This experiment is being accompanied by appropriate training.

The protection of nature areas is a particularly promising sector. Spain has 300 vast nature reserves. For a long time this created no new jobs because the authorities limited themselves to conservation. Five years ago, new legislation opened the door to the development of economic activity and job creation in these areas, in particular in rural tourism and ecotourism. In the Madrid region, contracts for development have been signed between the government and the cooperative in charge of the management and protection of the nature reserve. For other reserves, contracts have been made with the regional rather than national authorities.

## **FRANCE**

Currently the most active fields in France are:

- employment in the family: currently 100 000 jobs. These people are sometimes employed by approved associations (about 1000) and sometimes directly by the households. The jobs have been created through a series of measures directed at the supply of and demand for home services or child-minding.

To stimulate demand, the initial instrument of social benefits (benefits paid to those on low incomes) was amplified in 1992 by tax relief corresponding to the amount of social security contributions paid for all household employers aged over 70 or parents of babies. Since 1993, these households have been eligible for tax relief on up to 50% of expenses, with a limit of FRF 25 000, which was increased to FRF 90 000 in 1995. Lastly, to alleviate tax bureaucracy for household employers the service voucher scheme was set up in 1995.

To organize supply the French Government both encouraged the setting up of approved associations as service providers and supported wage earning in the home and the status of family worker.

There are several plans for further measures. They revolve around the extension of tax relief for households which make use of private services and the obligation for companies providing services in the home to contribute to a vocational training fund.

- "green" jobs: 1 000 projects have been supported since 1994, 60% going on the management of natural habitats, 26% on river conservation projects and 12% on waste management. 12 000 jobs have been created, 95% of which are on the basis of "solidarity" employment contracts. There are skilled and unskilled posts with one management post being created for every 5 unskilled workers. Support mechanisms for job creation have made it possible to grant FRF 76 000 from public funds, accessible only to associations and local groups.

On the whole, the results of the programme are not at all clear-cut, for while the financing of these jobs has enabled a constructive partnership to build up between the region and the *département* encouraging the development of areas of natural beauty there is virtually no possibility that these activities will yield a return on the investment. What is more, the speed with which the applications for subsidy have had to be processed has often prevented the establishment of a complete integration procedure.

- Waste management: jobs have been created without any problems thanks to legislation (the Waste Acts of 1992 and 1995) and targeted financing (notably, by means of the tax for the waste management modernization fund under the 1992 Decree).

- Improving housing and security: over the last ten years the system of housing associations has expanded greatly. This has made it possible to obtain positive results regarding the improvement of the quality of life in large housing estates. There are currently 105 housing associations employing 6 000 people, equivalent to 2 000 full time jobs. Although housekeeping and public areas maintenance remain the major activities, 61% of these associations also provide different services close to home. Although they depend on public financing, the housing associations get 80% of their funds from self-financing. They offer several types of contracts (47% fixed term and 20% unlimited term). In 95, 56% of the people found a positive solution after their 'inclusion period' (against 43% the previous year). Renovation projects carried out by the bodies managing social housing (subsidized housing) have created a large number of security-related jobs.

- Jobs supporting local projects: annual agreements on encouraging job creation have been signed by the State and the *départements*. The jobs correspond to three phases: the start of the local development and employment initiative, supporting projects and coordinating local developments. The agreements guarantee up to half of the finance for a project.

There has been little activity in other fields.

- Services related to daily life: as far as France is concerned, jobs loosely related to work in the home, such as transporting the elderly, are still inadequately defined and poorly developed.

- Cultural and leisure services: there are many regional projects regarding the entertainment industry, the majority of which, however, do not get beyond the experimental stage. There are the beginnings of a national debate on social security arrangements for people involved in cultural activities. Currently leisure parks offer the best structure for providing work. There are still only very loose links between the tourist industry, cultural affairs and the hotel business. So catering trades need to be better integrated. While jobs related to tourism are increasingly structured around cultural activities,<sup>23</sup> in the hotel and catering industries jobs are still very specific. It would be beneficial to promote the client culture and not

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<sup>23</sup> To be eligible for the Community Structural Funds, cultural measures often have to demonstrate that they would have an impact on tourism.



just the product culture. Lastly, there have been some experiments regarding occupations in sport and socio-cultural promotion, but they are of a limited value.

- Environment services: The Ministry of the Environment estimates that approximately 150 000 jobs will be created in this area over the next 15 years. Several initiatives have been set in train with the aim of achieving this goal: information about environment-related jobs and eco-industries, the fostering of new markets and the support and creation of jobs in collaboration with the regions. But for the time being the "green" jobs programme is hindering the creation of new non-subsidized jobs.

Energy management is a new market which is arousing lively interest. The Ministries of Industry, Agriculture and the Environment are investing FRF 148 million in the *Plan bois-énergie, développement local et emplois* (the programme for energy from wood, local development and jobs) being run by the national environment and energy management agency, ADEME. Heating with wood has been proved to create three to four times as many jobs as the use of conventional energy, with 20 000 to 25 000 jobs having already been created in France. Apart from the fact that it is a very local energy, the main obstacle to its development is the structure of the system, starting from the supply right up to the functioning of the burners. Another field for job creation is the management of energy consumption in social housing and commercial buildings.

Recycling and repairing old equipment hold out interesting prospects, as the case of the company *Envie* illustrates, but there are currently two problems: companies would actually need more support to invest than to increase employment, and no system of certification of the quality of repaired equipment has been developed.

## IRELAND

In Ireland, all the fields identified by the Commission do not constitute inevitably new sources of employment: on the one hand, the social organization and the importance of the voluntary organisations (mainly the religious charities) explain that certain needs are still satisfied by the play of family and of neighbourhood solidarity; on the other hand, the weakness of the disposable incomes of certain households and the existence of highly populated rural areas do not make it possible to expect rapid profitability for some kind of local projects.

Generally, quality of life services and those corresponding to collective needs are still little developed. The needs connected with environmental protection or the fight against pollution are mainly dealt with by the public sector or the community and voluntary sector, which does not give rise, for the moment, to significant job creation.

The most promising fields are those connected with leisure, with culture, with tourism, with the audio-visual area and with the new information technology, as well as certain needs of daily life (childcare in urban areas in well-off neighbourhoods).

Other activities give interesting income opportunities for certain categories of the population: recycling and trading activities for the "Travellers community"; forestry management for farmers seeking diversified activities.

The report of the National Economic and Social Forum "Jobs potential of the services sector" and the report of the Task Force on the Travelling Community have drawn on EU level work in relation to the social economy. Rather than simply exploring the 17 fields this has involved the application of the same ideas in areas of "market failure" in disadvantaged areas and communities. The existence of a substantial informal labour and, to some extent, the absence of standards of quality or of professional qualification requirements for some services constitute considerable obstacles. In certain cases, public opinion is still insufficiently prepared for considering that some services are genuine markets, and there are few price references for launching sustainable economic activity.

## ITALY

Local initiatives exist almost everywhere in Italy, but the awareness that they can be directly linked to employment policies is still scanty. Almost all the 17 domains are explored, although there is nothing resembling a full canvassing of the initiatives undertaken.

Residential services are mostly a private market affair, often giving rise to unofficial employment, particularly for non-EU immigrants (largely women). Organised forms of supply exist only on the part of religious agencies. Services for handicapped people, the elderly and other disadvantaged groups are supplied by both public and private voluntary organisations. Welfare policies are sometimes adopted locally, but they are not available uniformly.

A network of social cooperatives and associations is developing. A large nation-wide organisation, AUSER, linked with the pensioners' Union initiated "Silver link" for caring for the elderly. Services like shopping, cleaning and care are provided by this project.

There are also many social cooperatives providing care for the dependant people at home (about 2,000). Home help is given with, or, in agreement, with local agencies or public services. The local public services confederation (CISPEL), which regroups 800 organisations and companies in 500 municipalities, contracts out 20% of its public services with the social cooperatives.

Childcare is supplied by both local authorities and private bodies, the latter largely religious. Several initiatives have been set up for pre-school children, but again, the supply varies as local authorities are not equally sensitive to this need. Obviously, the need is concentrated in urban areas and where the participation of women in the workforce is high. It would be difficult to sustain that childcare is a public policy aimed at increasing women's participation. Thus, childcare is not regarded as a possible purveyor of jobs, and little attention is given by local authorities to enlarge its supply, through a careful mix of subsidies, voluntary work and affordable fees.

Information and communication technologies, as well as the audiovisual sector, are entirely left to the market forces, where oligopolistic forms dominate and imports from abroad provide the major part of the supply. This is a sector that may require national, not local, policies and its development is seen more as a result of sufficient competitiveness. In the past (1984-86), efforts had been made to link employment with communication technologies in the field of cultural heritage ("the cultural areas"). The project was not successful in establishing either a demand or a supply of marketable goods, and the resulting employment only lasted as long as public funds were available. At present, a number of public and private enterprises are planning large developments both in the hardware and the software areas of information and communication, to take advantage of satellite and cable transmission means. Most observers foresee a substantial increase in employment, but no full scale study is yet available on the potential employment created (and destroyed) by the new technologies.

However, the third sector is strengthening its share in market niches in the communication and information fields, with ramifications in specific domains (local radio stations, press organisations linked to cooperatives, etc.). This is due to the need to maintain a strong communication network between a large number of people actively committed to the social economy (direct members, associations, financial investors, customers, partners...). In this domain, "the invisible city" is currently the biggest voluntary association dealing with telematics in the country. Today, the telematic networks are used mostly to rationally manage the voluntary services, but they are being progressively extended to the provision services, and perhaps, in the near future to solidarity trade, tele-teaching, etc.

Aid for youngsters in difficulty is an area left to private voluntary organisations with the exception of people suffering from AIDS, for whom the National health service provides some help. For drug addicts, the public sector (local and central) subsidises private endeavours (lay and religious) and carries out drug substitute programs.

This sector has been strongly supported by the Community programmes, such as Horizon and Adapt. Training courses have been designed for groups with a high unemployment risk, namely the handicapped, ex-offenders and workers depending on the "Integration Fund". For the young

unemployed, living in designated areas with low employment opportunities (Mezzogiorno and crisis regions), the 236 Act has been implemented to extend the benefit of subsidies to services companies.

Improvement of housing initiatives by non-profit estate companies are still rare. In contrast, initiatives aimed at meeting the needs of disadvantaged inhabitants (women, youngsters, ethnic minorities, the handicapped and people living in inner cities) are multiplying. As an example, in Milan, the San Carlo Foundation manages apartments for disadvantaged people. In Udine and Verona, accommodation services for the reception of migrants have been created.

In the security domain, there is no evidence that any social policy is being developed in Italy, as suggested by the EU report, e.g. coordination between public bodies and central specialised departments (Justice, Police, social and health affairs). However, the spontaneous development of major initiatives, such as "Libera", a group of associations fighting against the mafia deserves to be mentioned. It regroups 400 national and above all local associations, which are coordinated through regional based councils. Amongst other things, this NGO argues for the creation of a fund designed to support renovation activities, the fight against social malaise, civic training courses and to promote initiatives for the young unemployed.

Cultural heritage is a traditional area of activity in Italy, encouraged by the central and local authorities; the private sector is present but its activity is not comparable to that of the public sector. Employment could certainly be increased.

Cultural tourism could be stimulated more effectively; this is left to the market, which has not created a supply (hotels, transport, guides, etc) to match the quality of cultural offers present in the territory. Concentration of tourism (Venice, Florence, Rome and Pompei) may even represent a danger for cultural goods, while a large number of cities, monuments, churches, palaces and castles remain unknown in the rest of the country.

Waste and water management are good sources of jobs, provided the public sector organises both sectors adequately. Employment potential is high, particularly in the southern part of Italy, where supply is at its lowest.

Natural areas are identified and protected, but there is yet little activity giving rise to employment. National and regional parks have been foreseen in the legislation and even established, but their funding lags behind and their employment potential therefore remain untapped.

The number of members of environmental organisations was 662 000 in 1995, an increase of 20 % in 5 years. In the framework of the Environment Act, 13 000 billion LIT. would create up to 356 000 jobs in 6 domains. These are local public transport, land and water protection by fire, landslide, flooding and erosion prevention services and hydraulic surveillance, the creation of a river police for the maintenance of river banks and a 200 hectare reforestation plan. This project also deals with the renovation of public and private residential buildings in historical centres.

Public opinion is ready to accept employment policy in favour of local initiatives, but little information has been displayed in order to make it clear that employment in these areas does not necessarily mean public-type employment. Voluntary work, however, is sufficiently common and accepted, even though the resulting jobs are insecure and incomes less than contractual levels. It must be understood that in some regions in Italy, illegal and unofficial work is rampant, particularly in areas similar to the 17 domains. Also, much social work is still carried out within the families - with the resulting low womens' participation in the labour force. Nevertheless, experience varies in different areas of the country, the South having the greater share of irregular and family work.

The local authorities, some of the trade-unions, religious and lay charity organisations and the so-called "third sector" are the most active participants in the social-type services in the 17 domains. In the cultural areas, central and local authorities are in the lead. In the communication and information technologies, large companies are the driving force.

## LUXEMBOURG

In May 1995, the national Tripartite Conference set up an Interministerial working group, chaired by the Minister for the Family, in order to study these problems and in particular, to make proposals. During July 1995, the Interministerial working party on "New sources of Jobs" submitted a first report on the subject.

At this stage the paths being studied are: care of the elderly and disabled people, childcare, young people, young people in difficulty, the environment, tourism, sports, housing, SMEs and the new technologies. There are as yet no plans for the audiovisual sector, security, local public transport, cultural heritage, local cultural development, regulations, the control of pollution and corresponding facilities. However, that does not mean that these have been abandoned, but that the working party gave priority to the paths that were able to be implemented immediately.

At the request of the trade unions, the interministerial group identified the following risks in the development of these new fields of job creation (in particular the local services jobs):

- competition between the job applicants and those already working in these fields. To avoid this, the professional organisations concerned should be involved in the adoption of these new activities which are aimed at the insertion of the unemployed;

- a possible re-assessment of current working conditions in the fields concerned (employment contracts, duration, social welfare etc).

The promotion of the local services jobs calls for at least two reforms in the management of the working relations at large. On the one hand, administrative constraints for signing service provision contracts must be gradually reduced. On the other hand, information and awareness-heightening networks should be set up in order to encourage potential employers to adopt this new way of creating employment.

The first objective could be achieved by simplifying the declaration to be made to the joint Social Security Centre.

The second objective could be achieved by on the one hand promoting and supporting intermediate confidence-raising organisations between potential employers and job seekers; and, on the other hand, by granting a recognized statute for certain functions (in particular for caretaking and home teaching).

Various measures have been identified with a view to promoting local services jobs:

**- The reduction of administrative constraints**

Even, if simplifying the administrative procedures which fall on the employer is not sufficient in itself to create new jobs, it could have a beneficial effect on the regularisation of these jobs (fight against undeclared work).

The suppression of the 64-hour threshold per month, beneath which current legislation does not provide for pension rights but only the refunding of contributions at the age of 65, will probably encourage some wage earners to ensure their affiliation to the social security system.

In addition, the joint Social Security Centre requires an employer to complete a declaration when he employs his first worker. Each month thereafter he must communicate the gross salary although generally only the net earnings are agreed by the two parties. As far as tax is concerned, the employer must also observe certain provisions.

A considerable number of people and especially the elderly are not in a position to carry out the necessary administrative work correctly. They have no choice but to employ one or more persons to carry out their private activities (accountancy etc.)

Two solutions are recommended by the Working Group:

- Either tax deduction proportional to the income deriving from local services jobs with possibly a fixed-rate tax deduction at source (for example: rates from 10% to 15%), which would be collected by the relevant Social Security body.

- Or a fixed-rate and final tax deduction which would be obviate any further liability, i.e. the earnings in question and related tax deduction would not be included in the annual tax calculation or income tax.

These simplified procedures should be applied to well defined fields by making them conditional for example, on the following criteria:

- The employer must be a private individual and the activity has to be carried out within the framework of private life, such as cleaning work and ironing, as well as small repairs and servicing. It can be full or part-time work of a fixed or unfixed duration.
- The agreed net earnings must not exceed a monthly amount to be determined.
- The employer must ensure the regular payment of the contributions by means of a permanent order with his bank for the amounts to be collected by the Social Security Center.
- The employer and the employee have to agree in writing recourse to the simplified procedure including the commitment of the employer to pay wages during any month of incapacity for work (or even the three following months).

**- The adaptation of labour law**

The Working Group proposes that the employer be exempt from drawing up a specific employment contract and that the statement of entry into the social security system has the value of an employment contract, in so far as the local services job is described in a precise and concise way and the employer is a private individual.

It also suggested that certain principles should be more flexible, adapting the law of 29 May 1989 on employment contracts, in particular with regard to obligatory formalities in the event of cancellation of the contract or concerning the maximum duration of fixed-term contracts.

**- Encouraging potential employers**

To answer reservations connected with the recruiting of an employee, it is proposed to offer potential employers the possibility of contacting job applicants through an organisation which the former have confidence in. This "trusted organisation" would guarantee, as far as is possible, the quality of the service provided and, especially, would provide the future employer with useful information regarding the procedures to be followed.

## **NETHERLANDS**

The services fields considered in the EU studies on local development and employment initiatives (LDEI) are being explored in the Netherlands as a means to create jobs for the long-term unemployed and to improve the social structure and living conditions in local problem areas.

Dutch policy is focused on economic growth and development as well as adequate participation of the labour force. In this respect, in 1994, the so-called Melkert programme was introduced. Local authorities and some NGOs play an important role in this programme, where social assistance benefits are invested to create new employment. The new National Assistance Act (1st January 1996) also gives more responsibility to the municipalities for the re-integration of benefits recipients into employment.

In 1995 the government presented a policy memorandum on preventing and combating hidden poverty and social exclusion. One of its targets is the enhancement of participation. The government appealed to employers' and employees' organisations, churches, customers' organisations, etc., to contribute to the fight against poverty. Municipalities are key players too as a result of the decentralisation of the social welfare system.

Municipalities also played an important role in the policy of social renovation in the late eighties. This programme dealt with those groups of the population which tend to become more and more socially deprived and excluded, aiming at the improvement of their social participation. It focused mainly on residents in problem areas in the larger cities and comprised multi dimensional initiatives on education, housing, social welfare and employment. These objectives are now integrated in the Big City Policy. In this framework, the government signed two agreements in 1995 with the *four* major cities and with 15 municipalities of average size. Joint efforts should be made to strengthen the cities' social and economical base. These efforts should involve an integrated approach towards the problems the cities are dealing with, in the fields of public safety, work, education and quality of life.

In line with these policies, new possibilities for the development of services in the areas considered by the EU report to be the source of new jobs at the local level are explored. It is important to realise that many services in these areas are already provided by private non-profit organisations, subsidised by the state (as in housing, health care, social welfare, education, etc.). Cuts in public spending since the eighties and the withdrawal of government support to private non-profit organisations (e.g. contracting instead of general subsidies) are stimulating a more entrepreneurial behaviour by these organisations and offer possibilities for the private sector.

At the same time research in the Netherlands has revealed opportunities for additional (social) services. These services sometimes existed in the past but disappeared completely or fell into the informal economy/moonlighting area, often as a result of the high cost of labour (in relation to productivity). But new types of services are also arising from developments in society such as the ageing of the population. It can be considered that in the NL the "job-potential" of new service areas, in the public sector, the market sector, as well as in the secondary/subsidised labour market or voluntary in work, is now being largely explored.

It is not possible to give a full description of present developments at the local level. In general a lot of experience and knowledge has been built up since the beginning of the eighties when Dutch unemployment rates were high. Initiatives in the past have shown that efforts and financial means have to be combined to be effective. Different public and private and public-private organisations are involved in the LDEIs.

The decentralisation of responsibilities and financial means in certain policy areas contribute in a positive way to this development. In addition to general policy (e.g. labour market) or more specific policies (e.g. "Melkert" schemes, Big City Policy) the national level facilitates research and development of innovative methods, information and dissemination of successful experiments.

To illustrate these developments some examples of innovative local initiatives can be mentioned: In several disadvantaged areas (high unemployment and pauperisation) "neighbourhood maintenance initiatives" take place, that combine economic and social objectives. There is creation of jobs for disadvantaged groups in crime prevention, social welfare, living conditions, building maintenance and gardening. The initiatives thus combine the individual goal of having a job with a common goal of improving living conditions. In some of the cases, neighbourhood maintenance companies were founded following the French 'Regie de quartier' model, in others the English SHAPE-model is being introduced. An important feature of these initiatives is that they are aimed at strengthening the autonomy of individuals who are stimulated to take an active part in the projects. Local housing cooperatives often play an important role. At the national level support is given, among other bodies, by the SEV (Stichting Experimenten Volkshuisvesting) an organisation supporting innovations in the field of housing policy.

