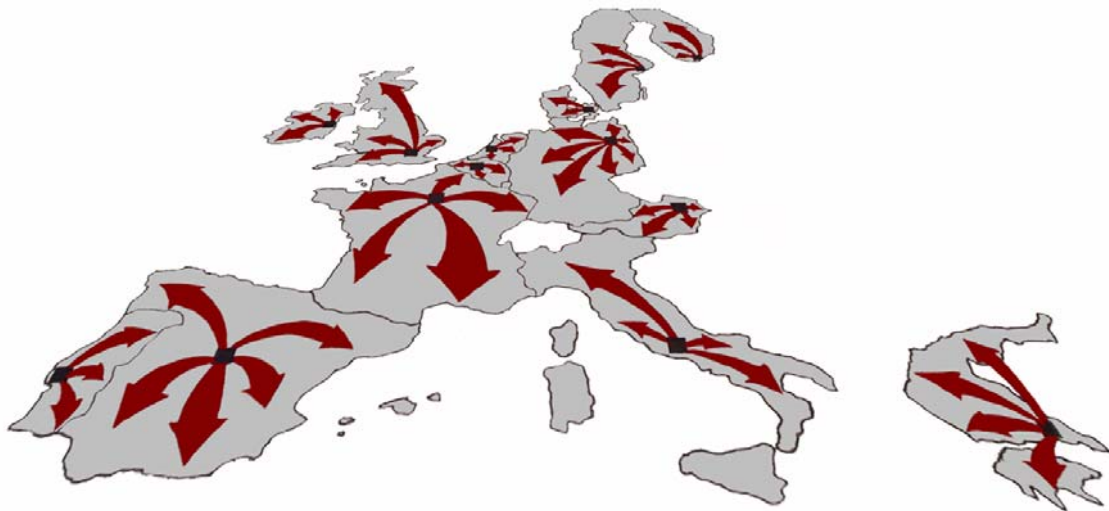


Horizontal Evaluation of Local Employment Development

Executive Summary



Research Contract VC/2002/0355
for the European Commission
Employment and Social Affairs DG
Brussels

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Munich, March 2004

Executive Summary

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

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

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

1. The evolution of local employment development

The concept of local employment development

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

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

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

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

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

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

History of local employment development

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

Based on the Amsterdam and Luxembourg Summits in 1997, which achieved the breakthrough for the European Employment Strategy, the Lisbon European Council placed the objective of full employment at the centre of a new integrated policy agenda. The implementation of the open method of coordination included the target to involve local actors: “A fully decentralised approach will be applied in line with the principle of subsidiarity in which the Union, the Member States, the regional and local levels, as well as the social partners and civil society, will be actively involved, using variable forms of partnership” (European Council 2000). Although the role of the regional or local level for local employment development was not addressed in detail, the Lisbon Summit has had a central role which led to the Commission’s more active approach towards local employment development.

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

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

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

Scientific background

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

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

However, not all experts regard decentralisation as a solution per se to the problem of unemployment. The advantages of decentralisation can be offset by rising inequalities among regions as a result of the devolution of powers. Increasing financial responsibilities for local communities may amplify such inequalities. Moreover, a shortage of management skills at local level may limit local policy performance, and inefficiencies may arise from duplicated or even conflicting activities. Finally, there is the problem of legitimacy arising with the involvement of non-governmental actors in policy design and implementation.

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

The growing importance of local partnerships was associated with the centrifugal forces of market liberalisation and the problems of peripherality and social exclusion emerging from this trend. This is confirmed by network theories which

stated that networks can better internalise negative impacts as compared to hierarchical administrative systems. While traditional network approaches targeted the co-ordination of sectoral policies at local level, modern regional networks are used to create innovative and dynamic regions.

Decentralisation approaches in the Member States

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

Policy content of local employment development

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

Local re-inclusion policy is the more traditional approach to increase the employability of workers and to reduce unemployment. This kind of approach is often used to improve the efficiency of national schemes. In France municipalities can provide jobs to unemployed persons within the Local Plan for Integration and Employment (PLIE). In Germany local qualification and employment companies (Beschäftigungsgesellschaften) are established for this purpose. Portugal created a programme for Social Market Employment (MSE) which promotes the transition of unemployed to the labour market.

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

Area renewal policies were particularly developed in Ireland and France. Revitalising Areas by Planning, Investment and Development (RAPID) is the Irish programme which supports integrated local economic and social development by partnerships of enterprises, social actors, local and state authorities. France has

demarcated sensitive urban zones which receive support for youth programmes, urban regeneration, and job creation.

