



EUROPEAN COMMISSION

**FIRST REPORT  
ON  
LOCAL DEVELOPMENT  
AND  
EMPLOYMENT INITIATIVES**

LESSONS FOR TERRITORIAL AND LOCAL EMPLOYMENT PACTS

WORKING PAPER

NOVEMBER 1996 - SEC(96) 2061



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## SUMMARY

A survey, conducted in 1994 in the European Union on creation of jobs to meet new needs, has led the Commission to promote the idea of local development and employment initiatives (LDEIs). As part of the follow-up of 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 makes it obvious that LDEIs are at the heart of a new European movement.

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

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

Whereas the local development policies are increasingly concerned with job creation and with the improvement of the quality of life of the inhabitants, the analysis of "good practices" makes the "LDEIs engineering" progress.

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 Communication of the Commission. It shows that a cooperative European strategy in favour of the 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 develops, there is slow progress in the recognition of the qualifications and the development of training corresponding 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 engaged structural reforms to facilitate the passages between various legal statuses for employees and companies. Finally, some countries are trying to genuinely 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 community's benefit and its economic development.

The experience of the LDEIs enables one to clarify 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 which 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 mefiance of the private sector.



## TABLE OF CONTENTS

<b><u>INTRODUCTION</u></b> .....	1
<b><u>1 - LDEIs AT THE HEART OF A NEW EUROPEAN MOVEMENT</u></b> .....	9
1.1 The demand for new services continues to grow .....	9
1.2 Entrepreneurs use new ways to implement their projects.....	11
1.3 The realization of the new sources of employment occupy an increasing position in the local economic renewal strategies.....	13
1.4 Job creation is handicapped by emergency social policies .....	16
<b><u>2 - TOWARDS A MATERIALISATION OF AN EUROPEAN STRATEGY</u></b> .....	20
2.1 Mixed reaction of the economic and social actors in front of local development.....	20
2.2 - Establishment of stable and coherent national frameworks .....	23
2.3 Action at European level on the right track .....	27
<b><u>3 - CONCLUSION AND PROPOSALS: WHERE SHOULD EFFORTS BE CONCENTRATED?</u></b> .....	29
3.1 Some lessons for regional and local employment pacts .....	29
3.2- Avoiding the pitfalls of marginalisation.....	30
<b><u>ANNEXES</u></b> .....	27
Annex 1: Saving of energy.....	29
Annex 2: Sports.....	36
Annex 3: The National Policies in Favour of Local Employment and Development initiatives.....	37
Annex 4: National examples of the use of service vouchers and subsidies for consumption .....	101
Annex 5: Work of the interservice group “LDEIs” .....	103
Annex 6: References .....	105

## 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 of territory-based approach. In very schematic terms, it represents the cross-roads 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 will 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 has 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. Therefore, the LDEIs support gradually finds more room 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 and 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 remaining 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 potential of job creation in the 17 fields identified by the survey carried out in 1994; they make it possible to enrich this list and 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 help 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 enough 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 behaviour and of the ways of life;
- that current supply complied only partially with 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 with the new arrival of 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 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 black 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 use new ways to implement their projects**

*The approach of the local initiatives 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 social economy.*

- Today, the lack of **the entrepreneurial spirit is commonly verified** in Europe with 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 clarify the profile 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 use ways, which begin to be better defined: self-employment or micro-enterprise, 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 in 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 precariousness avoidance 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 the cooperatives, the mutual societies, the associations and the foundations. Concerning the approach of the LDEIs, two criteria should be retained: the absence of lucrative 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 a 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 black labour force and another group (20%) were engaged in legal casual work.

- There is another phenomenon which is characteristic for 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 occupations in support and guidance. They raise awareness of self-employment by providing information on existing aid, training, technical assistance in defining their 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 enterprise 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 which 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 markets 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 realisation of the new sources of employment occupy an increasing position in the local economic renewal strategies**

*Whereas the local development policies are increasingly concerned with job creation and with the improvement of the quality of life of the inhabitants, the analysis of “good practices” makes the “LDEIs engineering” progress.*

- 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 which examine instances of good practice are converging:
  - 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, may receive information on projects or, better still, be consulted on the programme and the way it is run, may be members of a group or an association taking action under the programme and may also participate as employees.