The increased attention given to local environmental situations, as well as national environmental regulation, offers new employment possibilities, such as in shops for recycled goods, recovery of clothing and the maintenance of natural areas. Other possibilities arise in the field of tourism, in cities but also in rural areas (e.g. camping) which have a large job potential. Another type of initiatives is related to helping people become more mobile, including elderly people and the handicapped. This results in new needs for transport. Different (national) measures offer a conducive framework for local initiatives, such as the WVG (Wet Voorziening Gehandicapten - subsidising transport for the handicapped) and contracting out public transportation.

Sport has been added to the initial seventeen fields. In exploring employment possibilities in the Dutch sports sector, the voluntary character and the fact that most sports associations are very small (making it difficult for them to be an employer) have to be taken in account. Nonetheless, this sector (both voluntary sports associations as well as more commercial sports and recreation organisations) provides many opportunities for job creation such as in maintenance of facilities, host functions in large sport and recreation facilities, administrative employees to assist the (often volunteer) bookkeepers of sport clubs, assistance to (summer) sports activities for deprived youth. The Ministry of Health, Welfare and Sports supports innovative projects and communicates the results to sports departments of municipalities and to sports organisations. Furthermore the

Ministry encourages national sports organisations to give information and assistance to local initiatives.

Many local initiatives are related to so called "personal services". The demand for these kind of services is expected to increase owing to developments as increasing participation of women in the labour market and the ageing of the population. Different ministries support local initiatives in child-care such as pre-school and after-school child care. In these initiatives labour market, education and youth policy are combined. Other initiatives are related to the tendency of the elderly or the handicapped to live independently as long as possible. Some of these initiatives also take the development of the multi-cultural society into account, training young migrant women in intermediary functions in health-care for elderly migrant women. Some of the local initiatives in services for everyday life are supported by the Netherlands Institute for Care and Welfare, which is subsidised by the Ministry of Health, Welfare and Sports, to develop innovative methods. Labour market programs play an important role in financing new employment created in these areas.

In the exploration of the seventeen fields for local employment initiatives, the "Melkert programme" and other schemes for subsidised labour play an important role. Some of the obstacles that have to be overcome to fulfil the job potential of these initiatives are, therefore, closely linked to these programmes.

- Corporate obstacles: Trade unions and employer organisations emphasise that the new jobs have to represent new employment and not the displacement of existing jobs. The corporate obstacle is reduced because in firms the Board of Employees (ondernemingsraad) ensures that an employee coming to work for the firm falls under one of the afore mentioned schemes.

- Cultural obstacles: It is sometimes argued that many of the "new jobs" are merely "old jobs" that disappeared as a consequence of budgetary cuts in previous periods (especially in the public sector). This cultural obstacle is not a real obstacle: as the main objective of the programme is (especially for the private sector) to eliminate differences between wage costs of unemployed recruiting and their productivity and stimulating (both in public and private sector) the introduction of new functions in the range of 100-120% of statutory minimum wage (exploitation of the gap between statutory minimum wage and the lowest wage scales in collective labour agreements).

- Financial obstacles: Employers sometimes argue that there are not enough guarantees of receiving the financial support to create and maintain new jobs. This financial obstacle played a role at the beginning, but more and more employers see the benefit of having these people work for them so financial support will play a lesser role.

## **AUSTRIA**

Austria has more than 10 years of experience in local development and employment projects with successful qualitative results. These projects create 6,500 jobs annually as well as training opportunities at regional and local level.

Since 1983, intermediary counselling agencies, (ÖSB, IFA/IAB, ÖAR), have been essential tools for a more flexible and independent employment policy. These bodies support the design and the implementation of local and regional development. All 17 areas, considered by the EU Report as sources of new jobs, are developed in Austria (with the exception of private household services). The new employment initiatives, mostly developed in the social and cultural welfare, environmental protection and tourist infrastructure fields, are aimed at improving the living conditions and economic development at local level.

Childcare services: This was one of the first initiatives to be implemented even though a lot still has to be done, not only in the public sector but also in the private sector. In 1968, in the new Labour Promotion Act, a childcare allowance was provided for and later, in combination with the "ACTION 8000" programme, gave rise to the so-called "day-mothers" and their local organisations, which also provide the necessary qualifications. The sector is considered to be "non-profit-making" but it creates 1000 new jobs annually. 50% of persons employed in this field have found profitable permanent jobs.

Cultural and natural heritage sectors: As in other countries, this sector offers many possibilities of job creation at local level. A good example of this potential is the initiative carried out in Steinbach, a locality of 2000 inhabitants with a high immigration rate and an elderly labour force, as a consequence of the industrial recession. The community took the initiative of renovating the old factory buildings as spaces for different purposes: such as leasing to small business, processing local products, cultural activities (e.g. museums), etc. These activities have together caused a renewal of the local economy (12%) and multiple positive effects for sense of identity and the social cohesion of the population.

The initiative provides jobs, in particular for long-term unemployed under the "Action 8000" scheme. The area is now attracting new population.

Seasonal jobs, such as in tourism, with clear potential for expansion in the near future, provide employment for 10% of the unemployed. However, qualified people tend to go to the Western provinces (Vorarlberg, the Tyrol, Salzburg), since the overall structures of tourism are much better developed in those parts of Austria as far as quality is concerned and therefore are offered better wages.

Environment sector: Some of the work in this field is carried out on the basis of "voluntary work" and has tended to be institutionalised by non-profit organisations (e.g. Alpenverein, Local tourist Associations etc.). Nevertheless, in the future, acknowledging the important role played by farmers through their regular farming activities since agricultural areas which remain unattended will soon become unattractive for tourists and hikers, Austrian public opinion may be prepared to agree some subsidy as a supplementary income for the farmers in order to prevent further rural exodus. Some other activities in this field attract the interest of employment initiatives promoters, especially in the recycling business and waste management and the installation of solar panels etc. In some cases, private companies are left in the wake of local initiatives as far as levels of qualification are concerned.

Although Austria has a long tradition of local development, the 17 new sectors faced numerous **obstacles** as regards their generalisation: taxation laws, trade law restrictions, labour law restrictions, lack of venture, competition from the public sector and/or voluntary services, social insurance regulations, unemployment insurance regulations, lack of marketing and supply channels, purely seasonal demand for some services and, last but not least, mental reservations in the sense that Austrians, generally speaking, are not too enthusiastic about entrepreneurship and self-employment because they lack the appropriate tradition as well as education and training in the preparation of youngsters to run businesses.

## PORTUGAL

Portugal has invested in all seventeen fields identified by the Commission, in addition to the crafts sector, in the framework of the local development initiatives programme.

Four types of support are used in the implementation of this programme: financial grants (aid to micro-enterprises or regional grants), support for traditional products, rural development initiatives and pilot demonstration projects.

With regard to aid to micro-enterprises (the most advanced programme in terms of its implementation), certain activities are given priority: local services, crafts, rural, ecological and activity-based tourism, commercial activities involving traditional and artistic skills and traditional shops.

### Local services:

The purpose of these services is to improve the quality of life, to persuade local people (especially young people) to stay in their areas, and to create jobs. They must be economically viable.

They are:

- social support services,<sup>24</sup>

<sup>24</sup> Nurseries, family day-care facilities, leisure activities, study facilities, specialized structures for counselling young people, services for handicapped people, the elderly, young people and dependent adults etc.



- leisure and tourism services,<sup>25</sup>
- services in the field of culture,<sup>26</sup>
- services aimed at urban renewal and buildings safety,<sup>27</sup>
- services in the field of transport,<sup>28</sup>
- services in the fields of quality control, information, technical support, protection and recovery of heritage,<sup>29</sup>
- various support services for local people,<sup>30</sup>
- support services for local firms.<sup>31</sup>

#### Crafts:

These are crafts or labour-intensive activities using traditional methods, recognized by the IEFP (*Instituto do Emprego e Formação Profissional* - Employment and Training Institute).

#### Tourism:

Development of rural tourism, agritourism and ecological tourism is encouraged.

#### Commerce:

Commercial establishments making traditional Portuguese products are given assistance.

In the field of assistance to young people in difficulties, Portugal has introduced the JVS solidarity programme, the purpose of which is to involve young people with free time on their hands in useful group activities. Since 1993, this programme has enabled 880 projects to be completed and has involved 4 400 young people (400 projects and 1500 young people in 1995).

### FINLAND

Historically Finland chose to promote LDEIs by local development rather than by a sectoral supply-driven approach or a demand-driven approach. So the Finnish government does not feel it to be sufficient to restrict the definition of local initiatives to 17 fields.

The crisis of 1990-93 led the government and the official authorities to re-examine the conditions of direct supply of social services (childcare, services to elderly people and to young people, etc) and to be more attentive to the creation of jobs connected with new leisure services, environment services or quality of life services.

Among the 17 fields, childcare, homeservices, new information technologies (NIT), local shops, assistance for young people in difficulty and the redevelopment of urban public areas were the subject of recent support measures. The results are still limited but are nevertheless very positive.

The NIT are widely used in Finland, because of the low density of the population and the wide-spread territory. Since the second half of the Eighties, telecottages have been developed and telework is strongly encouraged by the government. Regional telecommunications and data-processing networks have been set up in the past few years and they have also created jobs.

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<sup>25</sup> Use of local heritage for tourism, tours and local excursions, tourist information and activities, initiatives in the field of rural and ecological tourism.

<sup>26</sup> Protection and preservation of cultural and historical heritage, promotion of events, recreational, sporting, leisure and other activities etc.

<sup>27</sup> Cleaning and refurbishment of buildings and residential accommodation, projects aimed at buildings safety and renovation.

<sup>28</sup> Parking services, adaptation of traditional, non-motorised means of transport to the needs of tourists, adaptation of itineraries to tourist activities and means of transport, adaptation of transport services to school activities, inland navigation and related activities.

<sup>29</sup> Prevention and control of pollution, surveillance and cleaning of forests and beaches, services in the fields of quality control, information, technical support, protection and recovery of heritage, local waste recycling etc.

<sup>30</sup> Repair of domestic equipment and restoration of furniture, home-based services, safety of persons and goods etc.

<sup>31</sup> Marketing and distribution of products, collective restoration, secretarial and translation services, training, professional monitoring and management of labour exchanges.

A pilot programme was launched recently to revitalise local shops especially in the less-favoured areas; it aims to encourage these shops to provide the population with new services, mainly related to the NIT.

Assistance to young people in difficulty is developed within the framework of training policies and access to the labour market. "Innovative workshops" were created, mainly by the municipalities (300) to allow young people in danger of exclusion to reintegrate society and to start a professional career, including by the creation of an enterprise. The activities of the "innovative workshops" are motivated by local needs. Some, probably the most innovative (30%), are financed by the ESF.

The redevelopment of urban public areas gave rise to projects initiated by the inhabitants of Helsinki. This experiment encouraged the Minister for Labour to promote other initiatives.

Other fields are already clearly structured:

Tourism has been benefiting since the Sixties from a national policy promoting this sector which has given good results.

The management of water is the subject of close attention in Finland, because of the pollution created by the paper industry and the importance of the hydraulic resources. For several decades, this sector has well been developed and technologically very powerful.

Last year the Finnish Sports Federation initiated together with its 112 member organisations and local units an employment project "Sport gives work and life quality". The project has been carried out in partnership with regional labour districts and local employment offices. More than 1000 unemployed persons have already been employed.

The improvement of housing, local public transport, security and the cultural services represent a major potential, still poorly exploited. But recently (Spring 1997), the government decided to give municipalities a sum of FIM 180 million for renovation projects during this year.

Although the unionisation rate is high in Finland (80%) and institutional partnership is active at the national level, it must be recognised that trade unions are almost completely absent from the local initiatives and cooperation at local level. Similarly, with some rare exceptions, the employers' organizations are not involved in this approach.

## SWEDEN

Personal services (care for the elderly, child-care, assistance for handicapped persons) to a large part still fall within the competence of the public services in Sweden where there exists for the local authorities the obligation to provide these services; and in particular the care of young children (older than 1 year of age) for both of whose parents work is regarded as a right.

Potential for development of new services is rather at the periphery of the public services (home help and leisure organisation for elderly people, local transport, tourism, environment). 500m SKR were spent in recent years to facilitate the development of green jobs and an evaluation of the results will soon be made public.

Two fields have been relatively little explored for various reasons:

- culture and leisure remain the privileged domain of public action or of voluntary associations;
- local shops, are considered to be activities which should involve the market and should not be disturbed by any intervention or public subsidy.

## UNITED KINGDOM

There has been widespread interest in the European report from local groups and the voluntary sector within the UK. However, the current government view is antithetic to the propositions in the document, namely the notion of innovative measures by the state and the social partners to operate on the demand side of the labour market.

For local authorities, LDEI and the 17 Employment Fields are seen in some quarters as potentially representing an attack on their rights as statutory providers under democratic mandate. There is widespread unwillingness for local authorities to concede areas of local service provision to new providers (even in the new Community Care context provided by government). Fears here focus on

both a loss of democratic control to unelected “local initiative” bodies, loss of control over key services to local constituents, loss of employment in the local state sector first market. Local authorities feel themselves under extreme pressure in many of the 17 fields both from government moves to privatise provision and local initiatives to capture more control of provision in their areas.

Despite this, some local authorities are attempting to use LDEI concepts so long as they are kept closely under their scrutiny. One way to achieve this is through initiatives owned and sponsored by the authorities themselves. Local development trusts and initiatives provide an intermediate solution but these are inevitably set within the particular constraints of local governance. The voluntary sector is making strenuous attempts to develop activities on the basis of the Employment Fields. This is their traditional terrain of action. The new priorities for Community Economic Development (CED) in Objective Two and Priority 4 in Objective Three are causing a great deal of interest and excitement.

Home and Domiciliary Care is an area where projects are being explored but where difficulties are being encountered. The particular UK context is set by the policy for “Care in the Community”. Government ambitions are for a “Mixed Economy of Care” to be created moving the centre of gravity from local authority provision toward the creation of a private sector marketplace. This is making slow progress in the face of generally falling public resources in a context where the local authorities dominate the market both as purchasers of private care and providers of public care. The “space” for new job slots for the unemployed and at reasonable wages is shrinking rather than growing. Proposals for service vouchers are being considered but, in this context, the destabilisation of existing (and over-burdened) provision is seen as a serious threat.

Child care is subject to the pressures noted above. Indeed the Government is developing a national childcare framework within which local economic assessments will be critical ie. to assess the demand for local childcare and how meeting it could contribute to local growth. Essentially it will “map the gaps” in current provision. There are also a large numbers of voluntary and community organisations attempting to promote projects in this area. They are seeking to gain entry through the CED priority in Objective Two but are often told that their project outputs “are not sufficiently economic” to qualify them for eligibility - direct jobs in the care centres themselves being few.

ICT is being explored but is often dominated by the more “technical” aspects (IRISI etc) of the new network technologies rather by the ways in which new local products and services can be generated to create jobs for the unemployed. A new and exciting project in Liverpool which has drawn in IBM is seeking to take the wider and deeper view by using the new technologies to “re-invent” the city, socially and culturally as well as economically. New jobs will come less from the technology itself than from the new cultural, social and economic flows and inter-connections that it makes possible.

Housing is an area much neglected in the UK in terms of LDEI. This flows from a government view that housing is in some way separate from economic development and job creation and where an absence of European competence in the field isolates it from “Euromeddling”. The prospects for job generation from community led actions in the case of housing and the home locality are well demonstrated by the activities of the WISE group in Scotland and are slowly diffusing into England where the regulatory environment is more restrictive. Some of the most effective organisations for LDEI in the UK are the Housing Associations and these are slowly being engaged in the debate about LDEI.

Security is a field where local action plans show a huge demand for more activity and where there are job generation prospects. The dominance of the police and major private sector security firms in these areas has tended to squeeze out the space for local organisations. The general reluctance to consider more community action (beyond the purely voluntary) in the security field by the police and Home Office has suppressed job growth here.

Local public transport is another area of widely expressed local demand for action. The privatisation of public transport in the UK has produced chaotic conditions for the bus industry in particular. Notionally this should have opened up scope for local action and enhanced provision to poorly serviced areas. In reality the opposite effect has emerged. Provision has been withdrawn

from many areas with a concentration on prime routes by too many carriers now becoming absorbed by the major players. The combination of stringent regulatory frameworks and privatisation has reduced the scope for local accessibility and at the same time erected barriers to entry for local community ventures. Very little progress toward LDEI is in evidence here.

The green domain is an area as yet weakly developed in the UK but is one with very considerable potential. New landfill regulations now create real market opportunities for recycling and there is a fast growth of local ventures following the ENVIE (France) and Workwise (Scotland) examples. As a “new” domain it is far less influenced by the prior existence of strong players and barriers to local entry are commensurately low. Local green areas protection has been long established as a key area for LDEI and the experience of Strathclyde is being examined and taken up across the UK.

Water management is in the UK significantly influenced by privatisation. It remains a contentious area dominated by key corporate players with as yet little scope for local employment initiatives. The lack of interest by the social partners reflects the trade union’s concerns that the more stable public sector jobs (still heavily unionised) will be put at risk where these new schemes are promoted in the context of a Government committed to privatisation, the reduction of the scale of the local authorities, the weakening of the trades unions and the reduction of welfare and public expenditure. Converting first labour market jobs into second labour market jobs for the unemployed would seem to be a futile form of substitution. Public opinion is more focused on the decline in the scope and quality of services than on the longer run opportunities that exist for these services to be restructured in order to generate new sources of employment. Without doubt one of the biggest blockage to action in the 17 fields is the operation of the UK benefit regulations. They are a disincentive both for the promoters of projects and for the participation of the unemployed themselves.

The lack of general public awareness of the potential of the new sources of jobs would require a major “campaign”, contextualised for UK local development.

## 2. The economic inclusion of the unemployed

### **BELGIUM**

#### **Local employment agencies (LEA)**

In Belgium the local employment agencies provide a good illustration of the use made by the government of LDEIs as an instrument for the integration of the unemployed. Created in 1987 and amended in November 1993 with the adoption of the "Global Plan", they offer a framework to unemployed people who, because of inadequate or inappropriate qualifications, are having difficulty finding work.

The aim of the LEAs, in cooperation with the "Office national de l'Emploi", is to:

- facilitate the operation of the local market,
- provide additional resources for the unemployed,<sup>32</sup>
- to help families, and, under certain conditions, organizations and communes, to meet their needs without resorting to undeclared work. The sectors involved are mainly domestic and family services, assistance for the elderly, protection of the environment and security,
- restore the appeal of the long-term unemployed for potential employers.

In 1993 the LEAs were heavily criticised because, although they were a means of remobilizing the long-term unemployed, they merely kept them occupied without offering them a real job.<sup>33</sup> The multiannual employment plan provides for a study of a possible new status after the evaluation of the LEAs in 1996. It will be decided whether the system can be extended to the non-market sector.

From 1996 onwards, a major debate could be launched on the future of this instrument. Two hypotheses have already been put forward:

- the LEAs could be converted into service agencies creating real jobs;
- the LEAs could be kept as they are, i.e. still intended for the long-term unemployed. Workers' institutions would be developed in parallel.

### **DENMARK**

The total unemployment rate in Denmark is currently 9% (decreasing in the last two years), but the differences between regions is very significant, with over 20% unemployment in some rural areas and in the centre of Copenhagen. The Public Employment Service (AF), dependent on the National Labour Market Authority (Ministry of Labour), has developed since 1994 the Active Labour Market Policy Reform based on an "Individual Action Plan" for the unemployed, combining a training period with temporary work. During this time the unemployed receive the minimum wage. Through the "Local Activation Scheme" the municipalities have the responsibility to give a job opportunity to persons who receive social assistance, i.e. individuals who are not eligible for unemployment insurance.

#### **Job Rotation Scheme**

The scheme was launched in 1992 and enables employees to take leave for training or personal reasons provided that they can be replaced by other trained persons during their absence. The Danish labour system subsidises and encourages companies to enrol in continuous training programmes for a certain percentage of their employees. At that time, a substantial number of large private companies had adopted the system and considered it rather successful. In the metal industry the social partners are negotiating a general agreement which insures a 10% growth of employment, thanks to rotation and training. As the majority of the Danish companies are small

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<sup>32</sup> To give as many job-seekers as possible the chance to work, the maximum number of hours which can be worked for an LEA is set at 45 hours a month. Those involved keep their full unemployment benefit and in addition are paid a further allowance of Bfr 150 for each hour worked. The user pays a tax-deductible hourly sum of between Bfr 200 and Bfr 300.