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

Organisation and performance

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

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

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

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

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

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

2. EU actions in relation to local employment development

Characteristics and achievements of the European LED approach

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

- The provision of a policy framework based on the policy principles of the European Employment Strategy.
- The development of LED concepts at local level through pilot programmes and Innovative Actions.
- The provision of financial resources under the criteria and the institutional regulations of the Structural Funds.

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

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

The integration of labour market related targets into regional development under Objectives 1 and 2 open the opportunity to establish coherent and comprehensive policy concepts at local level. Objective 3 measures are concentrating on human resource development but do not allow the same type of policy integration at the

regional level. Similar programme orientations can be observed for the Community Initiatives. URBAN II and INTERREG III are integrating labour market related targets into a wider local development approach. EQUAL is concentrated on targets related to employment and social inclusion. It requires integration into a wider local development framework if broad employment effects should be achieved. LEADER+ does not directly address employment related measures and equal opportunities. However, all Community Initiatives include elements of human resource development at least indirectly, as many of the regional development and regeneration targets are associated with positive effects on employment and social inclusion.

Impact of the different types of EU programmes

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

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

- at European level, eligibility criteria for the European Structural Funds Objectives and Programmes are differentiating between regions; Community Initiatives and Innovative Actions are selecting through competitive application procedures;
- at Member State level, national priorities and regulations overlap with EU programmes;
- at local level, the relevance of local employment development and the ability to engage in EU funding varies.

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

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

employment development through national decentralisation strategies and others ignoring it.

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

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

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

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

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

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

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

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

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

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

Complementarity between EU programmes

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

While the policy of mainstreaming local employment development in the Structural Funds helped to extend the application of the LED concept, the complementarity of the LED approach at EU level depends on the

complementarity of the Structural Funds. There is the principal regional correspondence between Objective 1 and Objective 2, and the thematic correspondence between Objective 3 to the remaining Objectives. A similar structure can be discerned among the Community Initiatives where URBAN II and LEADER+ are complements regarding urban and rural areas. EQUAL applies a thematic focus while the other Community Initiatives prefer regional development approaches. In common, LED support through the Structural Funds is not provided to all regions and does not generally support the development of comprehensive LED approaches.

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

Most importantly, the specific funding regulations for the Community Initiatives and pilot programmes create a serious problem to local actors who have to accommodate to a variety of programmes, eligibility criteria, partnership concepts, and evaluation procedures. The complexity of funding generally excludes local actors who cannot rely on efficient management structures of Structural Funds programmes at the national or regional level, or who did not establish the consulting and technical support services required to manage the funding process. From this point of view, the reduction of the complexity of funding appears as one of the preconditions for a broader support of LED approaches within the Structural Funds.

Promotion of the partnership principle

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

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

The different approaches appear as a value added to the development of the partnership principle which helps identifying superior approaches as regards inclusiveness, efficiency and sustainability. Taking the variety of possibilities to establish workable and efficient partnerships, the Community Initiatives could be less distinct in supporting specific types of partnership concepts. More attention

should be given to the principal requirements of clearly defined targets, efficient decision-making procedures, and controlling mechanisms.

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

Sustainability

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

While EU funding and the principles of the European Employment Strategy gave valuable inputs to the programming and initiation of LED approaches, the contribution to sustainability remains limited due to the fact that all programmes have long entry periods but limited duration. Therefore, some of the LED cases observed were reluctant to base their LED approach on EU funding, particularly if they are only eligible for Community Initiatives or pilot projects. In other cases, the use of European or national funding sources appeared to be more attractive than the development of an effective employment policy at local level. This observation points to the problem of dead weight losses which can also be discerned in the context of local employment development.

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

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

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

Dissemination of lessons

The intensive European debate on local employment development indicates that the information exchange on these issues is working very well. A series of EU and OECD conferences contributed this exchange. The debate, however, is far from having identified the “general rules” of local employment development. As could be seen in the Netherlands, there are cases like the City of Groningen which were presented as models for LED approaches in the country. The TEP programme provided a concept which was used by Member States to establish partnerships. These observations, however, are rare positive examples. In many LED cases the room for manoeuvre is limited as local actors are obliged to follow the general rules of the national or sub-national administration with little scope for innovation. Positive feedback to the national or sub-national level is therefore limited. In the LED cases observed by this evaluation the dissemination of lessons varies, but none was reported to be strong.