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 ten years now 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 handicapped 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 for a long time the sectors and the jobs associated with the LDEIs.*

The analysis of the multiannual employment programmes shows that **for several Member States, the topic of LDEIs is partially assimilated to the insertion policies of 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, on the one hand, 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 **taste for jobs in community work 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 black 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 due, for example, to low productivity when too many long-term unemployed persons have been taken on and when any profits have to be returned to the state.

- On the other hand, too many changes in the rules or in the 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.

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<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 lead to unfair competition between sectors without guarantee for 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 to 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 A MATERIALISATION OF AN 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). Thus, it settled a European medium-term 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 in front of 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, such as some trade unions, are not indifferent to this new dynamism. On the other hand, the private sector, with rare exceptions, keep LDEIs at a distance.*

- At local level, the alliance between the politicians and the residents is easily achieved for encouraging LDEIs. **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.**

Inner-cities, the population, 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 deciding level in the chain, which ranges from local to European. It is at this level that the allocation of the public resources (regional, national and sometimes Community) are frequently decided and the local initiatives can be combined in a coherent way. Although less directly subjected to budgetary constraints than certain municipalities, the regional authorities are, all the same, **concerned about the harmonious economic and social development of their territory.** Gradually they become aware of the slight repercussions for the local employment of the strategies purely centred on the attraction of new enterprises by advantageous tax conditions and on large infrastructure equipment. Thus, in the programmes part-financed by the Community Structural Funds, but also outside of this framework, one sees the multiplying of the regional mechanisms intended to encourage the LDEIs and to create a favourable context.

- **LDEIs are far from enjoying 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 espagnoles* 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 "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 the cultural services.

As regards households 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 tradition 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 on low-population areas, coordination in creating local jobs in connection with major infrastructure projects) and establishing relations with subcontractors.

<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)

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 payments orders (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 give way to a change in behaviour.

#### **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 given role of 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 which have rejected traditional Keynesian economics, 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 had been 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 households demand 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 to understand better 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 created in all events), 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 the 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 insufficient 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 forms 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. prescriptors and mediators who can track down 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 look after 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.
- Jobs 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 live shows. 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 occupational 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. They might have expanded fairly rapidly in countries and regions where they have been strongly supported in the framework of programmes aimed to the promotion of LDEIs. There has been strong support in the Leader programme in the rural areas in Ireland and in Portugal but be non-existent elsewhere. In general terms, the personnel in the public administration is rarely trained to these methods.

In services even more than in industrial or agricultural production, **the quality service is a sine qua non for the survival of the enterprise**. It may be quality guaranteed by skills 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 kind of new domestic is emerging. In 15 years the private supply tripled and accounted for 38% of the market in 1992. However, these unskilled services, which have a turnover of 4 billion US\$ from 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.

As regards quality control, some countries have opted for prior public authorisation: a list of accredited service providers for childcare has been distributed by Finnish municipalities, a statement concerning

house-cleaning enterprises has been issued in Denmark and in the Netherlands, a list of tourist enterprises selected for the INSERSO programme has been published in Spain and associations or enterprises providing services have been authorised in France. Other countries have opted for a *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 passages between various legal statuses for employees and companies.**

These are 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 measures at local level over a wider geographical area.** The Flemish region of Belgium is seeing the emergence of regional platforms and forums which are intended to devise 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 yet other countries, it is a specific activity or priority aim rather than a local authority which 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 subscribes "*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, it is also considered to organise a Conference on Local development, 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. Aware of the general economic and social context, in which the promotion of the local initiatives is found, they may effectively contribute to the awareness of their supporters 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 several representatives, who stated that if the trade unions are to prosper, they must take over 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 in the way they work. They will probably have to set up networks – in new areas of activity in the non-profit-making sector among other things – 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 make more comprehensible and present local policies geared to creating jobs and meeting people's needs) give a special quality to the Commission's message, namely that strategies to encourage LDEIs do not have to remain the responsibility of a single European institution; this should be of interest to all Europeans.

- **As regards the departments of the Commission, there has been some follow-on from 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 tables) 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 - CONCLUSION AND PROPOSALS: WHERE SHOULD EFFORTS BE CONCENTRATED?**

*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 community's benefit 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 hopes that this mobilisation desire of all the actors for employment at local and regional level could find a framework.*

*The experience of the LDEIs enables one to clarify certain desirable components of these pacts; it also reveals the fields which efforts must be given priority, 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 commitment to the strategy, choice of an appropriate area broadly based partnership, 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 may 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.