<sup>33</sup> The unemployed person retains his unemployed status and benefit; he may not claim to perform his new duties on a full-time basis and consequently be actually employed.

companies with 10 or 15 employees, the job rotation scheme needs good and careful planning and co-ordination. A formal evaluation is being carried out now.

## GERMANY

The Federal Law of Aid for Employment (Arbeitsfördergesetz, AFG), through a job creation scheme (Arbeitsbeschaffungsmaßnahme, ABM), a contribution to the wage costs (Lohnkostenzuschuss, LKZ) and continuing vocational training, makes it possible to follow an active policy of fighting against unemployment. In actual fact, insertion in the "first" labour market remains difficult for the long-term unemployed and the unskilled.

### The job creation scheme ABM

The Federal Agency for Employment offers through these measures an alternative solution to the unemployed. Giving them a vocational experience in the second labour market and a further training, it facilitates their integration into the first labour market.

Measures are designed to combat unemployment of the under 25's and the over 45's, unskilled women, the long-term unemployed, but also to give a first professional experience to young graduates. The activities subsidized under the ABM scheme involve work of value to the collectivity.

Public institutions or those of public usefulness submit the request for financing to the district agency. It grants financing from 50 to 90%, even 100% of the total wage. The Land Council supplements the subsidy up to a rate of 100% when the employer does not have his own funds. In addition, it provides 50% of residual personnel expenses, equipment and rental expenditure. The Land Council can also supplement this subsidy.

The worker benefits from an ordinary employment contract<sup>34</sup> and perceives genuine remuneration. The profits generated by these activities have to contribute to the coverage of operating costs, after which any remaining profits have to be paid to the employment agency or to the service company responsible for the management of the project.

### The contribution to wages (LKZ)

Article 249h of the Federal Law on Aid for Employment, entered into force on 1/1/93 and is widely used. It envisages a contribution to wages under the measures for environmental protection and for the maintenance of the heritage<sup>35</sup>, on the territory of the ex-GDR. Article 242s of the AFG law entered into force on 1/8/94 extends this contribution to wages to the old FRG. The advantage of these provisions in relation to the ABM scheme is that it is possible to make a profit without having to transfer it. These measures are focused on independent project sponsors and private companies employing unemployed people<sup>36</sup>.

The annual budget granted by the employment agency can amount respectively to DM 32.000 and to DM 26.952 per worker under articles 249h and 242s. This subsidy cannot exceed 90% of total wages<sup>37</sup>. The Land Council supplements this wage contribution up to DM 18.000 a year per worker<sup>38</sup>. Moreover, the same annual subsidy per worker is granted by the Land Council for residual personnel expenses, equipment and rental expenditure within private organizations, provided that 50% at least of the participants belong to the one of the target groups of employment

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<sup>34</sup> With the single exception, however, that notice of resignation is not required from workers under ABM so as to facilitate their reintegration in the first labour market.

<sup>35</sup> The fields of youth and of social affairs are also concerned.

<sup>36</sup> Those have to answer the following criteria: recipients of the unemployment allocation or of a minimum income declared for at least 3 months in the agency for employment, workers having benefited from an ABM provision, part-time workers whose duration of activity during the last three weeks did not exceed 10% of regulatory working time.

<sup>37</sup> In practice, it does not exceed 25% of the gross salary.

<sup>38</sup> The Land makes it a condition that the unemployed belong to the following target groups: unemployed more than 45 years old, young unemployed people of less than 25 years old, single parents in unemployment, unemployed foreigners declared at the Agency for Employment, long-term unemployed, handicapped unemployed and under certain conditions those benefiting from ABM.

policy. Just as under the ABM scheme, the worker receives true remuneration and benefits from an ordinary employment contract, except for the provisions on resignation notice.

In addition, the social benefit law created an instrument to provide wage subsidies for enterprises employing people who would otherwise be dependent on social benefits. Similarly, the Federal Employment Agency is planning to introduce wage subsidies for enterprises employing long-term unemployed persons.

In Berlin a special funding instrument, the Ökologisches Sanierungsprogramm (ÖSP) was developed to meet both labour market and environmental objectives in the former East Germany. The ÖSP provides funds for environmental investments within employment projects running under the federal and regional subsidy system. Funds for investments serve to improve the quality of the activities in terms of vocational training and environmental results. From 1991 to 1995 about 220 ÖSP projects were realised providing temporary jobs for about 4 000 people.

## **GREECE**

At national level, there are both "passive" and "active" employment policies. Passive measures are considered as socially needed, but they do not provide incentives for job creation, nor do they create mechanisms to connect supply with demand in the labour market. Active policies provide financial subsidies to employers for hiring additional labour and for job creating investments. Active policies also organise training courses for the unskilled.

However, the national policies suffer from an endogenous difficulty in approaching the local level and local economic development. They are not able to identify and promote new occupations and skills which potentially meet the gaps in the labour market. There is an absence of support structures to assist the development of new activities at local level.

## **SPAIN**

The programme for reintegrating the unemployed is designed to ensure that unemployment benefits are still paid while the unemployed person undertakes further training and participates in public works. Between 1992 and 1994, 23 279 projects involving 462 747 employees were carried out in 8 424 institutions under this scheme. In 1995, 200 000 people were projected to take part in the programme. There are various programmes at the regional level, including PIRMI (programme of basic minimum income).

## **FRANCE**

### **"Solidarity" employment contracts.**

"Solidarity" employment contracts involve government subsidies and tax relief for companies taking on the long-term unemployed. Only non-profit institutions and public authorities may benefit and the contracts may only be used to enable the employee to take on management tasks (and not to offer services). No more than twenty hours can be worked per week and the "solidarity" employment contract can last for no more than three years. In the beginning, the "solidarity" employment contract was conceived as a method of returning people to the world of work in that the employee was expected to be offered a permanent contract at the end of six months. One third of the people on the scheme find a real job and there are many examples of good practice.

Notwithstanding the deterioration in the employment market, the number of "solidarity" employment contracts has increased. The "consolidated" employment contract was devised to put the job done by the worker engaged on a "solidarity" employment contract onto a permanent basis, with mixed results.

There are currently an estimated 400 000 "solidarity" employment contracts, but the fact is "solidarity" employment contracts have been developed at the expense of real jobs in the public sector, which they have replaced. This is an unfortunate consequence since "solidarity" employment contracts are in effect make-work schemes that devalue certain new areas of employment.

### **Subsidized employment enterprises**

Subsidized employment enterprises were set up in 1986 with the aim of re-integrating the unemployed into the economy (they return to work immediately without spending time on training courses). There are now 560 enterprises operating in networks and employing about 40 000 people on a full-time basis; some of them employ between 50 and 70 wage- and salary-earners. Basically, these are associations which can only recruit staff who need to be reintegrated on a two-year basis. 70% of the system is financed by the work done (sales and contracts) and 30% by public subsidy.

There are many subsidized employment enterprises in the environment (waste management, repairs, etc.) and building industries, but not where "green" jobs have been created, such as in the recovery of areas of unspoiled nature, as the provisions do not allow for it. They employ people in difficulties and there is consequently extensive monitoring by the social services.

Temporary employment agencies ("*entreprises d'intérim d'insertion*", EII) are emerging thanks to the establishment of two bank guarantee funds (e.g. *Crédit coopératif*). There are currently 60 EII generating around 1 600 full-time jobs, while traditional temping agencies make up 330 000 full-time jobs. According to the calculations of the national committee on employment agencies, the *Comite Nationale des Entreprises d'Insertion*, there is one permanent post for every 10 to 12 full-time jobs compared with 1 permanent job per 25 to 40 full-time posts in "traditional" temping agencies.

In practice, temporary employment agencies play an important role in integrating the long-term unemployed:

- intermediary associations have people available for work but only for individuals (household tasks, painting, gardening, etc.) whereas EII deal with temporary staff for companies;
- people in EII agencies have usually suffered major social deprivation but have taken a big step towards professional integration themselves, which helps them become more independent (a requirement for temporary work);
- this sort of integration into traditional companies gives people a better chance of being taken on permanently by a company.

### **Local initiative contracts.**

In October 1995 the local initiative contract scheme was set up with the aim of offering new employment opportunities to unemployed people in problem districts. The scheme is based on the creation of local public posts in cities and was intended to play a central part in the *plan national d'integration urbaine* (national "cities back to work" plan), which was to be published by the Government at the end of 1995. Local initiative contracts should help 30 000 people in 1996, paying FRF 4200 for between 30 and 32 hours of work per week plus between 5 and 9 hours training. All unemployed people will be entitled to take advantage of local initiative contracts and, if they are receiving the occupational integration minimum income of FRF 2324, the salary will be guaranteed with the State and *départements* making up the difference.

### **Town and city jobs**

This complements the CIL approach. Participants are paid 120% of the minimum wage for local jobs: services to people, neighbourhood activities, environment; the government's aim is to create 250 000 jobs a years over a four-year period. The permanence of these jobs depends on whether or not local budgets are renewed.

## **IRELAND**

The "Community Employment Programme" addresses the long-term unemployed and was started in 1990. It made it possible to create 40 000 jobs, i.e. 3% of the national labour market. Although those often are activities of reintegration requiring a specific support to the unemployed, a third of the placements carried out under this programme were achieved in the "first labour market".

Its objective is more the fight against unemployment than the development of new services. This does not prevent the existence of successful initiatives (for example, 40 cleaning and maintenance jobs created recently by the Dublin airport).



The question of the reintegration of the unemployed and of persons in difficulty arises in narrower terms in Ireland: in certain areas and for certain activities, there are not 2 but 3 labour markets. In the first market, one finds the qualified and very qualified jobs corresponding in particular to the foreign owned, multinationals, and modern explorable products. In the second labour market, the Irish owned traditional sector employs persons with low qualifications and frequently resorts to fixed-term contracts. A last category of precarious jobs are found in subcontracting or underground economy sectors; they are often proposed to marginalized people. The move from the 3° to the 2° will be only be achieved if the person has a recognized skill, and training is therefore of particular importance for this population.

The long-term unemployed are the subject of positive discrimination: with improvements to the employment service through decentralization, targeted training, reduced fiscal burdens for the employers and stimulation of recruiting by subsidies to long-term employment (3 years).

### ITALY

Despite new regulations, it must be recognised that employment has ceased to be the top priority item in the programmes of the public authorities which are mostly concentrated on improving their budgets. As a result, the combination of social work and employment has not yet given rise to a set of coherent policies, either central or local, and only very recently has some attention been given to the organisational side of the problem.

### LUXEMBOURG

The situation in Luxembourg is unique in that each year the economy creates enough jobs to solve unemployment completely. Nevertheless, unemployment grows more than proportionally, as does the number of frontier workers (28 % of the working population).

With regards to unemployment, the Grand Duchy of Luxembourg is confronted with a double problem: the increase in the number of unemployed (more than 6000 job applicants) and the appearance of structural unemployment. Long-term unemployment becomes gradually more significant even if it remains rather low (14.5% of the unemployed have been seeking employment for more than 12 months).

Government policy tries to find solutions to stop this number increasing and, especially, to ensure that the current unemployed “do not settle” in an unstable position. The Ministry of Labour and Employment wants to exploit the new job sources in direct relation to the reintegration of the currently registered unemployed. One particular recommendation concerns the match between the profiles of the new jobs to be created and the profiles of the job applicants.

### NETHERLANDS

Top priority is being given to creating jobs for long-term unemployed, unskilled workers and the Government has implemented several other measures in addition to reductions in labour costs.

#### **The Melkert program**

In 1994 minister Melkert of Social Affairs and Employment introduced new measures to encourage the participation of the long term unemployed and provide job opportunities at the local level:

- Up to and including 1998 an additional 40 000 extra jobs will be created in the public sector. These jobs include caretaking/surveillance jobs, work in the child care sector and monitoring public spaces and monuments. These relate to regular part-time jobs with an average 32 hour working week in addition to the existing municipal and institutional personnel. These jobs are intended only for people who have been unemployed for longer than twelve months and who reside in the municipality that receives the subsidy for these jobs. In their first year in service, the employees in these new jobs will be paid at most at the level of the statutory minimum wage. However, their salaries can be increased up to a maximum of 120% of the minimum wage at a

later date. The Government intends to link this 40.000 jobs plan with the special policy for the large cities. The extra jobs will be created as a priority in those municipalities faced with an aggregation of societal problems ("Big Cities Policy").

- A total of 63 experimental projects are also being carried out which, by using the money from unemployment benefit payments, are creating a maximum of 20.000 jobs, mainly in the market sector. Dfl. 18.000 per year is available for every job created within the scope of this project. This sum corresponds more or less to the amount saved by central government when a person receiving national assistance manages to find work. Employers only become eligible for a subsidy if they take on a long-term unemployed person for at least a period of 6 months. The job in question must be a newly created permanent job averaging 32 hours a week. The pay must be at least the statutory minimum wage and 120% of the minimum wage at most. In any case, the worker must no longer need to claim supplementary benefit.

- A third measure takes into account that many people want to have work done in and around their homes, but for all sorts of reasons never actually get around to getting it done. Currently work of this kind such as painting, house cleaning and gardening, is done for cash, that is to say undeclared. The Government sees this area as a promising one for new employment. However the cost of having things done in and around the house will have to be competitive with having them done for cash in the so-called black market. Experiments will show how this market can be developed. Again, the public assistance benefits will be used as contribution to the costs in order to ensure that "official jobs" will re-appear.

#### **Legal and institutional changes**

Apart from the above mentioned measures there are some relevant legal and institutional changes. The various measures related to subsidised labour (including the Guaranteed Youth Employment Scheme, Framework Regulation on Integration into Working Life/Work Experience Projects and Job Pools) will be streamlined in a new Act (Wet Inschakeling Werkzoekenden). This Act is currently in discussion in Parliament. This Act will give municipalities more freedom to create possibilities for the unemployed who have become alienated from the labour market. For the handicapped there is a new Act being developed which aims at bringing together all the regulations concerning the integration of handicapped people into the labour market.

Institutional change is needed to achieve a case-orientated co-operation between institutions who play a role in the reintegration of unemployed persons into the labour market. The main target is to ensure a more effective and efficient reintegration. The point of departure is the "single desk" concept: unemployed persons have to deal with one desk only for their benefits and for the provision of employment. The job centre and the council authorities work very closely together and jointly keep one file for each of their clients. When an unemployed person comes in to have his or her benefit reassessed, that person can be questioned about his or her efforts to find work. Moreover, records are made as to which service supervises the client over which period.

## **AUSTRIA**

Among the innovative measures of active labour market policy developed by the Federal Ministry of Labour and Social Affairs (up to 1994) and the Public Employment Service (responsible for the market service together with non-profit-organisations) the following should be mentioned:

- The socio-economic employment projects and qualification measures. The main objective for subsidising socio-economic employment projects is to provide jobs and qualification for the ageing long-term unemployed in order to prepare them for later integration into the first labour market. Such projects are usually initiated in areas where there is no market and which are therefore not attractive to private enterprises (e.g. environment, culture, social services). These projects and jobs are in general co-financed by the state (Labour Promotion Funds), the regional government and the enterprise's own resources. The contracts of employment are generally limited to one year. Vocational training is provided for the socially disadvantaged unemployed, either by non-profit organisations and enterprises or by institutions for vocational training. In this context the costs of

material and personnel are covered. An evaluation in 1990 clearly showed that these instruments resulted in positive effects with regard to integration, employment and income.

- Action 8000. More than 10 years ago (in 1984) the Federal Ministry of Labour and Social Affairs launched the programme named "Action 8000" in order to reintegrate the long-term unemployed (individuals under 25 and over 45 years, unemployed for more than 6 months and individuals between 25 and 45 years unemployed for more than a year) and other disadvantaged groups.

The programme provides a limited period grant (1-2 years) amounting to approximately two thirds of the wages fixed by collective agreement. It is directed towards regional authorities and municipalities as well as non-profit-making organisations, under the condition that they do not reduce personnel in the same field within the following 4 months. Grants may be given in the following areas: social services, environmental protection and restoration, recycling and waste management, city and village renovation, culture and eco-tourism. Government authorities, public institutions, political parties and enterprises are excluded from the programme.

Two studies concluded in 1995 evaluated the ratio of reintegration, the occupational careers and the income development of some 9000 participants between 1988 and 1990. They showed highly positive results (e.g. a reintegration rate of about 50%). Further development by combining employment with supplementary training was suggested and is under way.

- The enterprise co-operative foundation and the employment foundations. Another instrument of active labour policy that celebrated its 10<sup>th</sup> anniversary recently is the promotion of foundations of co-operative enterprises following models from abroad (for example Bremen, Germany). However, in terms of quantity this instrument was not very successful, since in the period 1981 to 1991 only 29 such enterprises were founded. After counselling by the ÖSB, a limited period grant is provided covering the costs of materials and personnel for the starting phase including supplementary allowances for training measures and additional coaching.

## **PORTUGAL**

The aim of the "Action" programme is to involve young people aged between 18 and 30 in useful activities and to combat the social exclusion of young unemployed people. It funds organizations which accept these young people for four months, give them monthly allowances and encourage them to get involved in socially useful activities (helping elderly people or children, cultural activities, protecting the heritage). In 1995, 8 000 young people benefited from this programme.

## **FINLAND**

The phenomenon of long-term unemployment is, by definition, recent in Finland and does not coincide inevitably with very low qualifications. Active employment policies have been developed (+5% of unemployed concerned in 96) but the risks are high of simply "rotating" the unemployed, if new jobs are not created. At the moment, the "back to work" programmes have a success rate of 20-30%. Measures are envisaged by the government to step up the efforts already made to reduce the tax burden on human resources.

## **SWEDEN**

In the past year, it has been increasingly women with the reductions of personnel in the public and social services, and young people (16% of the unemployed) who have been most affected. Employment policy, which is a national competence has been the object of several reforms to make it more efficient:

- a local management of labour markets (the local agencies and the 24 regional councils are relatively autonomous in their use of a complete and varied range of programmes for returning the jobless to work):

- a generalization of active expenditure on unemployment (70% of expenditure is devoted to training and/or back to work programmes). Municipalities have the responsibility for finding jobs for the unemployed under 21 years of age, which compels them to play an active part in the training of young and un-qualified workers and to identify new opportunities within the local area. Under the heading of the ALU programme, almost 50,000 long-term unemployed people (more than 6 months) are currently occupied in local, temporary, public jobs (a "social treatment" of unemployment) for a duration of six months. They receive a sum equivalent to their unemployment benefits in return for fulfilling tasks of general public interest<sup>39</sup>, which would not otherwise be done.

Aid is concentrated on the unemployed themselves and not those who organise the ALU (the municipalities) or those who hire the unemployed (companies or cooperatives), in order to discourage the development of low productivity services.

### **UNITED KINGDOM**

While "trickle-down" approaches are widely rejected outside government or the civil service, the Ministerial philosophy is essentially one which favours labour market flexibilization and the enterprise (private) economy. Increasing pressure on benefit levels and rules supports the proposition that general labour market wage levels should be free to be flexible downwards as the previously unemployed benefit seekers become an effective force on the supply side of the low wage labour market.

The newly introduced Job Seekers Allowance is dedicated to this proposition, forcing beneficiaries to engage in a "contract" actively to seek work in exchange for receiving benefit. This essentially macro-economic supply-side measure makes no allowance for local and regional differentials in the effective demand pressure for labour. The focus is "individualist", forcing each individual claimant to seek his or her salvation in competing for a waged job in the mainstream labour market. The only incentive with wide applicability is the threat of benefit withdrawal. The onus is placed upon the worker to find a job. Measures to stimulate the creation of job slots for these workers to occupy are seen as a matter exclusively for market forces.

Trades Unions and Local Authorities are generally suspicious of "active employment" measures. For the unions there is the concern that the 17 employment fields may represent an attack on the wages and jobs of their members in the public service unions. Concern is also expressed that, in the wrong hands, LDEI can easily be converted to "Workfare" with a desire to make the unemployed qualify for benefits by working without wages in the public or social services. A national government pilot initiative in this area has recently been extended.

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The danger of a direct competition with low-skilled public sector jobs is not excluded.

### 3. New financial instruments

#### **BELGIUM**

##### **Results of the LEA voucher**

In Belgium, the main financial instrument being tried out is the LEA voucher, created in 1994. So far, by at the end of 1996, 9.4 million vouchers have been purchased by 71 000 users and the 550 local employment agencies made it possible to find work for 25 000 job-seekers. The aim is to make every commune create LEAs and thus develop the use of this voucher on their territory. Ninety percent of communes have already decided in principle to set up an agency of this kind, but not all are up and running.

The multiannual employment plan also proposes granting the dependent elderly an increased allowance, in the form of a voucher for specific services, to pay for outside help so they have access to home care.