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

Alternatives to European LED promotion

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

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

efforts of the European Commission to convince national governments of the advantages of local employment development, therefore, continue to be an important element of LED promotion by the European Commission.

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

3. Recommendations to European, national, and local actors

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

Recommendations for Community action:

- *Concentrate resources on the foundation of LED approaches.* What local actors need is help for establishing the framework of their local policy, for creating partnerships, for implementing their policies, and for easy access to available financial support. While funding of operational labour market policies can further be provided by the existing instruments at regional, national or EU level, it is suggested to concentrate EU support for local employment development on design, development and implementation of local approaches. As in the past, this might be achieved through the integration of local employment development as a horizontal priority of the Community Initiatives and other Structural Funds programmes. However, if the dissemination of LED approaches should be broadened, the creation of a LED action programme might be considered as a more effective way. This LED action programme might address national and local actors. It might include the components of policy design, organisation and access to financial funds, Under the common label of local employment development the Commission could provide recommendations for decentralising employment policies, and for the implementation of local approaches. Such a programme might assist local stakeholders to design the concepts for regional employment and social inclusion policies, support co-operation among local actors, open access to EU funding, and help to develop the evaluation and management instruments needed. Of course, such a LED programme would be a significant step raising the importance of LED policies at the EU level and therefore can only be undertaken with support by the Member States within a medium-term perspective. The concentration of the programme on the foundation of LED approaches will be compatible to the principles of both, subsidiarity and cost-efficiency.

- *Generate integrative regional development approaches:* The strong links of active labour market policies with economic, environmental, cultural and societal factors call for a wide regional development approach. The promotion of local employment development would therefore include measures which develop the human capital basis of the territory, support economic growth, strengthen the cultural identity of the region, and promote integrative policy thinking at local level. This would address a wide circle of local actors and will be the key to involve business partners in local partnerships. Most importantly, this would facilitate the development of coherent and comprehensive local plans.
- *Develop evaluation instruments for local employment development:* The lack of evaluation evidence appears as a substantial obstacle for the improvements of LED approaches. While evaluations under the Structural Funds and other EU programmes provided valuable results, there is little evidence in these evaluations on the specific contribution of the programmes to local employment development. The present EU activities to promote evaluation and to improve the statistical and methodological basis are important steps for more robust assessments of LED approaches.

Recommendations to the Member States:

- *Test the feasibility of decentralised employment policy concepts:* LED approaches can only be developed gradually, even if this includes the risk of rising disparities among regions. The most important element is the decentralisation of public employment services and the establishment of the required links between national, regional and local authorities. How this can be achieved is a matter of the existing institutional structures in the Member States. The integration of the LED approach, therefore, appears as the genuine task of the Member States. Beyond the questions of the distribution of powers between national and regional public bodies this is also a question of practicality and efficiency, which can only be answered through experimental testing.
- *Improve the vertical integration of employment policies:* In the sense of local employment development vertical integration of employment policies means that national policies must open room of manoeuvre for local actors rather than strengthen top-down relations. It means removing the inconsistencies emerging at local level through the ‘sectoral’ division of centralised policies. This can be achieved through widening the scope for independent local action and thus improving the consistency of policies with local conditions. National programmes should therefore provide flexibility for local adjustments and varying local policy mix.
- *Open a ‘one-stop-shop’ for Structural Funds and national assistance:* The access of LED stakeholders and organisations to the Structural Funds, the Community Initiatives and national resources should be improved by simplified funding procedures – ideally by bundling resources into a single virtual LED funding title. Such a virtual budgetary instrument provides funding in a “one-stop-shop”. This would simplify eligibility criteria, integrate regional

policy action, and – most importantly – would not discriminate among regions due to their Structural Funds status. As the experience at local level revealed this would strongly help local actors to use financial resources effectively.

- *Strengthen the information basis for local employment development:* National statistics and records contain a great volume of information. This provides an important basis to develop the management systems for local activities. The information basis, however, is not yet developed sufficiently as regards statistical concepts, classifications and regional structures. The adjustment of these information instruments to the needs of local employment development would be an asset for the improvement of LED evaluation.
- *Address the legitimacy problem:* The problem of legitimacy arises with growing involvement of non-government institutions in policy design and the decision-making processes. While local employment development has not yet achieved a status where this problem plays a dominant role, the legitimacy problem will rise with the growing volume of funds available to local actors. Partnerships will have to be fully responsible to public authorities as regards the use of public funds and they will have to be fully responsible to the public as regards policy decision and openness to relevant partners.

Recommendations to local actors:

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