Provided that LEA vouchers are intended to provide the unemployed with an activity rather than a job, they are financed at Federal level. In Belgium, the creation of this type of job seems highly dependent on public financing, which can reach 90%. Attitudes do not yet seem to be ready to accept the development of these services along less interventionist lines.

##### **Obstacles encountered**

The obstacles encountered in experimenting with these instruments involve:

- the image of this new type of service (odd-job image),
- acceptance of pre-allocated money,
- rejection of compulsory distribution of service vouchers,
- reservations regarding the status of those providing services ("new servants").

Moreover, the cost to public funds and the social security system is high; the public-sector or subsidized institutions active in the same fields fear competition. In recent years these measures have not been seen in relation to new requirements but solely as a means of occupying unemployed people; they have had the effect of de-skilling this sector of activity.

##### **The Maribel social scheme**

This new measure involves the non-market health and social sector (hospitals, convalescent homes, home nursing, homehelps, carers for the elderly, sheltered workshops, social centres, childcare, youth workers, integration of persons with disabilities, etc.). The aim is to create additional jobs that meet new needs in existing institutions (both private and public).

The non-market sector already benefits from the reduction of social security contributions on low wages, a measure that totals around BEF 1.7 billion a year. After dialogue with the regions, communities and representatives of the non-market sector, a budget of BEF 3.3. million was allocated to the Maribel social scheme for 1997. A flat-rate reduction in social security contributions of BEF 3 250 per quarter will be granted for each worker employed part-time (for manual work).

The aim is to create at least 4 500 new jobs. The Maribel social scheme is linked to a commitment by the two sides of industry and the ministers overseeing the project to translate this benefit into new jobs. The various joint committees concerned in the scheme have concluded collective labour agreements due to enter into force in April 1997. The two sides of industry determine functions, commitments, etc.

#### **DENMARK**

##### **Training vouchers:**

Long term unemployed are entitled to receive training vouchers; they can choose a private or public educational centre. The voucher scheme is financed by public administration and employers.

## GERMANY

*Relevant information not available*

## GREECE

The major obstacle to providing stable infrastructure mechanisms supporting economic and social policies is the operating costs. Therefore, it is necessary to explore the legal framework and the relevant regulations which could safeguard the duration of local interventions while seeking improved methods for their financial support.

The scarcity of funds leads to the fragmentation of initiatives from a great number of organisations making efforts to "exploit the niches", without any liaison between them.

## SPAIN

In Spain, there have been no local experiments to meet demand by using service vouchers or mobilizing local savings. Direct subsidies to services are often preferred.

### **INSERSO Holidays-vouchers**

However, there has been a national policy on tourism targeted at senior citizens since 1985: holiday vouchers for senior citizens cover 50% of accommodation costs in order to promote off-season tourism. The impact in social, economic and job-creation terms is considerable. The number of jobs stabilized by an increase in off-season tourism is reckoned to be 21 000. The spin-offs of this type of programme seem to be limited because the "new" tourists are often elderly people who come back a second time for their holidays, rather than just coming once. The administration responsible for managing this programme has evaluated the effects on the budget: with the savings made on employment benefits and increased tax revenue, the government can recoup its initial outlay.

## FRANCE

The satisfaction of new needs has given rise to experiments with financial instruments with a view to developing a new market.

### **Service vouchers**

Launched in December 1994, the service voucher scheme is primarily aimed at eliminating administrative formalities and social security forms which households employing family workers (basically child-minders and domestic helps) have to complete. The voucher is the equivalent of an employment contract for less than eight hours work per week. There are 1.3 million voucher holders (those interested just have to ask for them at their bank), 14% of whom do not make use of them. The service voucher scheme appears to have enabled the equivalent of between 15 000 and 20 000 full-time jobs to be created and has encouraged 200 000 to become employers in relation to domestic services.

A recent bill would broaden the scope of the service voucher scheme with regard to 1996, allowing the voucher to be used for more than eight hours work per week and also covering services supplied by private companies. Companies and works councils could be authorized to issue vouchers to their employees, assisting with the financing and thereby allowing more households to make use of this type of employment. This voucher would be called "titre emploi-service".

This scheme has inspired the *chèque emploi-premier-salarié* ("first employee") voucher scheme as put forward in the section on crafts of the plan to assist SMEs. Since 400 000 craft enterprises have no employees, the Government asked the Employment Minister to draw up a blueprint for the service voucher scheme in 1996 with the main aim of simplifying administrative formalities.

## **IRELAND**

There is no service voucher scheme or other type of system of public subsidies to increase the demand for services by households. However, ADM (Area Development Management Limited), a public organization created at the end of 1992 in order to manage and finance the economic and social local development policy, took considerable interest in the various programmes adopted in France and in Belgium. A provisional report studies the conditions in which these experiments could usefully be transferred to Ireland, as some kind of "social management of unemployment" (following the model of the Belgian local employment agencies).

Among the obstacles met by the LDEIs, access to capital is particularly difficult to overcome. The credit unions give little help to very small enterprises. Local funds for the creation of companies have been developed on the initiative of the private sector, but most of them are not suitable for services activities to be developed by the unemployed, because the minimum amount of the grants is too high (over £ 20.000).

## **ITALY**

No experience with vouchers is known, although the mix of public and private financing is certainly present. Little research has been undertaken on how benefits and costs are distributed, or on the impact of the "windfall" effect.

## **LUXEMBOURG**

### Childcare

The Interministerial Working Group proposes that people who have followed the educational auxiliaries' training could benefit from the following incentives:

- The social security contributions of persons looking after children at home could be covered, at least partly, by the state budget.
- An all-in deduction should be provided for in the case of people caring for teaching children at home.

This all-in deduction would be about 30% of expenses accepted in respect of gross annual income.

The Working Group also proposes flexibilisation of the current system and support to private initiatives, such as day-time kindergardens set up by companies.

### Dependency insurance

The Interministerial Working Group notes that services for caring for the elderly at home, as well as handicapped people, are required high investment in manpower which, consequently, generates a cost that the majority of people cannot afford or which dissuades them.

To stimulate these potential employers, it would seem to be necessary to offer subsidies to encourage consumption of such services.

The Interministerial Working Group felt that the introduction of a dependency insurance is the best means to develop quickly and effectively the personal service sectors for elderly and handicapped people.

### Tax deductions for personal services job expenditure

In the Grand Duchy of Luxembourg, under the current tax system, certain personal services job expenditure can already constitute extraordinary charges and be deductible: for example domestic expenses (occupation of personnel working in the taxpayer's home), the care of handicapped people, sick people and elderly people (if these people are direct employers), childcare expense (for children under 13 years old).

To enhance the development of the personal services jobs, this deduction could be extended to the domestic expenses for people employed outside of the taxpayer's premises (e.g. gardener, caretaker, driver, forest-warden).

## NETHERLANDS

New financial instruments have been introduced in child day-care. Children's day-care is jointly financed by parents, government and employers (the latter buying places for their employees in local day-care centres). Since 1996 a fiscal arrangement has been implemented to encourage employers to do this. They can subtract a part of the costs of child day care from employers' contributions.

To stimulate new investments in buildings, a guarantee-fund for children's day-care has been created. This fund guarantees new investments by day-care centres. Within the framework of the policy memorandum on preventing and combating hidden poverty and social exclusion (1995), in order to stimulate the return to the labour market of single parents who receive benefit, a new subsidy scheme has been introduced to reimburse to local government the costs of the provision of child care (especially extra curricular child care) for this group.

## AUSTRIA

In Austria, Section 18, sub-sections 5 to 7 of the Unemployment Insurance Act (amended in 1988) provide the legal basis for the unemployed to receive unemployment benefit for a maximum duration of 4 years (as opposed to the regular maximum period of 1 year) within the framework of a labour foundation.

By amendment of Section 34A of the Labour Market Service Act at the end of 1996, further provision was made to make use of the funds dedicated for "passive" labour market policy (e.g. unemployment benefit and subsistence allowance) for proactive measures. According to this programme focusing on the prevention of long-term unemployment, wage subsidies up to the amount of the individual subsistence allowance are granted to the employer for a maximum period of one year.

## PORTUGAL

In Portugal, there is nothing comparable to a service voucher scheme or similar to local saving funds.

## FINLAND

The national or local public authorities promote a number of experimental schemes.

**For childcare, service vouchers** were launched at the beginning of '95 in an experimental form in 33 municipalities. They allow the parents who so wish, to entrust their children to private childcare, instead of resorting to the public services. Approximately 17% of demand has moved from the public sector towards the private sector and parents who were already using a private carer have benefited from a price reduction. Provisional evaluations demonstrate that the supply of private childcare has increased by 20% approximately, as have new jobs.

**For care of dependent people** (old or handicapped persons), 20 municipalities also adopted service voucher schemes, giving the carers the possibility of finding temporary replacements.

For domestic work, the Ministry of Labour introduced a pilot scheme in '95 to fight against undeclared work in this sector, by giving a **tax exemption** and subsidies to employer households. The success of this measure (recruitment of from 2 to 3 000 unemployed people) urged the government to extend it to the whole of Finland in '96.

## SWEDEN

Contractualisation of local public services exists but remains underdeveloped. Experiments were launched between municipalities and private nursery schools for children, but they aimed essentially to reduce public expenditure and to offer services to parents, not to create jobs.



Discussion of the possible introduction of a service voucher to encourage the consumption of household services has just started. Such provisions do imply a theoretical incompatibility between, on the one hand the ethics of a social service available to all, and on the other, free competition in a private market sector.

#### **UNITED KINGDOM**

The UK will introduce nursery vouchers country wide in April 1997 - a guaranteed place for all 4 years olds based on a voucher given "free" to all parents with 4 year old children. This is not seen as an LDEI: the links have not been made, except at the level of users ie. increasing participation of women in the labour market and their access to jobs stimulating local labour market flexibility. So stretched are public resources in the UK that attitudes to new destabilising actions like voucher schemes are defensive.

#### **4. Training and the qualification for new skills**

##### **BELGIUM**

In Belgium, since the activities connected with the LEAs are not considered to be really new, they do not lead to new qualifications.

However, other examples were given of training for the long-term unemployed or young people without qualifications:

- In Limburg, training for childminders and day-care centre personnel is planned and organized by the University of Gent or the child welfare office in Flanders; this can take the form of several days' training a month.
- In the case of waste management, training is organized at regional level, in Flanders, for the long-term unemployed.
- Two-year contracts are signed by companies which promise to train young people with no qualifications. At the end of these two years the young person is often given a job. However, the training offered is still conventional.
- In Charleroi, training courses leading to qualifications are being developed for young people in cooperation with the local Missions.

The Fondation Roi Baudouin is attempting to devise educational projects in collaboration with Brussels training colleges. So far the proposals have been very modest.

The new training courses are still scarce, since the colleges only evolve very slowly. These are for the most part private institutes which provide courses only if there is a demand for them.

Finally, the system of training linked with work experience is currently being reformed (draft bill on on-the-job training and work experience contracts).

##### **DENMARK**

Danish training systems are rather flexible. The different programmes try to get unemployed persons back to work and to integrate young people leaving school into the labour market.

Unemployed people can choose different options among a series of instruments: information and guidance, individual action plans (particularly for new jobs), job training, special job training, straightforward training, job rotation schemes, enterprise training; all of them alone or in combination.

The Public Employment Service finances the training programmes for the unemployed. Most of the training programmes take place at the adult vocational training centres, which provide training to both unemployed and employed. Formerly the adult vocational training centres had the monopoly on adult vocational training but, since 1994, private training and educational companies and enterprises also provide these work integration measures.

In the past five years the number of training institutions has doubled, but the private training institutions are very expensive, although they can provide subsidised training, and they are not yet very competitive.

Training programmes are subsidised by the administrations and trade unions and also receive enterprise allowances. Public labour market authorities carefully identify the training needs as well as the institutions able to offer the programmes. They take into account the need for training at different levels for technical, managerial and organisational skills.

##### **GERMANY**

The main instruments of preventive labour market policy are vocational training (within existing employment) and retraining (for acquiring new skills). Training measures are financed from Federal, regional and EU-resources ESF).

Within the LDEI framework 20% of the workers' time is devoted to training: special ABM measures allow a 50% mix of work and training (ABM und Lernen). For young unemployed persons special training is provided for a period of one year.

## **GREECE**

Training programmes have been developed, to match the skills required for LDEIs in order to assist the unemployed in acquiring a proper vocational orientation. These programmes are complementary and parallel to the already existing certified vocational training systems and programmes. The quality of the vocational training and education which is offered by the formal educational system seems to be widely acknowledged by both the public and the private sectors. The training offered by most of the local non-formal educational organisations, is presently going through a certification procedure.

## **SPAIN**

Since the 1980s, young people have been remaining in the education system longer, where they acquire a certain discipline and a good general education. However, the high rate of youth unemployment illustrates the current imbalance between initial training and the needs of the labour market. Reforms are under way: the national programme for vocational training has led to 140 certificates of qualification being approved.

To help develop new sources of employment, the growth and viability of businesses should be encouraged. This is why training in the administration of businesses, socio-economic organizations and associations is one of the objectives of Spanish training policies. The development of this training is somewhat slow as there are psychological barriers to be overcome: if business people have deficiencies in their management skills, they are unlikely to recognize their own need for training.

### **School-workshops and linked work and training centres**

In 1985, the school-workshops and linked work and training centres programme came into being to combat the high levels of youth unemployment and restore and develop part of the country's historical, artistic, cultural and environmental heritage.

They have a dual objective: to help young unemployed people obtain a qualification and to give them productive work. The students, unemployed people under 25 years of age, increase their employability by acquiring an appropriate professional and business education as well as professional experience, either as paid employees or on a self-employed basis. Furthermore, this programme has provided work for more than 25 000 training professionals and technicians.

The programme is implemented jointly by the national employment agency, INEM (*Instituto Nacional del Empleo*), and the local authorities. INEM is responsible for scheduling, coordinating, monitoring and following up the results. It plays an important role in financing these schools. The local authorities are responsible for employment qualifications, the integration of young people into the labour market and part-financing of the administrative costs.

The projects developed and the results obtained since 1994 guarantee the continuation of this programme as an employment policy adapted to local needs. Investment in it has exceeded 300 billion pesetas. 3182 school-workshops and linked work and training centres have been created mainly in rural areas and in small towns. The rate of integration of the students into the labour market was 60% in 1994.

## FRANCE

Apart from a few exceptions, such as CAFAD, a vocational qualification for home helps, and the CAP vocational training certificate in the waste sector,<sup>40</sup> there are very few new qualifications in France. However, it is possible to adjust and adapt certain activities already in existence thanks to new training programmes. In any case, new systems have to be developed.

### Forward looking study contracts

Study contracts have been concluded between the Minister of Employment and the social partners in given sectors to identify career structures and to determine the five-year outlook for the supply and demand of qualifications.

These contracts could lead to the creation of new qualifications. This has already happened in the cases of computer-related occupations, hotel management, caretakers, youth workers and the performing arts. Studies have recently been commenced in several fields: domestic services, social and cultural activities and low-cost tourism. Studies are also planned for occupations in sport, the multimedia and audiovisual fields, training local shopkeepers and tourist information office staff.

## IRELAND

In the past few years, considerable efforts were made as regards training, in particular thanks to the European structural funds. There is increasing demand for continuing training courses.

The HORIZON programme made it possible to train "social entrepreneurs" and urban local co-ordinators (inner cities practitioners).

Currently, the problem is less one of the quality of the supply than the low level of interest expressed by the SME's in these new competences and their reluctance to make training investments. In certain sectors, such as tourism, the main obstacle lies in the late adaptation of the professional organizations to the need to accredit new diplomas and in recognizing the importance of certain qualifications. The childcare service companies intend to organize the structure of the sector during the Autumn of '96 (working conditions, statutes, etc.) but for the moment, nothing is envisaged regarding the necessary qualifications. A White Paper on training is due out in Autumn 96 which should address some of these issues.

## ITALY

*No relevant information available.*

## LUXEMBOURG

Obviously, confidence is a determining factor for childcare at home, and it is therefore important to provide training for educational assistants. This training would not be obligatory, but it would be sanctioned by a certificate intended to reassure parents who make the choice to entrust their children to people who they do not know.

Training could be organised by the department of vocational training of the Ministry of Education and Vocational Training, in collaboration with the Family Ministry and, where appropriate, with

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<sup>40</sup> The job of "upgrader" ("valoriste") was invented by insertion enterprise, TRIALP, in collaboration with its local partners. It corresponds to a Category V qualification (low-skilled). Training lasts for 14 months and consists of 4 months work experience in the company and 10 months formal training. This example shows that although only a low level of qualification is required, a professionalising procedure can be developed. For people in the greatest difficulty, a general training programme ("Eco-cantonnier") has been created by ADEME, CGEA, CIBA Foundation, the "Conseil général" and the region of Ile-de-France. Negotiations are in progress with the landscape gardening employers union with the view of giving the people who have been trained the opportunity to be hired by the trade.

other relevant training bodies in these fields (I.E.E.S - Educational and Social Study Institute, Entente des foyers de jours, etc).

## **NETHERLANDS**

The 18 Regional Offices of the Employment Services, in partnership with local government and trade unions, offer personalised training programmes to provide the skills required by the new jobs: care services, children`s care, security and environment, to people involved in the Melkert Plan. The personal training path is designed according to the qualifications required by the job and the personal and social competences of the trainees.

For people with difficulties in being integrated into the formal labour market, special programmes for teaching social skills are also provided.

In the health-care sector, following a joint initiative of the government, employers and employees in this sector, a support organisation (TOPAZ) has been established to stimulate the introduction of intercultural management, as a means of re-integrating more ethnic groups in the health-care sector.

## **AUSTRIA**

Upgrading and training have been the main objectives of active labour market policy since the creation of the Labour Promotion Act of 1969. As a result, a number of adult learning institutions have not only developed new approaches to adult education in accordance with the needs of the unemployed and to comply with requests from the PES (e.g. modular, individualised training programmes), but they have also specialised in new technologies in recent years. Two thirds of the annual budget for the activation of the labour market are regularly spent on qualification measures, termed "Arbeitsmarktausbildung" (labour market training). Today this ratio also includes training measures for employed individuals under the Objective 4 Programme of the ESF. From the very beginning occupational qualification was seen as the response to regional and local training needs of enterprises and currently it is especially adapted to Objective 2 and 5b programmes.

Within the context of LDEIs, the prospective self-employed often lack a managerial background and other related skills. For this reason, the ÖSB and other agencies (on behalf of the Labour Market Service) engage in counselling in order to adapt the contents of courses offered for business starters.

## **PORTUGAL**

Training courses are held in 26 employment centres throughout Portugal, at the request of employers, unions and local development groups.

In general, the problems are the lack of qualifications of staff involved in these new enterprises, and the lack of coordination and information available to entrepreneurs on existing diploma courses.

However, for projects funded by the LEADER programme, a study of the qualifications required is carried out in advance. If the training needed is available from a training institute, the project promoter can benefit from it. If not, a training course is organized in cooperation with professional bodies. This was what happened in the case of training in organic farming and local gastronomy. Technical specialists or locals with specialist knowledge were called in. It is a kind of tailored training course.

## **FINLAND**

Training relating to personal services (for children, the disabled and the elderly people) already exists and the candidates for these jobs in private enterprises which are being set up often worked in the public sector before. Quality controls are carried out at municipal level.

## **SWEDEN**

Training is an essential part of an active employment policy. The goal identified by the government is to reduce the unemployment rate by half (from 8 to 4%) through incentive measures for vocational re-training.

Locally, there is a genuine market for training which makes it possible to find individual solutions for the unemployed on the basis of need. The results of the training programmes are in general satisfactory and allow more than half of the trainees to find employment. This solution is however expensive. Training in the new information technology (telework, in particular) forms part of the programmes intended for the unemployed, particularly young people. The training institutions on the one part, and the state through subsidies on the other, try to encourage internal flexibility in companies and employee re-training whilst still in employment.

The refugee population (6%) which has grown rapidly over the last 10 years poses specific problems. For them, opportunities for employment do not necessarily follow the same path and requirements with regard to training. They should rather be encouraged to create their own employment or to occupy low-skilled jobs where demand is increasing (e.g. domestic services).

## **UNITED KINGDOM**

The national network of Training and Enterprise Councils was created with a specific remit to help tailor training provision to local needs and to regenerate local economies. TECs function as private sector partners with central and local government for the full range of regeneration and economic development activities. They offer the basis for some discretion / autonomy in the use of central government funds and can play an important enabling role in local development and creation of new jobs, including in the 17 domains.

## 5. The development of SMEs

### 5.1 The transformation of legal structures

#### **BELGIUM**

##### **Employment insertion enterprises**

These companies provide a good illustration of the transformation of business structures. The Royal Decree of 30 March 1995 provides for a degressive exemption from employers' contributions over four years when a recognized "*entreprise d'insertion*" takes on job-seekers for whom it is particularly difficult to find work. These tend to be poorly-qualified workers, and job-seekers who do not receive full unemployment benefit.

##### **Companies with a social aim (*sociétés à finalité sociale*)**

Sociétés à finalité sociale (SFS) are a new form of company created under an Act passed by the Federal Parliament in April 1995. The articles of association of this new type of business structure stipulate that members' profits must be nil or very low (7%); any worker who has been working for the company for at least a year may become a member; the social role must be set out in the articles of association; an annual report must be approved by the general meeting. Specific procedures exist for converting a non-profit organization into an SFS.

A legal structure of this type, applicable from July 1996, opens up a vast scope for creativity. It offers a solution to the ongoing problem of access to capital faced by the cooperative, mutual and non-profit sector, as well as to the problems of financial management and of access to export facilities, public procurement contracts and the economic expansion legislation.

##### **Improved access to public procurement for the social economy sector**

Finally, the multiannual employment plan aims to ensure that the cooperative, mutual and non-profit sector has better access to public procurement contracts. However, this can only be done within the framework of the Community's competition rules.

#### **DENMARK**

##### **Social economy:**

At present, an important debate is taking place inside the Danish society, considering on the need for a privatisation of the public social services. The two options - the development of a new private sector or the development of a non-profit sector - are open, but it is likely that the private sector will benefit from the withdrawal of the public administration.

##### **Rehabilitation companies:**

There are not many examples of social economy enterprises: co-operatives and inclusion enterprises. Denmark has emphasised the innovative processes for the integration of particular groups with difficulties into the labour market. This has been achieved through job creation within the social sector and the rehabilitation companies. These companies are workshops in which some forms of production, delivery services, recycling, etc. are developed. These projects are financed by the public sector and carried out in co-operation with trade and industry.

#### **GERMANY**

In certain Länder, regional programmes (in particular centred on jobs in the environment) supplement the national schemes; they led to the emergence of new legal structures:

- The Arbeitsförderbetriebe : To implement local employment initiatives on the one hand and allow the creation of new services and local companies on the other hand, new organisational structures have emerged. The employment promotion companies, the Arbeitsförder- or Sozialbetriebe, employ and train unemployed persons belonging to special target groups (such as long term unemployed, women, young people aged under 25) and undertake socially useful activities in

selected fields, for example environmental services. The employment promotion companies operate according to normal business criteria. As in any ordinary firm, company employees are assessed on the basis of their own performance and are expected to help generate income. This approach is aimed at improving the chances for the integration of long-term employed persons into the first labour market and to support development of new and commercially viable activities.

- The service companies under public contract : private companies operating at sectoral or geographical level, they provide and support for companies and manage the job promotion projects on behalf of the regional public authorities.

## GREECE

Despite the fact that all active parties co-operate under a different legal statuses, no discussion has yet taken place regarding legislation for new structures in order to provide new legal framework for the development of local employment initiatives. Nevertheless, there are a variety of legal forms under which a partnership of local institutions can operate, with a view to creating new jobs or providing socially useful activities. The most effective types of collaboration in line with this approach adapted to the Greek legal system are:

The public company (Anonymos Eteria)

The limited liability company (Eteria Periorismenis Efthynis)

The joint venture (Kinopraxia)

The non-profit-making organization (Astiki Mi Kerdoskopiki Eteria).

## SPAIN

Local services (home or personal services) are considered to be relatively unspecialised and not very profitable markets which tend not to attract private entrepreneurs. Associations are being developed increasingly, with the result that jobs are being created. Their staff may be either voluntary or paid. Attempts to implement a new framework for financing public associations are currently being made.

## FRANCE

### **Employment insertion enterprises**

There is both a social and an economic logic to employment insertion enterprises. In terms of their legal status they are extremely close to the conventional model of a company. They can be private or public limited companies but the majority are non-profit-making institutions.

In order to set up genuine integration ladders and make their economic and social weight felt to a greater degree, the Government is continuing to encourage these "enterprises" to change status and become private limited companies.

Examples of cooperation between major concerns and subsidized employment enterprises are becoming ever more numerous, taking the form, for instance, of loans of manpower. A new type of enterprise is being born, with the growth of companies whose main source of activity is public procurement contracts.

### **Intermediary associations**

Intermediary associations are motivated by the same desire to reintegrate unemployed people into the world of work. They either provide services or simply act as agents, interfacing between supply and demand for services. Financed by public subsidy, they have proved very effective at getting the unemployed back to work in neighbourhood services. However, their main focus is on people with a low level of qualification and they are often brought in to do work conventional companies refuse to do. The State aid they receive takes the form of exemption from social security contributions, up to a limit of 750 hours per year and per employee.



## IRELAND

The social economy offers a still poorly exploited potential for meeting changing and growing social needs. The workers' cooperatives financed by the national training fund (FÁS) did not enable many jobs to be created. Nevertheless, the social partners and the representative of the travelling community and the unemployed propose the launching of experiments similar to the Community enterprise in Scotland or to the new Swedish or Italian cooperatives. Legal, administrative and financial reforms are being studied.

It seems that there is significant potential for testing out support strategies for social economy enterprises within local area-based development initiatives if the necessary resources are brought to bear. It will require detailed planning to avoid deadweight and displacement effects. The issue of whether such developments should be primarily concerned with providing services or primarily concerned with creating work for marginalised workers remains to be resolved.

## ITALY

Legislation on voluntary associations is being discussed with a view to providing them with enterprise-type statutes, while the cooperative sector is seen as a means of filling the gap left between a growing demand for social care services and the increasingly serious problem of social welfare, resulting from the fiscal crisis of the state.

The “third sector” is expanding rapidly and is undergoing a phase of redefinition which also has legislative implications:

- According to the provisions relating to ONLUS (non-profit-making social utility organisations) (article 68 of the Bill 1997) the Government is authorised to adopt one or several regulations to re-adapt the fiscal legislation in order to increase homogeneity and coordination. The following organisations are listed as ONLUS: foundations, associations, cooperatives and any other private entities whose aims are to enhance solidarity and provide socially useful activities. These entities will benefit from a number of tax advantages.
- The framework law on voluntary organisations (n.266 of 1991), of which the most innovative part concerns tax advantages and economic resources. Accepted sources of finance include fees paid by members, private entities or international organisations, payments in addition to reimbursements provided for by conventions and other agreements, and also subsidies from the Government or public sector companies as well as donations and testaments.
- The social cooperatives law (n.391 of 1991) which is legislation intended to support a mix of voluntary and cooperative experiments. The aim of the social cooperatives is “the general interest of the community for the promotion of humanity and the social integration of citizens”. This objective is achieved through the management of social, health and educational services, through diverse farming, trading, industrial activities, or services aimed at integrating disadvantaged people through work.

## LUXEMBOURG

The Interministerial working group proposes the setting up of intermediate organisations to facilitate the development of local services jobs.

Such a structure should:

- preferably be non profit making: it can act either as a genuine intermediate structure which itself employs the persons concerned in order to make them available to employers, or as structure which restricts itself to recording job supply and demand and organising their alignment. Naturally hybrid formulas can also be foreseen.
- be locally established, if possible. Indeed, job resources at local and regional level, require local management (childcare, supervision of young people, care of dependants, work connected with the environment and tourism etc. In this context, the municipal authorities have a vital role to play.

This structure would have a double mission:

- to create, organise and monitor the administrative framework of community service work for job applicants, whether they are benefiting from the RMG (guaranteed minimum wage) or not;
- to design, implement and support projects generating local services jobs (to be implemented independently from community service work), for unemployed people compensated by the fund for employment or others by the local authorities or by private employers.

Large communes or groupings of communes should set up and support these structures which will have three principal tasks:

- To identify supply and demand, i.e. to evaluate needs and the human resources available to meet them; transform latent needs into explicit demand and to structure supply especially, by rationalising competences in this area.
- To connect people receiving and offering services, the local dimension being the ideal level for this activity in view of the fact that consumption and production necessarily occur in the same place and at the same time.
- To ensure administrative follow-up, the structural framework and the control of quality. These exercises will have to be carried out by people directly in contact with those who have dissatisfied needs and those who are ready to satisfy them.

Whatever the form given to this intermediate structure, the Interministerial Working Group stresses the importance of the participation of the local community and the assumption of responsibility by the local authorities.

## **NETHERLANDS**

The local social economy is one of the important themes for new horizontal-intersectoral approaches in the current Big Cities policy, where national and local government are working together. For instance, housing co-operatives, shops for the elderly, cleaning and local transportation associations have been created thanks to the Social Renovation Programme of the Big Cities Policy since 1995. The objective of the programme is to integrate the more socially deprived and excluded groups into multidimensional initiatives focusing on employment opportunities.

In rural areas, the creation of these social enterprises is based on municipal and personal capacities and on the presence of a facilitator or animator to develop the existing local potential.

The social economy, including social co-operatives or Community Businesses is mainly the responsibility of local authorities. These development are supported by the national government, e.g. by the experimental possibilities of the Melkert Plan and by supporting and facilitating the development of innovative methods and local experiments.

Furthermore, in two areas, new legal structures are of importance to the local initiatives:

- Quality of life: Legislation has been passed expanding the objectives of the house-building corporations to include quality of life and urban economics. Enhancement of the quality of life inside accommodation and in the area around it has been added to the existing objectives, directly concerned with the provision of accommodation. The corporations now have a duty to promote quality of life and safety in the immediate vicinity of accommodation owned by them, as well as social cohesion. They also have a responsibility to provide a wider variety of accommodation in the areas where they operate. This entails building social housing (mostly non-profit-making) on large-scale building sites, the "Vinex" sites, and improving the quality of housing with a view to selling it to residents in areas where the housing stock is exclusively low-priced.
- Opportunity zones: With a view to promoting economic development in depressed areas, the establishment of official opportunity zones provides a way of compensating for deprivation related to bad housing through fiscal measures and greater autonomy in formulating social and employment policies in urban environments. The opportunity zone law is not expected to be fully operational for almost two years. In the meantime, four pilot projects were launched on 1 April 1997 – one in each of the four big cities – aimed at stimulating the local economy in preselected areas.

## AUSTRIA

Since 1983, one of the main objectives of the social economy enterprises has been the creation of profitable enterprises to offer permanent and temporary employment contracts to disadvantaged people and the long-term unemployed with difficulties in becoming integrated into the formal labour market.

At present, 60 competitive social enterprises receive financial support co-financed by the central Government, the Länder and the local authorities.

## PORTUGAL

In Portugal, all kinds of firms are allowed to operate, provided they have been correctly set up. In the last ten years, the phenomenon of very small firms has been studied, giving rise to the identification of a new category of firm, the "micro-enterprise", which is eligible for a number of legal and tax benefits.

## FINLAND

Although the associative sector is reasonably developed, it plays hardly any active part in economic development. Since the Seventies, village committees, which include individuals and associations, have played a role in the tourism sector (creation and management of the "summer cottages") in the rural areas. Last year the Ministry of Labour launched a project together with an association aiming at promoting the creation of new local co-operatives. The starting point of the project is that there are only 450 co-operative societies in Finland. While the legal framework allows the development of new forms of cooperatives (as in Sweden or in Italy), the phenomenon is slower than elsewhere. One of the main targets of the project is to get unemployed people to establish co-operative associations.

## SWEDEN

In the most rural areas, like Jämtland, a very significant development of new cooperatives has taken place since 1980. Jobs increased tenfold in less than 15 years, thanks to the use of new methods of local development and global allocations granted by the government in Stockholm. The strategy is very focussed on local needs (of women principally) and the realisation of endogenous potential.

The new forms of cooperative, of smaller size, present an important area for development, particularly in regions where the social economy constitutes an intermediate stage between traditional informal trade and the market economy.

No precise evaluation has been carried out for Sweden, but in Jämtland there were 100 cooperatives which employ approximately 400 people in full-time jobs, leading to indirect activity for 2.500 people. Quite naturally, cooperatives fill the gaps left by local public services where the level of service has been reduced owing to low population density or budgetary cut-backs. There are more structures of this kind in rural and scarcely populated areas than in the cities and the South of Sweden.

## UNITED KINGDOM

The traditional social economy has not really been involved.

The key concept at present is "capacity building". A process is going on to create new capacities in the voluntary sector and local community organisations. The best examples are to be found in Glasgow, Sheffield, Liverpool, Manchester, East London and Birmingham. The RECHAR areas have been able to use the first phase to install some capacity in the 17 fields. The issue will be to move from capacity building to something more concrete with employment outcomes in the marketplace. There is a real concern that, in the context of a pre-existing "crowded platform" of

provision for these services where resources are exclusively derived from the public purse, no effective market room will exist for these new ventures except by displacement. If this is the case, a phase of enthusiasm and opening out in the voluntary and local community sectors will be followed by disappointment and frustration. Legal frameworks may have to be altered but there is a need for simultaneous consideration of how far displacement effects will allow a real net benefit from what might turn out to be no more than job redistribution.

The creation of true jobs and enhanced quality of life for the unemployed through the CED programme will demand real changes in the legal frameworks and the philosophy and politics of the provisions of public goods and welfare services. This is a programme which will take ten years during which the necessarily slow speed of forward movement will entail an ever present danger of frustration and disillusion for those in need.

## 5.2 Creation of new businesses

### **BELGIUM**

*No relevant information available.*

### **DENMARK**

The Ministry of Industry is responsible for regional policy and supports business creation in all sectors, at regional and local level. Denmark is characterised by a large number of small enterprises with an average of 20-25 employees, the most part of them related to the industrial sector. Services to enterprises form an important part of the activities of the Public Employment Service which has made substantial efforts to support entrepreneurship at local level, but no direct subsidy to production is given.

The new SMEs can get subsidies for 2,5 years, if the business plan is approved, as well as subsidies for part of employees' wages. This scheme is open to people unemployed for more than 5 months. The municipalities also try to encourage people to develop new and creative small enterprise bases in the field of the artistic and cultural heritage.

### **GERMANY**

*No relevant information available.*

### **GREECE**

Several government organisations and structures provide subsidies to new entrepreneurial activities, such as the setting-up of handicraft shops, local traditional product packaging and marketing co-operatives, tourist guide services and tourism cooperatives.

### **SPAIN**

The national and regional governments can give aid for creating businesses, and offer subsidized loans. Currently, the authorities are tending more towards promoting self-employment.

In comparison with the assistance schemes running ten years or so ago, the situation has worsened. This is due principally to the fact that the programmes offering preferential credits to small and medium-sized businesses did not produce the expected results. For example, it was possible to accumulate unemployment benefits to set up one's own business, but since the new entrepreneurs taking advantage of this system were not monitored, cases of fraud proliferated. Since then, this scheme has been available only to cooperatives.

In the Basque Country, government aid guaranteed payment of salaries to people employed in a newly created business. This system was abolished because of budget constraints.

Moreover, credit is more expensive for small businesses than for medium-sized and large ones and there are no financial products for new or micro-entrepreneurs. The tax system also puts micro-entrepreneurs at a disadvantage.

In Spain, 25 000 new businesses are started each year; their average life span is 2 years.

The level of entrepreneurial initiative varies from region to region: in Asturias, for example, the tradition of large mining industries partially explains why there is a lower rate of new business creation than in Catalonia. The legacy of the Franco era, which depleted society of social networks and associations, may also have some responsibility for this situation.

But this should not obscure the fact that the entrepreneur comes up against many bureaucratic and financial obstacles which can act as a deterrent. In the legal field, there have been reforms: the law on private limited companies has changed in order to meet more closely the needs of micro-enterprises.

Finally, small and medium-sized businesses active at the local level do not attempt to form partnerships or cooperate with each other. As a general rule, as is the case with LDEIs, public-private partnership is a rarity.

## FRANCE

In February 1994 the Individual Initiative and Enterprise Act, also known as the Madelin Act, was adopted. The aim of the Act was to encourage self-employment by removing social security, tax, legal and administrative obstacles. It is now possible to set up a company on the basis of a single formality. Management and accounting regulations have been greatly simplified for very small organizations and the costs of the statutory health insurance scheme have been reduced by 30% for the first two years. Additional insurance to cover unemployment, pension and invalidity is tax deductible. In 1994, there was a 47% increase in the number of unemployed people starting up companies, from 53 500 to 78 800.

Nevertheless this Act has its limitations. First of all, it does not provide real support for the self-employed. Secondly, it can increase insecurity in certain areas where large companies will be encouraged to substitute commercial contracts for contracts of employment.

Employment initiative information points have been installed in all *départements*. They give full information on aids for employment to SMEs and craftsmen.

## IRELAND

Under the operational programme for rural and urban local development, the **County Enterprise Boards** (CEB) focused their support on micro-enterprises intervening in the 17 fields of LDEI (information to candidates, business-plans, financial assistance, small-scale market research, etc). By the end of 1995, 4 000 projects had received aid, which represented a potential creation of more than 6 000 full-time and 1 500 part-time jobs.

The most relevant instrument in the field of creation of new activities by unemployed people is certainly the “**Back to work allowance**”. Among the 10 000 annual candidates, 8 000 are unemployed people who wish to create their own job in the fields of services which correspond to those identified by the Commission. This scheme has the merit of simplicity for the unemployed and makes it possible to fight effectively against moonlighting work. Almost 20% of those entering the BTWA scheme were previously in the undeclared economy, a further 20% were involved in legal but casual work.

Various pilot-programmes were set up to facilitate the creation of micro-enterprises or self-employment: legal reforms, the provision of collective bookkeeping services, the administrative and tax simplification measures are envisaged to encourage self-employed workers.

## ITALY

The promotion of small private businesses and self employment is regarded by the public authorities as an answer to the employment crisis in traditional sectors.

Self-employment is more abundant in Italy than in any other Member State. Recently, some new measures to favour self-employment have been taken (not connected with LDEIs, however):

- The Promotion and Development of Young Entrepreneurship in the Mezzogiorno (Law no.44 of 1986 to develop new jobs through the creation of new businesses whose members are mostly young people. Since 1986 994 projects have been supported by this scheme, with total investments reaching around 3 billion LIT.

- The Young Businesses in the Tertiary Sector Law (Law no. 236 of 1995): the Law extends the benefit of the "young entrepreneurship scheme" (Lump sum subsidies and subsidised loans) to every initiative aimed at providing services in domains such as: renovation and improvement of the cultural heritage, tourism, public and industrial building work, management of the environment and technological innovation.

- Honour Loans: this regulation, not yet passed, would create a 80 billion LIT fund for self-employment. Each new business would benefit from a 30 million LIT lump sum grant and a 20 million LIT loan.

- The Law to Promote Womens` Entrepreneurship (Law no.215 Act of ?): The implementation of the Law encountered many obstacles and, it has therefore yet to produce any results.

- Use of the cooperative profits for the creation of new cooperatives: this is a new measure that provides for the use of 3% of cooperatives` profits to feed a special fund aimed at the creation of new cooperatives. In little more than one year, it has enabled the creation of 40 new cooperatives.

- Programmes in favour of loans to the cooperative sector and employment maintenance (Law no.49 of 1985). They are intended to encourage production and employment through subsidies to financial companies that decide to participate in venture capital funds for cooperatives formed by retraining (CIGS) or sacked workers.

## LUXEMBOURG

*No relevant information available.*

## NETHERLANDS

The Dutch entrepreneurial tradition was more "defensive" than "offensive", but lately the economic development policy is trying to mobilise entrepreneurial potential, creating the best conditions for economic growth and in particular supporting business and SME start-ups.

The Benefit Scheme for Self-Employed (BBZ) of the Ministry of Economic Affairs (through the 50 Chambers of Commerce offices), tries to encourage self-entrepreneurs to start innovative businesses. The annual budget is FL 20 million. For a period of 1 or 1.5 years, new entrepreneurs can receive FL 40,000 for the development of their project and FL 15,000 for investment purposes.

## AUSTRIA

Self-employment as a way out of unemployment is not as much developed in Austria as in other countries. As well as resulting from legal requirements and restrictions, this situation is often considered to derive from social and educational factors. In addition, until recently Government support policy was directed towards large companies. This approach has now been somewhat changed in favour of SMEs.

Labour Foundations<sup>41</sup>, can be established in the event of large-scale dismissals and, depending on their actual cause and the remaining economic structure, can be divided into 4 types. One of the measures developed from the Labour Foundation programme is free counselling by the ÖSB to new SMEs in the start-up process including: project design, feasibility studies and initial training. During the project preparation new entrepreneurs are entitled to their unemployment benefit and receive an additional allowance for necessary qualification measures (especially managerial skills, accounting etc.). The programme is considered to be very successful: 400 enterprises started in one year (from an initial 1200 candidates) in spite of the fact that during 1996 unemployment benefits ceased to be granted at the start-up of the new business (whereas in former years the unemployment benefit was granted for an initial period, provided a certain monthly amount was not exceeded.)

## PORTUGAL

Some of the grants awarded to micro-enterprises under local development initiatives are specifically for job creation. These are non-repayable grants for which both employed and unemployed people are eligible. The grant is equivalent to twelve times the national minimum wage for each job created. In the case of unemployed people and young people looking for their first job, the rate is eighteen times that wage. Grants are increased by 20% for jobs occupied by women.

However, significant amounts of public funding have been granted to firms under the local development initiatives scheme. The new funding systems can be managed on a more decentralized basis and aim to cut the failure rate of newly-created businesses and to target local services.

- **The aid to micro-enterprises** is intended to create jobs and persuade people to stay in areas affected by depopulation, through investment in existing micro-enterprises or in businesses in course of formation. The purpose of such undertakings is to develop innovative activities or to take advantage of traditional production methods or specific local capabilities. This funding is available in addition to the subsidies which may be granted under the various sectoral and regional programmes within Community support frameworks.

Eligible recipients are either private companies with fewer than nine salaried employees, or non-profit making organisations, particularly those with a social purpose.

Capital investments, including those intended for alteration and/or enlargement of buildings or installations may be funded.<sup>42</sup>

Funding may take the form of cumulative non-repayable grants for investment,<sup>43</sup> interest-rate subsidies on loans for investment,<sup>44</sup> or non-repayable grants for job creation.

Requests for aid may be submitted to banks which have concluded a contract with the Directorate-General for Regional Development to manage the aid programme. They may also be submitted to the Regional Entrepreneurial Associations. Responsibility for the overall coordination of these programmes belongs to the Directorate-General for Regional Development.

In January 1996, 60 projects were approved.

**The system of regional aid** provides support for investment in industry, commerce and some services. The amount of investment varies between ESC 20 billion and ESC 100 billion and must be directed towards firms situated in the most deprived areas, employing fewer than 50 people.

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<sup>41</sup> The Labour Foundations' legal basis is the Unemployment Insurance Act. Owing to the success of the start-up programme within the framework of the Labour Foundation and the regionally integrated qualification packages the counselling service for start-ups is now available for every job-seeking unemployed person turning to his local LMS-office.

<sup>42</sup> The purchase of sites and second-hand equipment, the construction of new buildings and the purchase of certain types of vehicle are ineligible.

<sup>43</sup> These amount to 75% of subsidized expenditure for investments which are not directly productive. 50% for projects involving priority activities and 30% for other categories of project.

<sup>44</sup> This may cover 80% of the interest on the entire amount of the investment in the project by third parties.

The programme of aid to micro-enterprises does not differentiate between private firms and non-profit-making organisations, except in that the ceiling for capital investment in the latter has been set at ESC 75 billion for social support services (the ceiling is ESC 20 billion for firms in the secondary and tertiary sectors).

The purpose of the **system of aid to young entrepreneurs** launched in 1993 is to encourage the creation and modernization of enterprises owned or managed by young people (18 to 35 years old), with priority being given to the environment and natural resources and to projects which are innovative in nature or are located in very deprived areas. In the first years of operation, 136 projects received funding, enabling more than 1000 jobs to be created. More than half of the firms are in the industrial sector and 40% in the services sector (audiovisual sector, crafts, cultural heritage and new information technologies).

#### **FINLAND**

In Finland, the state has been striving in recent years to organise a more favourable environment for entrepreneurship. For example, promoting entrepreneurship is emphasised as one of the main goals in the employment strategy of the Finnish Ministry of Labour. Moreover, there are many other public and private organisations stimulating the creation of companies. The most prominent organisation dealing with SMEs is KERA, the Regional Development Fund.

Start-up subsidies, financed by the ESF, are granted to the unemployed and should concern 10 000 new SMEs. Seven pilot programmes were launched to develop cooperation between research units, SMEs, the public sector and the universities; it is envisaged that these "innovative clusters" will create 5 000 new jobs.

#### **SWEDEN**

The unemployed who wish to start their own enterprise can benefit from a starting subsidy equivalent to 6 months of their unemployment benefit, after acceptance of their project by a local public body supporting SME's. The obstacles to the development of micro-enterprises by the long-term unemployed are not specific to new fields of service. They are related to the lack of transparency of numerous regulations, the difficulty of obtaining appropriate information and sufficient financing (banks play their role of partner inadequately, which led several communities to create collective investment funds).

#### **UNITED KINGDOM**

*No relevant information available.*



## 6. The local dimension of LDEIs

### **BELGIUM**

The local dimension of the LDEIs has as yet been only unevenly explored in Belgium. The Federal and regional levels are the most dynamic, while the communes only take action if they receive financing from the other two levels (this will be the case at the end of 1997 with the new professional development programme that should create 8 000 new jobs). Traditionally, the communes have not made job-creation a priority, but this way of thinking is gradually changing.

A fund has been set up in Flanders to help integrate disadvantaged groups in the fifteen towns where the problems of exclusion are the most acute. As from 1996, this fund was to be replaced by a Bfr 4.5 million programme to enable towns to launch initiatives and create local employment in the 17 fields.

This low rate of job-creation by the communes is particularly surprising in view of the fact that commune employees are directly affected by mass job losses. The communes are also affected by the sort of socio-economic trends that force them to restructure. This is reflected in the development of local schemes, public concession contracts, and above all privatisation.

### **DENMARK**

Denmark is a decentralised unitary state comprising fourteen countries and 275 municipalities responsible for local town planning, primary schools, care of the elderly, sewage, water, local roads and energy resources, besides having a significant degree of autonomy in developing local initiatives. The Local Government Authority Initiative (FLGI) was applied to reinforce the strong tradition of local self-government in Denmark. The flexible approach of the initiative promotes greater autonomy for the municipalities in their decision-making process and in their competence by allowing the provision of financial assistance to the private sector (more than 50% of its income derives from local tax). In 1992, an Act of Parliament established a framework for increased participation in local economic development and for local authorities to set up companies in association with the private sector, to promote business activities. Parallel to the decentralisation of the responsible municipalities, the Danish active labour market policy has been decentralised since 1994.

The type and size of the local development programmes are closely linked to the economic power of the municipalities. The incongruity is that the poorer municipalities have more need of the programmes but have less money to implement them.

Although the emphasis of labour market policies for job creation is put at macroeconomic level in Denmark, it should be recognised that this does not have a direct effect on less qualified people, disadvantaged groups and long-term unemployed. To create jobs for these particular groups requires special labour and social policies and more active employment policies focused on local development initiatives and supported by a sound partnership between local authorities, regional and central authorities, social actors and the private sector.

For many years there has been a trend toward developing partnership and co-operation at local level, involving community, public, administration and private and public sectors, but this partnership still remains rather informal.

The tradition of decentralisation requires a good understanding and co-operation among the central, regional and local authorities. To progress this direction, new attitudes have to be promoted at local level, especially among the public agents in charge of sectoral policies. Special training and counselling would be particularly valuable in this context.

### **GERMANY**

The communes, which have to cope with growing financing costs because of the increase in the number of unemployed no longer entitled to unemployment benefits but receiving municipal social

allocations, show a keen interest in the "new sources of employment". However, they do not always have sufficient financial resources or adequate authority to start an ILDE. Management of the labour market and compensation for unemployment involve the regional or Federal levels. There is a serious problem in terms of the share of responsibility and cooperation between the various levels.

Increasingly, EU funds (such as the Community Employment Initiative and Article 6) are being used to co-finance employment initiatives and pilot projects.

## **GREECE**

The major problem that Greece faces in its effort to implement local economic and social development policies derives from the lack of a comprehensive framework for planning and implementing these policies. Local development policies, whether economic or social, do not benefit from an integrated approach that would guarantee continuity and effectiveness. They are based on external stimuli from the European Union through the implementation of various programmes (i.e. Community Initiatives on Employment and Training, etc.) with a restricted time schedule.

## **SPAIN**

In Spain, the national and regional governments finance the programmes and set the legal and political framework. Local authorities are very sensitive to the emergence of new needs, but have neither the legal jurisdiction nor the necessary co-funding to take measures.

Within the context of the general strategy of the CSFs that exist to implement the ESF in Spain, a strategic objective is the decentralisation and regionalisation of vocational training, by continuing the process of transferring the administration of vocational training to the autonomous communities. Community initiatives, such as Leader, NOW, HORIZON, EUROFORM, and URBAN (19 towns selected to act as potential models) have promoted local development and innovation within the regions and municipalities.

There is now an increasing decentralisation of employment services. Three principal instruments are available:

- Units for promotion and development which are studying the possibilities for developing an area in terms of projects which would be capable of generating activity and dynamising employment;
- Employment and local development agencies, still little developed, have to provide information on local unemployment, available under-used resources in the area and measures undertaken by the local authorities;
- Business creation schemes, whose objective is to create private enterprise through public institutions, with the aid of subsidies, technical assistance, and financial resources, as part of local employment initiatives.

Furthermore, the government has drawn up specific programmes, including the rural employment plan, the plan for disadvantaged rural areas and the programme for the integration of the unemployed. The latter is being implemented through cooperation agreements bringing together the Ministry of Labour, the governments of the autonomous communities, the local authorities and the banks.

## **FRANCE**

Major cities are interested in LDEIs and they are conducting studies on new fields to be opened up (Montpellier, for example, is looking into energy management) or using the "solidarity" employment contract scheme for certain activities (for example, Cherbourg is using it for refuse collection). Certain cities have adopted local economic integration plans, and in rural areas or areas of high unemployment contracts have been concluded between the State and local authorities with a view to making the most of the new fields of employment.

However, the share of responsibility between the regional, *département* or local levels has still to be resolved and the fact that most local districts in France, especially in the country, are small is seen as a major hindrance to the launching of local initiatives.

In May 1995, the prefects were given the task of encouraging employment on three priority fronts: by improving the quality of administrative services, by coordinating initiatives promoting employment and by researching new fields of employment.

Employment initiative charters have been signed by local companies, associations and collectives. They constitute a more or less long-term commitment on the basis of clear objectives to increase or assure employment. Finally, *département* training, adult education and employment committees (CODEF) were given the task of studying ways to develop local employment. They concluded that to enable these new jobs to develop, the structure of the supply available from the association networks and local collectives needs to be improved.

The first Regional Initiative Committee met in Bordeaux in July 1995. Bringing together the prefect of the region, the chairperson of the regional council, local elected representatives and social and economic interest groups in the region, it is intended to serve as a forum for discussion and making proposals at a local level. The body consists of almost 130 members taken almost equally from regional business and politics. The Committee provides a platform for discussion while also providing stimulation and coordinating steps taken by the *département* employment and training committees.

## **IRELAND**

Since 1988, the Irish government has launched various local development programmes (pilot programme for rural integrated development 1988-90; LEADER I 1991-94; the local partnerships of the programme for economic and social progress PESP 1991-1993; the "community development Programme"; the global grant 1992-95; the operational programme for the rural and urban local development 1994-99), which now occupy an important place among the policies to combat unemployment and for economic and social development.

The local development model is based on 4 major principles: partnership, participation, programming and multidimensionality.

The evaluation of the European global grant (IRL£ 8 million granted from the ERDF and from the ESF, 2/3 for creation and development of enterprises and 1/3 for training and social development) was carried out recently and contributes interesting information. The global grant made it possible to support the action of 12 "partnerships", 28 local community groups and a national sectoral initiative for the inclusion of travellers in local area based development plans. 320 projects were subsidised; 1 800 companies were assisted by groups or partnerships; 1 600 persons were trained for management or creation of companies and 7 000 persons received training to find jobs. From the experience gained by the groups, the government decided to set up a local employment service in 1995.

Programmes did not have a sectoral approach but focused themselves on the development of the economic and social potential of a territory. The most tangible results concerned the level of the inhabitants' qualifications and led to greater fluidity in the labour market. The effect on employment (few real opportunities for long-term unemployed people) is not always significant although the quality of life considerably improved in these areas.

This assessment should be seen in a national cultural context which was not historically very favourable to the constitution of a dense fabric of medium-sized companies: the conversion of agriculture favoured the public sector or major international industries. The major infrastructures had very few effects on local job creation, and local companies were too small to participate in public procurement contracts. Local development policies caused a major transformation of mentalities and made it possible to give a real alternative to migration and or entry into the public service for Irish people with an entrepreneurial spirit.

## ITALY

It should be remembered that Italy is a country of small towns, as compared with other EU countries, and with regions and local authorities with considerable autonomy and power. Policies cannot therefore be directed from above with any certainty of achieving results. This is a feature which favours LDEI policies, with their need for flexibility in organisation, in labour legislation, in labour contracts and in mixing public and private endeavours but it also makes it difficult to impose standard patterns of behaviour.

In 1995, the "Territorial Pacts" law came into force. It provides for political and economic players signing territorial development pacts dealing with limited areas (employment zones, municipalities, industrial zones), and covering both employment as well as investment in the area. Funding will be given after the approval of each pact by the CIPE (Interministerial Economic Planning Committee).

## LUXEMBOURG

In the opinion of the Interministerial Working Group, only at local level with the involvement of public institutions, associations and companies is it possible to have an overall picture of the possibilities of a second labour market.

With this in mind, a pilot project - which falls under the theme of the "Territorial Pacts for Employment", is to be launched in a candidate commune and will be financed by the Ministry of Labour.

This project should be guided by the following principles:

- Organisation of a reception and information facility for job applicants.
- Close cooperation with the services of the employment service and the social affairs administration.
- Cooperation between the municipal authorities and certain services dealing with the unemployed.
- Organisation of "local economic summits" enabling the commune, together with the Ministry of Labour and the employment service, to analyse the economic developments of the commune concerned and to determine job potential.

## NETHERLANDS

During the last decade, labour market policy has undergone continuous reforms transforming it from a rather centralised system into a more decentralised and more customised market-orientated system, increasing municipal responsibility in the execution of programmes at local/regional level. Experience has shown that the achievement of innovative projects derives from a combination of actions and financial support measures.

The contribution of innovative ideas to economic growth, as well as to the development of employment at local level, depends mostly on the size of the municipalities and their financial autonomy. Smaller localities often have greater institutional flexibility for experimental activity, but on the other hand they suffer from a lack of professionals and facilitators capable of transforming the new initiatives into successful projects.

Social partners, employers and employees have an important role in the development of employment policies and in the creation of different self-organising steering committees for implementing activities at community level. This horizontal partnership is able to stimulate the interest and participation of the local people, as well as making them aware of their role as prime movers in their own local social and economic development.

## AUSTRIA

Austria is a Federal state consisting of 9 Länder which share executive power with the Federal Government and the local communities. Labour market policy is the responsibility of the Ministry of Labour and Social Affairs. Once defined, policy structures and strategies must be approved by the social partners via the ad hoc consultative committee.

The labour administration was reformed at the beginning of the '90s to ensure a better adaptation of its duties to the new requirements. The new measures attempt to provide a more effective implementation of proactive labour market policy. The recent reorganisation of the Public Employment Service (AMS) as a separate co-ordinating agency has contributed considerably to increasing its autonomy and responsibility for programme design and decision-making, at regional and local levels.

The long experience with the local development in Austria, linked to the decentralisation and the institutional reorganisation of the Public Employment Service, means that there is a very positive political approach to the implementation of the LDEI.

Nevertheless, the profusion of individual local experiences in the new employment initiatives all over the country does not mean that LDEI are considered as one of the major tracks for future employment. This approach still tends to be seen as complementary to the first labour market, represented by the industrial sector in particular.

Partnership cooperation has been one of the successful labour market policy instruments for the implementation of the new employment initiatives. The creation of "round tables" as local fora, with the participation of representatives of employers, employees, national and regional local authorities, political parties and trade unions, provides these groups with an active role in the development of regional and local strategies.

Partnership is also extremely important for the coordination of the financial support for the new employment initiatives and development programmes. The majority of the Austrian regions have Objective 2 and Objective 5b status. For this reason, the majority of new initiative experiences are co-financed from the ESF. In the last two years these funds have been an important financial support for the implementation of the new labour market policy as well as for the development of strategies for job creation at regional and local level.

## PORTUGAL

Great attention is paid to the local aspects of such initiatives in Portugal, particularly in rural areas.

The objective of the Community's LEADER programme is to encourage innovative initiatives by local entrepreneurs in both the public and the private sectors, in all areas of activity in the rural environment, to spread the benefits of specific experience and to help rural entrepreneurs to carry out projects either individually or collectively. LEADER I responded to intensely heightened awareness of the problems of rural areas (environmental problems, high youth unemployment, underemployment, the crisis in agriculture related to CAP and GATT arrangements) and aims to encourage diversification. The first LEADER programme encouraged creativity and imagination in particular. Its objectives were to combat depopulation, to support job creation and to improve the quality of life in rural areas. 20 areas where action could be taken were identified; 3750 jobs were created in the period between 1992 and 1995. The total cost per job created was ECU 25 000. The projects which received support were small, family businesses. 50% of them received ECU 15 000 and 80% cost less than ECU 25 000. Management of these projects was on a decentralised basis; it was carried out by local development associations, in accordance with a framework established at local level. However, results have been fairly mixed as far as the regions in the interior are concerned. The problem of depopulation was not solved, and global development was not possible.

LEADER II is based on the same principles: close partnership and strong participation from the local community and the local authorities. It should be able to build on positive experiences from the LEADER I programme.

Two other rural development initiatives run alongside LEADER: the restoration of historic villages and the revival of rural centres:

- The purpose of **restoring historic villages** is to create a tourist itinerary which includes attractions of cultural value, heritage sites and interesting landscapes.<sup>45</sup> The aim is to improve the environment in the villages so as to retain social and economic activity within them and, therefore, to combat depopulation. Subsidies may be granted under aid for micro-enterprises or regional aid schemes for the purposes of investment in these villages relating to tourism (accommodation and services), culture, commerce, restoration, crafts and agriculture.

- **Revival of rural centres** is a pilot project with an economic purpose, restricted in the initial phase to twenty areas of fewer than 3 500 inhabitants (twenty others are currently being selected). The aid is part of a comprehensive assistance plan involving three elements - infrastructure, productive private projects and promotion of the centre - which has been prepared by local development associations, in cooperation with regional coordination committees and the regional Directorates-General for agriculture. The objectives are to take a comprehensive approach to improving the rural centre's economic base, to mobilize local economic operators and their organizations and to set up demonstration projects. The initiatives planned are varied and depend on the local environment, but they are mostly related to crafts, rural tourism, hunting, fishing, and showcasing heritage sites and the countryside.

The final area of the local development initiatives programme consists of **pilot development initiatives** which also have a strong local link. These are coherent and specific groups of local development initiatives to be carried out in particular geographic locations. Two initiatives of this type have been launched in Alentejo. Local players (local development associations) are responsible for drawing up the programmes.

## **FINLAND**

Traditionally, decentralisation and devolution have been very extensively practised in Finland. The 450 municipalities enjoy broad financial autonomy. Following the 1994 reform, 18 regional councils were set up to manage inter-communal projects for economic development. The Labour administration is divided into 13 districts and 185 local offices which are relatively independent in their management.

Recently, the association of Finnish local authorities and the Ministry of Labour signed a pact to develop the LDEIs through a pilot-project, and 20 local partnership organisations have been established. Partnerships are aiming at promoting employment by creating cooperation between local companies, authorities and voluntary organisations. One of the targets of the participants is specifically to promote LDEIs.

In the partnership organisations, the aim is to create a new permanent culture of local co-operation and joint responsibility. The goal is for as many central local operators as possible to commit themselves to partnership activities and participate in them. Major participants are non-governmental organisations, companies, municipalities and the decentralised administrations. It is important to note that unemployed people are also represented.

The legal forms for the partnerships and the contents of their activities have been selected by the local actors. Each partnership has defined its organisation and the contents of its activities, taking into account the local context and its own resources. Their aims are to create jobs and job opportunities by exploiting local resources, skills and human relations. Geographically, the areas of partnerships vary from city neighbourhoods to regions covering several municipalities.

The partnership project was launched as a three-year experiment and it therefore terminates at the end of 1999. Through this project, local partnership is visibly placed at the centre of employment promotion and initiated a national movement based on local joint responsibility for the fight against unemployment.

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<sup>45</sup> Initially, 10 villages from Beira Interior will be restored, on an experimental basis, in accordance with Legislative Order No 2/95 of 11 January 1995.

Finally, the use of the ESF has been deliberately directed towards the local level with local projects identified for each district rather than co-financing national measures.

#### **SWEDEN**

Sweden is organised on a strongly subsidiarity-based model, and municipalities command a large degree of fiscal autonomy. However the dominate approach remains hierarchical and few territories have developed bottom-up approaches.

Partnership is generally institutionalised in every policy area but in practice trade unions are not very active in local projects.

The experience of the region of Jämtland is particularly remarkable has enabled the revitalisation of an area in the process of desertification.

#### **UNITED KINGDOM**

There is enormous current interest in the UK promoted by the second phase of the UK Objective Two programme. The Merseyside “pathways” model is being looked at by many regions to explore ways of engaging local groups. Local agencies are the key with TECs/LECs, local authorities, local “intermediaries” and government offices in the regions undoubtedly being major players in the changes that are taking place at regional level.

By contrast, there is little enthusiasm in the UK central government for local initiatives which give ownership of the opportunity to develop services to local groups. There is some movement toward more active “partnership” and consultation of local groups in the context of the SRB (Simple Regeneration Budget). Local authorities are keen to promote these actions but they have their own pressures to maintain quality service provision against falling budgets and they have to respond to democratic processes.

## ANNEX 4

### **NATIONAL EXAMPLES OF THE USE OF SERVICE VOUCHERS AND SUBSIDIES TO CONSUMPTION**

- In Denmark a subsidised **domestic service** scheme was launched in January 1994 for a period of two years. It consists of grants paid directly to companies providing domestic services (registered and subject to VAT) in exchange for a certificate of work carried out in private homes (cleaning, ironing, cooking, gardening, etc.). The scheme is run by the municipalities on behalf of the State and the basic aim is to compensate for the high cost of labour through a grant worth 1.5 times the amount paid by the customer.  
After gradual expansion the scheme seems to have reached its cruising speed: 4 500 undertakings - employing 2 500 people full time - are supplying household services on the basis of this grant. 200 000 households are taking advantage of the scheme which cost the State DKR 270 million (the value of the grant) in 1995. An estimated 40% of the new jobs have gone to ex-unemployed persons. The question of how permanent the scheme can be is now being studied and depends on one or two modifications, such as a reduction in the grant and the introduction of stricter rules on the recruitment of unemployed persons.
- In Finland **child-care vouchers** were introduced in March 1995 for three years in three municipalities (out of a total of 460 municipalities in Finland). The system is highly decentralised in that the municipalities are free to determine the value of the vouchers offered to parents who want to make use of private nurseries, knowing that the public option still exists (2/3 have adopted a system in inverse proportion to the income of the households). The only restrictions imposed relate to the quality of the newly-created private services, the general operation of the system (the child-care voucher is the equivalent of an exchange voucher) and the procedure for evaluating results.  
The object, which was to offer a wider variety of services to parents, has been partially achieved: 28% of the vouchers have been used for children who were previously being looked after at home (the voucher has created demand); 19% of the families are paying more for private services than they would have been paying for public services on grounds of quality (price is not the only criterion in the development of services). Although this was not an immediate aim, new jobs have been created: 22% of the service providers are new to the sector.
- In the United Kingdom an experiment in the provision of **nursery school vouchers** for children aged four was introduced in four towns - on 1 April 1996. The Government's intention is to extend this scheme in April 1997 to make 150 000 additional places available to children of four and create 18 000 new jobs. Parents are given vouchers to a value of £1 100 per annum (three terms) - an average of 50% of the price - for each child: they can use them as they wish in private nursery schools. The total cost of a scheme of this sort could reach £730 million, a net increase in public expenditure of £185 million. The measure is part of the family and education policy. No provision for quality control is envisaged in the immediate future. There will be no public inspection before 1997. There is a high risk that services will be supplied by either the voluntary sector or foreign multinationals (US) and that the status of these new jobs will be uncertain.
- In Germany a **dependency insurance scheme** was set up at the beginning of 1995 but it did not really come into force until six months later. The purpose of this scheme is to promote the supply of new medical care facilities for dependent people at home (700 000 persons) or in institutions (500 000 persons). An amount ranging from ECU 400 to ECU 1 000 per month is payable to dependent persons who choose to use external services. The family may also decide to take on the responsibility and will then receive ECU 250 - 500 per month. In practice the scheme has been disappointing: in the first place, most families prefer the second option and, secondly, established



organisations have a monopoly in this new sector. Where funding is concerned, the measure has been partially cofinanced by employees and employers.

- In the Netherlands, as the result of a number of local experiments, the government has adopted a national system of **grants for jobs in the domestic cleaning sector**. A six-month trial was launched on 1 June 1996 in three towns - Rotterdam, Eindhoven and Arnhem. The objective is to reemploy long-term unemployed persons in existing cleaning firms and to satisfy a latent demand for domestic services from an estimated 250 000 families.  
The service voucher idea was rejected by the government which wanted to avoid the development of a second labour market of companies not bound by agreement.
- In France, after the introduction, at the end of 1994, of the "**domestic services voucher**" designed to simplify the administrative work of households employing domestic staff, the "**domestic services payment order**" (Act of 29 January 1996) was launched on a trial basis in four regions - Brittany, Haute-Loire-Rhône, Nord-Pas de Calais, Vienne. It will be financed partially by companies or company joint committees and the aim is to enable employees to take advantage of new neighbourhood services with approved organisations. The Act also provides for tax deductions for households using private companies for all domestic services (child care, household work, gardening, etc.) - previously these services had to be supplied by approved associations. Lastly, to upgrade the qualifications of employees, a proportion of the pay (0.15%) is deducted for training purposes.  
The situation after 18 months of the "domestic services voucher" is as follows: 40 000 full-time job equivalents have been created by the over 400 000 households using this scheme. Contracts are concluded on average for five hours work per week (87% is household work). An estimated 60% of the vouchers have been used by new employers and 40% have made "moonlighting" official or simplified existing contracts.
- In Belgium the "**local employment agency voucher**" was introduced at the beginning of 1995 and, at the same time, municipalities were required to set up a local agency to serve as an intermediary between the long-term unemployed and individual or legal entities (individuals, municipalities, associations, educational establishments, horticultural companies) who required "small" services (household work, gardening, childcare, etc.).  
Unemployed persons may not work for over 45 hours per month but the employer can take on as many people as he wishes. Payment for all work takes the form of a local employment agency voucher; the employer benefits from reduced tax and the "working" unemployed person does not lose his unemployed status.  
According to a provisional evaluation, 42 000 employers have been using these vouchers since they were introduced and have supplied work for over 24 000 long-term unemployed persons, mainly household work. With the creation of 550 local employment agencies the system covers almost the whole country. An average of 14 000 unemployed persons undertake this kind of work every month. It is not yet clear whether the purpose of the local employment agencies - a return to employment - has been achieved.
- In Spain a **senior citizens' holiday voucher** scheme has been in place since 1985. It provides subsidies (of about 50%) for retired people who want to have a holiday in a Spanish holiday resort outside the high season. The National Social Services Institute (INSS) approves hotels and travel agencies for participation in this programme in exchange for commitments with regard to employment and the quality of the service. According to INSS, this programme has been directly responsible for maintaining 4 100 (seasonal) jobs every year and indirectly responsible for 21 000 jobs; the State budget contribution of PTA 6 000 million generates PTA 26 000 million of activity and is recovered in full by the tax authorities.

## ANNEX 5

### **WORK OF THE INTERSERVICE GROUP "LDEIs"**

On 13 June 1995, the Commission instructed an interservice group to monitor the guidelines formulated in the Communication COM(95) 273 "a European strategy for encouraging the local development and employment initiatives". This group, managed by the Forward Studies Unit, subdivided itself into 4 specialized workshops, which have worked in parallel since July 1995.

- Workshop 1 : **To simplify access to the experimental programmes**

An internal "chart" was drawn up to list the programmes or Community measures connected to the LDEIs (aims, fundings, number of funded projects, follow-up and evaluation stipulations, implementing procedure, timetable, coordinates of the manager ...). The third updated version dated September 1996, comprises 32 programmes or measures.

Participating DGs: FSU, GS, DG V, VI, X, XI, XIV, XVI, XVII, XXII, XXIII

- Workshop 2 : **To continue methodological research**

Meetings were devoted to the analysis of:

- compatibility between the Community competition policy and certain practices connected with the LDEIs (18/10/95);
- job creation in the field of energy saving (7/11/95)
- job creation in the field of sport (2/5/96).

A seminar was co-organized with DG V on "subsidies to consumption and services vouchers"(15/5/96), in order to collect and study recent experiments undertaken in several Member States (DK, F, B, END, NL, E, U.K., D). A report was distributed in September 96 and it will be published in the "Social Europe" review at the beginning of 1997.

In order to prepare the seminar of the Presidency of the Council, an evaluation of the job creation potential connected with services vouchers in Spain was undertaken (November 95)

Participating DGs: FSU, GS, DG II, IV, V, VI, VII, XII, XIII, XIV, XV, XVI, XXI, XXII, XXIII

- Workshop 3: **To regularly exchange information and diffuse "good practices"**

A feasibility study was undertaken in Autumn 1995: the Commission services and the technical assistance offices, responsible for European networks of local development, were interviewed in order to understand the expectations of the potential users of an LDEI database.

Two calls for tenders were launched by DG XII (13/8/96) (LOCIN and LOCINCO) with a view to gathering information on local initiatives for the fight against social exclusion, and to establish a European database. Contracts have to be signed before the end of the year, for a maximum duration of 24 months.

The matrix of a methodological guide of good practices of urban revitalisation was agreed (23/2/96) which will allow the development of methodological fiches relating to 10 fields.

Participating DGs: FSU, GS, DG III, V, VI, VII, XI, XII, XIII, XVI, XXII, XXIII

**- Workshop 4 : Exchange of experiences between Member States**

Officials and national experts were interviewed in order to study the instruments, the obstacles and the priority fields in each Member State:

B (30/10/95), F (13/11/95), E (27/11/95), D (informal meetings with the local authorities 4/12/95 and 29/1/96), P (19/1/96), IRL (4/3/96), FIN (7/3/96), S (1/4/96), DK (4/9/96), NL (12/9/96), A (26/9/96).

A seminar for the exchange of information, bringing together the participants of the 15 Member States will be organized at the beginning of 97.

DG participating: FSU, GS, DG V, VI, VII, XI, XIV, XVI, XXII, XXIII

## ANNEX 6

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## ANNEX 7

Communication from the Commission of the European Communities  
to the Council and the European Parliament

### A EUROPEAN STRATEGY FOR ENCOURAGING LOCAL DEVELOPMENT AND EMPLOYMENT INITIATIVES

COM(95) 273

#### 1 BOOSTING THE EMPLOYMENT INTENSITY OF GROWTH

The White Paper on growth, competitiveness and employment, published in December 1993, set out a medium-term strategy for creating more jobs and adopting a more vigorous approach to tackling unemployment. At its last meeting in Essen, the European Council decided on five priority fields of action under this strategy. Against this background, local development and employment initiatives have come to be seen as a means of boosting the employment intensity of growth. The Commission's macroeconomic outlook for 1995 and 1996 confirms the need to improve the employment intensity of growth in Europe. Hence the importance now being placed on local development and employment initiatives.

Local development and employment initiatives are a new approach to the creation of work and are spreading throughout the Member States of the European Union, as they are found to provide a genuine response to current aspirations. On the one hand, they meet growing needs in terms of improving standards of living or changing behavioural patterns, which are still poorly catered for by firms or by traditional administrations. On the other, they offer enthusiasts the opportunity, whether in town or country, to put their creativity and dynamism to a good use in a broader local development project.

Based on the experience of a number of Member States and a wide range of local organisations, the Commission pinpointed 17 fields with potential for meeting the new needs of Europeans and offering substantial employment prospects: *home help services, child care, new information and communication technologies, assistance to young people facing difficulties, better housing, security, local public transport services, revitalisation of urban public areas, local shops, tourism, audiovisual services, the cultural heritage, local cultural development, waste management, water services, protection and conservation of natural areas, and the control of pollution.*

The exercise showed that, nowadays, local initiatives are best placed to create jobs geared to these needs, being better placed to take account of the diversity of cultures and forms of socio-economic organisation.

In the context of the "active employment policies" advocated by the White Paper on growth, competitiveness and employment, encouragement for local initiatives undoubtedly constitutes an interesting element from the point of view of the cost-effective use of budgetary resources. On the one hand, on the basis of the macroeconomic evaluation of the job-creation potential in three Member States (France, the United Kingdom and Germany), such encouragement could give, annually, an extra 140 000 to 400 000 jobs in Europe<sup>46</sup>. This alone would bring us nearly halfway to the increase in the job-intensity of growth that we would need if, as proposed in that White

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<sup>46</sup> See document SEC 95/564, macro-economic evaluation carried out by Commission departments on the basis of data given by Cambridge Econometrics, Wirtschaftszentrum Berlin et INSEE-BIPE Conseil.

Paper, we were to halve unemployment by the year 2000<sup>47</sup>. On the other hand, by satisfying a latent demand and remedying market imperfections and market failures, local initiatives do not harm international competitiveness; indeed, they open up new avenues for innovation by businesses and "social entrepreneurs".

In other words, we now have a transferable approach to job creation, which is compatible both with competitiveness and with people's aspirations for better living and working conditions. Local initiatives are not the only way to create jobs in the future; but they complement others ways of increasing the employment intensity of growth as such, they feature among the "five points" of the conclusions to the Essen European Council.

But if we are to get the full potential of job creation and spread the effect to neighbouring sectors, we cannot just rely on demonstration. What is needed is a more coherent national and European framework whose initial role will be to do away with the numerous obstacles to the development of the new activities.

As asked by the European Council when it met in Brussels, the Commission prepared two working documents on new jobs, a summarised version of which was presented at the Essen summit:

The first of these (SEC 95/564) dealt with local development and employment initiatives and sought to clarify and to verify the idea that European economies harbour "new sources of employment" arising from unmet needs in the services sector.

The second document (SEC 94/2199) presented an inventory of Community action to support local development and employment, which took stock of what use has been made, over the past ten years, of the European Union's instruments for local development. It proposed a number of measures to make them more effective.

Given the Member States' interest<sup>48</sup> in this approach to local development and employment initiatives, the Commission's own accumulated experience, and the public response to these papers, it is worth drawing some conclusions now. This Communication is to be seen in the context of the multilateral monitoring process on growth, competitiveness and employment which was recently submitted to the Council<sup>49</sup>.

This Communication seeks to show:

what measures Member States can take to encourage local initiatives, as part of their "multi-annual employment programmes" on Essen follow-up;

what measures the European Union undertakes to implement to use Community instruments better for encouraging local development and employment initiatives.

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<sup>47</sup> See White paper, Part B - I - Chapter 1 3 b) "For instance, if from 1995 onwards the Community could achieve an increase in the employment intensity of growth of between half and one percentage point combined with a sustained rate of growth of at least 3% a year, then the employment target for the year 2000 would also be achieved."

<sup>48</sup> The Portuguese government presented a memorandum on local development at the Corfu European Council and enlarged on this in a second memorandum in september 1994. The Irish government distributed, during the run-up to the Essen European Council, a working paper which gives a picture of what is done in the area of partnerships, and the Danish government, also at Essen, supported the local development and employment initiative approach.

<sup>49</sup> Commission Communication to the Council COM(95) 74 final, 8 March 1995.

## **2 GENERAL GUIDELINES FOR ENCOURAGING LOCAL DEVELOPMENT AND EMPLOYMENT INITIATIVES**

There are more and more local initiatives in the Member States of the European Union, but often they tend to be short-lived. This fragility is due to a variety of obstacles which hamper their growth and which can usually be traced back to an inappropriate national environment (2.1). So there are some propositions; they may involve new instruments or decentralised administration (2.2). These lines of action are essentially drawn from success stories from among the Member States, which could work in others as well in the full respect of the traditions and the national legal, economic, and social backgrounds of each of them.

### **2.1 Local initiatives come up against a variety of structural obstacles**

Practical experience shows that, all too often, the conditions for the healthy development of local initiatives are simply not met. Some obstacles do concern all of the labour-intensive activities (the excessive non-wage labour costs in the case of the least qualified workers), but most of them are specific to our 17 fields of investigation. The main problems are financial, technical, legal and institutional.

The financial obstacles have mainly to do with:

- excessive direct and indirect labour costs, even where labour is low-skilled ;
- poor value-for-money for customers where suppliers are out of touch with new technology;
- the cost of venture and working capital for micro-enterprises, for individuals who want to set up on their own, or for associations without collateral;
- the low purchasing power of the poorest individual households and the unattractive level of return for certain types of services.

The training and technical problems arise from:

- inappropriate initial training, given that what's needed nowadays is adaptability, and interpersonal skills;
- sectoral arrangements for vocational training; and retraining in certain sectors with lots of small or badly organised businesses;
- outdated skills and working conditions in certain traditional sectors (brute force, long hours, stress...);
- lack of training in new technologies, and in the transfer of new technologies to enterprises, particularly to SMEs.

The legal and regulatory obstacles stem from:

- rigid systems which discourage holding down more than one job, or secondary incomes for independents or for the unemployed;
- the (occasional) absence of a proper legal status for public/private partnership, with the result that their employees can be in a very insecure situation;
- the frequent absence of a proper legal status for the spouse who helps;
- outdated regulations and systems which can often be restricting and not even effective (e.g. *numerus clausus* systems);
- strict demarcation which makes it difficult if not impossible to create new combined jobs;
- outdated accreditation systems for specialists, which are barriers to entry for newcomers;
- the absence of quality standards in the service sector, which can encourage job creation;
- unadapted public and consumer safety regulations, and property rights in the new media.

The institutional obstacles arise from:

- a failure to appreciate job-creating local development processes ;

- sectorally and hierarchically compartmentalised public administration, which prevents authorities from keeping local players, politicians, businesses, associations and the public at large decently informed;
- excessive short-termness of financial support, which doesn't make for the long-term survival of initiatives.

## 2.2 The main horizontal instruments for overcoming financial, technical, legal and administrative obstacles

It follows, then, that national policies on local initiatives must concentrate on removing these structural obstacles and setting up a stable and coherent framework, and using horizontal measures for a start.

### Setting up a different range of financial instruments

Seen from the cost-benefit point of view, local initiatives undoubtedly constitute one of the most promising options among the various employment policies. As they respond to new needs, the substitution effect which could be caused by granting financial advantages to certain sectors or categories of workers is limited. A comparison of a number of measures indicates, for France, that an active employment policy for meeting new needs would be something like five times more effective than measures which simply set out to increase staffing levels in the public sector, and some ten times more effective than the "Keynesian" technique of pump-priming by way of infrastructure work.

But the local initiative approach needs a suitable framework and suitable financial instruments (see Annex 1):

*Service vouchers.* These are payment instruments which can be predestined for certain services; they may have considerable advantages to offer in putting some structure into their supply and in stimulating demand.

*Joint local investment funds for a particular urban or rural area.* With special venture-capital schemes, and collateral their job is to bring savers into touch with project organisers and to stimulate local initiative.

*A review of the treatment of operational expenditure vis-à-vis capital expenditure in public accounting procedures.* This would facilitate the requisite investment in human resources thanks to long-term public-private contractual commitments, under partnership arrangements.

### Improving training and qualifications to make the new activities more long-lasting

What is needed is an occupational framework which is geared to improving skills and making the new trades better known. What this means, in turn, is adding to conventional forms of training such elements as communication, listening and counselling skills; familiarising young people, women and workers undergoing retraining with the use of telematics; or protection of the environment. At national level, *there should be diplomas to certify successful completion of such training courses, and where appropriate, new qualifications or methods of rewarding new skills, should be developed.*

Recognition by society also takes the form of a system of social guarantees. It is also up to *the social partners to extend the habitual scope of collective bargaining* so as to take in (and keep)

young professionals in such new jobs *by showing appreciation for this adaptability*, better suited to new technologies and customer's needs.

### Revamping the legal framework

The barriers which still separate the private from the public, the agricultural from non-agricultural, and paid from unpaid activities may have been useful in the past. Now, though, they have to be remodelled, simplifying here, and relaxing there, to fit the new situation as revealed by local initiatives: more variety within careers; complementary public and private-sector services; multiple skills for farmers and craftsmen. Depending on the traditions specific to each country, various forms of legal innovation are possible, such as:

- *legal arrangements which facilitate pluriactivity*, particularly in the country, or which give a proper legal status to a spouse who helps. This should go hand in hand with a wider role for representative organisations (craftsmen's guilds, chambers of commerce, farm unions, business councils, etc.);
- *occupational reintegration systems which allow for a combination of paid work and unemployment benefit*;
- tax and social conditions similar to those of paid employees *for partner-entrepreneurs* in non-profit organisations.
- updating labour law and social security regimes, to suit the new ways of working made possible by information and communication technologies.

In similar vein *public service concessions and delegated management* deserve wider application for the kind of locally useful activities which are not foreseen by public-sector rules, and to facilitate public-private partnership.

### Making provision for adequate administrative decentralisation

A partnership arrangement between, on the one hand, the local public authorities and the promoters of initiatives and, on the other, officials from national administrations can only work if administrative action itself is sufficiently decentralised. This is particularly true of the *administration of various kinds of social assistance, vocational training and of management of the local labour market*.

It can also require the intervention of local development agencies, who would identify, train, and give a helping hand to the promoters of initiatives.

By the same token, the *creation of local interactive communications networks* between local authorities, administrations and local players is one of the most promising innovations offered by the information society.

## **3 RENEWED SUPPORT FROM THE EUROPEAN UNION FOR LOCAL DEVELOPMENT AND EMPLOYMENT INITIATIVES**

"Local initiatives" and "new sources of employment" are now part of the public debate in a growing number of Member States. However, not all the social, economic and political players have really woken up to what is at stake and what local initiatives have to offer. The European Union and the Member States have to join their efforts to raise awareness of the opportunities, difficulties and solutions of the new approach. In that respect, the added-value of the Union will be shown particularly in:

- More support for really innovative work in new fields, and systematic European evaluation, which is useful in any case to start-up experiments.

- Dissemination and promotion of "good practice" in terms of development and job creation, via information and cooperation in transnational networks.

Furthermore, many of the Union's policies and instruments can add strength to the national measures which favour this approach, in particular the structural policies.

### **3.1 Helping experiments and their evaluation**

The first tentative trials and new ideas are still young, delicate, and scattered; this is what justifies encouragement given at Community level for starting new activity, in the business and in the "social economy" sectors, in the 17 areas which have been identified.

*It is necessary to strengthen the work of the Structural Funds in this field by favouring first of all experiments and innovations, but also carrying out a systematic evaluation as to how to develop better the potential of local development and employment initiatives<sup>50</sup>.*

*Other existing actions could contribute to local development and employment initiatives, like the draft decision submitted to the Council "Community actions in the field of analysis, research, cooperation and action, for employment", which makes provision for the Union in particular to support local initiatives. The new budget heading B 2-605 (pilot measures for the long-term unemployed) can also be used to experiment with certain local initiatives. Also, the LEONARDO training programme helps to develop the wherewithal for handling startups, and for stimulating regional development.*

*The targeted socio-economic research programme, which includes research on education and training as well as on social integration and social exclusion, will contribute to a better understanding of what to do.*

*The evaluation, which is only partial so far, must be extended to all the experimental programmes. Then, all Community measures concerned with local development, including those outside the Structural Funds, will have been subject to final assessment and to a tailor-made monitoring procedure.*

*Periodical Reports on lessons learnt from local development and employment initiatives will be published by the Commission on the basis of the assessments for the various instruments. This will highlight transferable forms of "good practice".*

### **3.2 Circulating examples of good practice and encouraging European information and cooperation networks**

Community initiative programmes and other help has already meant that a projects have joined up in information and cooperation networks. Nonetheless, many project promoters still remain isolated and poorly informed. The Commission intends to step up aid for the constitution of networks between local development and employment initiative centres; it will supply them with the information on good practice which comes from the evaluation process.

*As regards the Union's direct partners and the Community fund managers, in addition to the publication of the annual report on the local initiatives, the Commission will ensure that there is a regular exchange of internal information on programme content and results, and that there is*

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<sup>50</sup>For example with effect from 1995, the priority objectives for Article 10 of the ERDF Regulation will refer to this approach. More particularly, support for the regional diffusion of technological innovation and innovative measures will concentrate on initiatives concerned with the information society, local jobs and the cultural heritage. For those, actions will be founded on the development of local strategies including concrete measures, preconditions, financing and the partnership of the pilot demonstration projects which are involved.

*quantitative and qualitative information on the local initiatives receiving support. It would also be advisable to bring together the various actors and networks periodically so as to encourage the exchange of the good practices and raise awareness about local development and employment initiatives, thus getting a multiplier effect.*

*The national administrations, the evaluation experts and the members of observatories set up on specific themes (e.g. rural development) will be invited to take part in regular meetings. The monitoring committees in the Member States, along with the specialised committees<sup>51</sup> will be regularly informed of progress made on the local initiatives.*

*To improve the flow of information to project organisers and applicants for Community support, the Commission will look into the practicalities of using computers to make the information more widely available. The Commission will include other networks in the Community schemes<sup>52</sup>, for example the Member States' information channels and local authorities' own, along with the circuits run by non-governmental, associative and consultative organisations. This will make for better use of existing circuits.*

Over and above the exchange of information, certain trans-European networks have already set up systematic forms of cooperation. For instance, the network set up for the LEADER programme has led to European cooperation between the organisers of the rural development initiatives and the national administrations. This cooperation model warrants extension to the local urban initiatives which deal with the risk of the breakup of society in some places.

*Starting with this example, the Commission will make a handbook on successes in the renewal of the urban fabric. The Commission will then propose that project managers exchange information on Community-funded projects in urban deprived areas.*

*The European networks set up for the exchange of information will be encouraged to cooperate directly with a view to exchanging experience on the most tricky aspects of local initiatives<sup>53</sup>.*

*Finally, there will be a continuing exchange of experience between local and regional operators under DIRECTORIA, with emphasis on the new Member States and the Associated Countries. An exchange/training scheme for local and regional authority civil servants might be added, as under the KAROLUS programme.*

### **3.3 Supporting national policies to the benefit of local initiatives**

Finally, the European Union can support national policies for encouraging the local initiative approach, both via the Structural Funds - in particular under the appropriations for experimental measures - and by way of other more sectoral, financial or regulatory policies, with a view to creating a common European frame of reference. The complementarity of national frameworks and Union-level provisions comes to light in specific fields, such as at-home services and childcare, better housing, security, the new information technologies at the service of local development, management of local public transport services, local shops, the cultural heritage, waste management and nature conservation and improvement (Annex 2).

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<sup>51</sup> e.g. the STAR Committee on Agricultural Structures and Rural Development, the Advisory Committee on the Development and Conversion of Regions, the social partners' advisory committees on agriculture, commerce and distribution, transport, the cooperatives/mutuals/associations

<sup>52</sup> e.g. the rural forums ("carrefours ruraux"), the Euro-Info Centres, the European centres for enterprise and innovation, the LEADER, RECITE, LEDA, ERGO, ADAPT and EMPLOYMENT, OPET, ENERGIE-CITÉ, FEDARENE, ILNET, ECOS and OUVERTURE networks, the relay centres and regional infrastructures for innovation and technology transfer, and the ARIES network for the "social economy"

<sup>53</sup> the installation of regional development agencies, services to SMEs, inter-regional cooperation, financial engineering mechanisms, the use of global grants and access to other Community policies

## The Structural Funds

Thanks to promotion and the development of projects for the diffusion and the exchange of good practices drawn from the evaluation, local development and employment initiatives, made more visible, should be included more often when the Member States prepare and revise their Community co-financed structural programmes.

The point is not to initiate a new set of reforms, but rather to make more effective and dynamic use of the available resources and the existing instruments to create jobs and underpin a development process based on local initiatives. This effort covers training and recruitment, tangible and intangible investment.

More specifically, it may require full and regular participation on the part of local development players in the monitoring committees of the programmes and/or of the preparatory technical committees on the local initiatives, a stronger private-public sector partnership arrangement and systematic accompaniment for all major infrastructure operations under local initiatives.

*The Commission will ensure that there are more systematic links between the assessments arising from the experimentation programmes and the management of operational programmes under the structural policies, including actions run within the framework of the Community initiatives. It will keep the national administrations regularly informed of best practices on local development, more particularly in the context of CSF and SPD monitoring operations.*

## The other policies

Other instruments offer possible means of supplementing or stimulating national initiatives.

Horizontal measures are the first step in helping to improve the general environment for businesses and job-creating activities. They help a more coordinated approach on the part of national policies. *Such is the case, for instance, with efforts being made at Union level to coordinate our approach to environmental tax schemes and the corresponding relief of non-wage labour costs for the least skilled. Community financial instruments such as those run by the EIB and the EIF to assist SMEs also follow the horizontal approach; thought could be given here to extending these arrangements to new service and commercial sectors.*

Consideration can also be given to meeting specific local needs in particular areas:

*Community support may thus take the form of encouraging the changes to the legal status and to quality standards applying to the new professions. Through its sectoral policies, the Union could also help the pooling of the technical know-how which is needed to develop one or another of the different fields.*

*As for the adoption of new technologies, the Commission could encourage and support pilot projects which will show the contribution of the information society to job creation and which will, through training, help people to get the most out of the new jobs opportunities.*

*Putting it broadly, the Commission is ready to strengthen the way it use the various instruments to help local initiatives, for better effectiveness.*

At any rate, though, Community support will only be fully effective if it dovetails with national strategies as set out in the "multi-annual employment programmes".

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Local development and employment initiatives offer an original way of creating new activities which correspond to the changing demands of our society. They can release a good part of the job potential evoked in the White Paper "Growth, Competitiveness, Employment". This is why they were highlighted the European Council of Essen, as a way of increasing the employment content of growth. They must take an important place in the multiannual employment programmes to be drawn up by each Member State.

Community action will have to be supplemented and refined on the basis of national guidelines for local development and employment initiatives, used in the national multi-annual programmes. As with the Union's social action programme, doing this will encourage cooperation between the Union and the Member States. This cooperation, once it has been learned for the sake of local initiatives, should come to characterise all of the follow-up to the Essen European Council.

## ANNEX 1: PUTTING ADMINISTRATIVE CHANGES AT THE SERVICE OF LOCAL INITIATIVES

Type	Characteristics	Anticipated advantages
Service vouchers	Payment voucher issued locally and made available to individuals or distributed as equivalent to social benefits. Vouchers are exchanged for particular services. The issuing authority selects the service providers (who may be firms, associations, cooperatives and the like) on the basis of a set of specifications.	Creation of a reference price for new services. Makes services more affordable for modest households. Encourages the provision of regular, high-quality services. No discrimination between different types of service providers. Combatting black-market labour. Cutting down on red tape.
Local savings instruments	Constitution of venture-capital funds, compulsory monitoring and training, replacing expert consultancy Authorisation of investment funds for geographically small areas.	Household saving is encouraged, while helping to solve local employment and development problems. The know-how of former entrepreneurs and managers get used. New activities come from financial establishments collecting people's savings.
Changes to tax rules	Redistribution of tax or social security contributions to favour the lowest earners. Housing aid redirected to the renovation of older housing stock. Reduced tax treatment differences between the various forms of transport.	General measure, which is particularly interesting for local initiatives. Boost for labour-intensive renovation work. Incentive for diversified forms of transport combining public and private modes.
Changes to the way public expenditure is managed and classified	Temporary freedom to mix unemployment benefit and part-time work. Possibility of giving unemployment benefit to starting firms. Longer duration and degressive scheme of benefits to people making their way into the labour market. Operational expenditure for local initiative start-ups to be classified as capital investment expenditure (for two years).	More opportunity for local employment agencies to enter into a partnership arrangement with local initiatives. New arrangements for local authorities and groups to favour local initiatives.

**ANNEX 2:**  
**COMPLEMENTARITY BETWEEN NATIONAL POLICIES AND EUROPEAN UNION ACTION ON  
LOCAL INITIATIVES: EXAMPLES FROM SELECTED FIELDS**

National policies have already sought, in certain specific fields, to encourage local development and employment initiatives, e.g. in Germany and Denmark (environmental management and conservation) Portugal (revitalisation of traditional local trades), Ireland (integrated rural development), and Belgium and France (local jobs), to cite a few recent examples. By following this field-by-field approach, we can highlight the complementarity between the national framework and European Union action. In the following examples, a distinction can be made between:

fields in which support from the Union is primarily by way of the existing structural policies (section I). In other words, the support principally takes the form of exchanges of information, experimentation, and support for innovative initiatives, and making decision-support tools for the Member States and local authorities;

fields in which Union action could also take on a legislative form, so as to help the national and local authorities in their tasks, whilst respecting the principle of subsidiarity (section II).

**I. Complementarity in the case of structural policies**

Home help services and child care

For personal services, such as child care or home help services, the financial obstacle posed by people's inability to pay can be partly overcome by three things:

- helping create private or "social economy" firms which offer a full range of services, so that the relative lack of profitability of one of these can be balanced out by others, and yet the firms are better able to respond to clients' or subscribers' needs;
- trying out new scales of charges, with the price of a service being varied as a function of the household's purchasing power;
- local cooperation between major businesses and neighbouring small firms to provide joint services for their employees (e.g. nurseries, occasional child-care services and administrative assistance). Creation of such services might be a matter of collective bargaining.

Housing improvements

The creation of jobs which meet the need for renovating the housing stock for maintenance and for caretaking is facilitated by national policies combining the following aspects:

- organisation of a "one-stop housing assistance system", dealing with the full range of housing problems from financing and construction up to and including maintenance, cleaning and services to residents;
- guaranteed stability over time of financial and legal arrangements, given that building firms are very sensitive to this aspect in the light of long repayment periods;
- diversification of public aid for both supply and demand to take into account all sub-sectors of the construction business. This improvement should be accompanied by an information and counselling policy (e.g. approval of advisers who have contracted to observe a code of professional ethics, and collaboration between different welfare workers);
- promotion of integrated neighbourhood renovation projects, bringing in multi-trade partnerships (incorporating various skills) and multi-sector partnerships (small businesses,

starter enterprises, NGOs, local authorities, etc.), the idea being to promote a better relationship between residents and suppliers.

### Security

The organisation of this new profession and the creation of lasting jobs depends, at national level, on:

- starting a social dialogue with partners in associated sectors (e.g. transport and commerce);
- adapting the legislation and regulations to the new technologies, to ensure protection of personal privacy. This might include the need for a professional code of ethics.

These policies are all the more effective if followed up at local level by measures designed to:

- promote preventive behaviour by residents, e.g. improving information on the real risks and providing financial incentives for certain forms of security equipment (for each specific need, a solution is suggested in a kind of explanatory catalogue);
- make provision for integrated security policies, with coordination between the various departments or services concerned (justice, police, housing, health) and a partnership with private or semi-private small firms providing a service for the general good and receiving start-up aid or job creation assistance on a decreasing scale (e.g. 50% public funding in the first year, 20% in the second year, 0% in the third year).

### Local public transport

The creation of new jobs in this field depends very largely on the national context, with less discrimination against public forms of transport. More particularly, the internalisation of external costs (e.g. pollution and road and track maintenance) for all forms of transport would place public transport on an equal footing, economically speaking. The social partners should start discussing duration of work regulations and adapt them to the need for multiple skills; this would do away with a number of structural obstacles, along with the adoption of new legal instruments intended to encourage delegated and integrated management of all forms of transport in urban and rural areas.

An integrated approach to the various forms of transport (involving investment costs, the consequences for urban development, maintenance and management costs) based on objective technical information is generally lacking in European towns and cities (especially the medium-sized ones). On the basis of exchange of "good practice" at the European level, help in decision-making and negotiations with specialised large industrialised groups could be provided to cities. This assistance could take the form of a standard "tool box" of decision-support tools prepared at Community level for these types of installations (e.g. standard specifications, prototype financial packages, etc.).

## **II. Examples of complementarity via a common European reference frame**

### The new information and communication technologies

At national level, for speeding up the creation of an environment which is conducive to the expansion of new activities, it is useful to:

- anticipate and fend off the negative effects which the changing structure of our economies may have on the less-skilled, through a series of measures (e.g. information, awareness-raising, ongoing training and vocational retraining, boosting the creation of local jobs, etc.);
- adapt the legislative and regulatory framework ensuring protection of data, consumers and individuals (especially minors) to the new media;

- improve the access of SMEs to teleservices and distance training with the assistance of "intermediaries" who would analyze needs, identify demand and advise on suitable services.

The European Union can support Member States' policies by:

- ensuring, via liberalisation combined with universal access guarantees, the availability of effective high-quality telecommunications infrastructures, at the least possible cost;
- harmonising and guaranteeing the protection of personal data and privacy, and proper rewards for authors (intellectual property rights);
- promoting large-scale experiments at national and Community level on the basis of partnerships between businesses, universities, research centres and local bodies, with public authorities acting as a catalyst for private initiatives. The "Télécities" network, covering more than 50 European towns and cities, aims to define urban needs in this field. A "regional initiative" launched at the end of November 1994 by six European regions is intended to enable them jointly to develop telematics applications. Under the ERDF, pilot actions, running from 1995, will stimulate demonstration projects designed to enhance the awareness level of local and regional actors in the most disadvantaged regions, to enable them to face the technological challenge of the information society and to show the social uses to which the new technologies can be put, with special emphasis on the latest opportunities to emerge.

#### Local shops

At Member State level, the situation of shops in difficult areas, or in rural areas or urban problem areas might be improved by:

- developing services for advice and technical assistance to those who might need it;
- tailoring the regulations to these businesses which are often very like micro-enterprises and could enjoy the same advantages;
- revaluing the whole image of this sector, more particularly by vocational training for applicants and tradespeople, but also by a better targeted use of the new information technologies.

The Union can therefore support innovative projects of Community-wide interest which form part of overall strategies for the economic and social revival of problem areas (both rural and urban). Other approaches are conceivable, e.g.

- targeting of Structural Funds and Community initiatives to allow joint financing of tangible and intangible investments to foster the preservation or creation of neighbourhood businesses that are more competitive and give better service (i.e. better value for money);
- the possibility of investment by the EIB in the commercial sector;
- setting up a forum of informal exchanges under the "Commerce 2000" programme to publicise "good practices" among representatives of regional and local authorities, traders' associations and the Commission;
- initiating discussion on the legal problems and commercial development in towns and cities with the group of national experts and the distributive trades committee.

#### The cultural heritage

An effective and innovative national employment policy in this field would cover:

- a fiscal policy giving the sector financial autonomy, like the tourist taxes in certain countries which allocate the money obtained from visits, copyrights or intellectual property rights, to the expenditure necessary to enhance the value of the cultural heritage;
- a legal and professional framework to encourage development of the "para-cultural" sector which the major European museums are starting to develop (e.g. book and print shops).

- sales of works of art or of copies, culture clubs suited to different categories of people). It would then be possible to envisage providing incentives of a financial, information or technical nature, encouraging project organizers to make more intensive use of labour:
- adaptation of legal and financial regulations in order to guarantee proper remuneration for authors (intellectual property rights).

European Union support is conceived, then, in the form of a European code of conduct stressing the damage-prone nature of the cultural heritage (as of the natural heritage) and the need to maintain it. Owners and managers of sites of interest will need to be encouraged with advice and technical assistance.

In terms of regional policy, this particular source of new jobs will attract special support for inter-regional cooperation and innovative pilot-projects.

#### Waste management

The role of the Member States is essential for the stability or development of a propitious economic context, which basically means taxation. For example, if landfill development costs and landfill charges in a Member State are both low, firms will have little incentive to use and manage waste products in the best possible manner.

The national level may also be appropriate for the introduction and trial of waste recovery schemes. One example of this is the experimental use of old refrigerators or similar household appliances in Denmark. The establishment of such waste recovery schemes can have significant long-term effects, not only on the market and on job creation, but also on the behaviour of manufacturers, who will be encouraged to produce longer-lasting or recoverable products.

The viability of a number of waste management projects involves going outside a particular local authority area and developing inter-communal projects as well as partnership projects between the public and private sectors.

At another level, the European Union must continue its action to introduce a taxation scheme which is more conducive to the conservation of natural and human resources. Likewise, the Union can help the education of young people and increase awareness of the importance of waste management and the protection of natural resources.

#### The management and improvement of natural areas

The Community dimension is of particular importance in this field in that the common agricultural policy and agri-environmental measures can have a major impact, and the management of natural areas will often require inter-regional not to say trans-frontier cooperation.

However, the creation of lasting employment depends largely on the innovative nature of national policies designed to:

- promote quality in agricultural products, primarily to underpin farming in difficult areas; encourage the creation of marketing channels; contribute technical and financial support for the development of local products (e.g. training and schemes for people who will do more than one type of job);
- draw up regulations geared to the present situation of natural areas in Europe and ensure compliance so that they genuinely deter unsound practice (e.g. by penalties) or encourage (with financial or material assistance for clearing and thinning, mowing, maintenance, etc. on condition that such activities would not already have been carried out anyway);
- encourage local projects which fit their logical geographical or social boundaries, rather than being forced to fit pre-existing administrative ones, and which involve private-sector players (both individuals and companies);

- diversify the legal status of people who do this or that, to make marginalised groups more employable (e.g. The "green jobs" scheme in France) and subsequently find ways of making such jobs more like professions;
- explore innovative ways of divvying up public finances, and twinning schemes between rural and urban authorities;
- show the public how much cheaper prevention is, than cure.





European Commission

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