- The local initiatives may be substantial components of an employment pact work programme. They strengthen and enhance local measures for economic and social renewal. By improving the quality of people's daily lives and the environment, by responding to their needs and offering them new employment opportunities, they give expression to the aspirations for an employment pact.

- The circumstances in which LDEIs emerged and developed are very instructive as regards the methods (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 is required. 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 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 that initiatives can hand over tasks to higher levels (training, social partners, etc.) and derive support from a uniform and solid framework at national and international level (information, financial equalisation, taxes, infrastructure, etc.). Local initiative is not a form of autarky, but just the opposite; initiatives keep in touch with outside developments through participation in transregional or transnational networks which allow an exchange 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 mefiance of the private sector.*

- LDEIs have shown that they can be an effective way of reducing in 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 to devalue 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 the 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 cronyism 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 could be set out again. LDEIs call for specific start-up funding and specific organisational advice:

- In order to avoid going downhill and thus suffering the fate of many projects which have to find start-up funding 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. This investment<sup>19</sup> composed, an average, of two thirds represented by the time invested by the project promoters and other persons involved, and of one third being devoted to consultancy fees.
- 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

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

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 arrangements 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

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- ANNEX 1: SAVING OF ENERGY
- ANNEX 2: SPORTS
- ANNEX 3: THE NATIONAL POLICIES IN FAVOUR OF LOCAL EMPLOYMENT AND DEVELOPMENT INITIATIVES
- ANNEX 4: NATIONAL EXAMPLES OF THE USE SERVICE VOUCHERS AND SUBSIDIES FOR CONSUMPTION
- ANNEX 5: WORK OF THE INTERSERVICE GROUP “LDEIS”
- ANNEX 6: REFERENCES

## ANNEX 1

### SAVING OF ENERGY

#### **1. Perspectives**

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

However, today, one notes 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 is realized, 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 the building, for the multi-energies heating systems and for the refrigerators. On islands, where the cost of energy is generally very high, the new technologies can be very advantageous.

A policy of the control of energy has many consequences:

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

Restructuring of energy consumption can generate jobs insofar as it requires the realization of 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 effects of the new technologies on employment are at the same time positive and negative:

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

#### **2. Taking stock of initiatives**

The range of the jobs concerned and the corresponding qualifications is diversified:

- jobs connected with the improvement of the saving of energy in the building, such as the insulation of constructions.
- jobs connected with the counselling as regards energy. Thus, did the task of the local energy producers stretch to that of counselling to the consumers. The new approach associates the sale of a product and that of a service. In addition, the development of the advisory agencies to the private individuals in the cities is observed, 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 households rubbish. The choice of certain technologies can have a significant impact on employment. Thus, 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 of CO<sup>2</sup> emission.

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

In Newcastle, 150 people are employed by the Energy Agency EAGA, in the national programme framework for the control of household energy HEES. At the same time, the employees act as advisors to the households, canvassing future clients, carrying out 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 the control of energy.

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

Job creation connected with the saving of energy is hindered in various ways:

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

In the countries of southern Europe, the weather and the slightness of 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 the control of energy are more 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, if several countries, such as Denmark, make large regulation efforts (standards ...), others take only timid measures. Often, the administrative staff are lacking qualifications in this field and do not have an adequate financing mechanism to encourage the private or public investments.

#### - A poorly developed jurisdiction division

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 states.

Whereas the local level appears the most suitable to conduct campaigns of information and prevention, it is often ignored. In some countries, the lack of the local authorities' 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 on this matter and the added value achieved by an exchange of transnational experiences.

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

## **4.2 At Member State level**

The actions encouraging the energy control can be structured in two categories:

- the sectoral activities, carried out distinctly in the building, industry, agriculture, transport sectors, and which are at the same time horizontal information, planning, audit actions carried out in parallel in all the sectors.
- the 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, technology transfer, etc.

Information on energy control 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 impacts on job creation, may be more convincing than tax or financial calculation alone.

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

## **4.3 At local level**

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

SPORTS

**1. Perspectives**

The increase in demand for sports 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 and spectator sports, social policy sports and the sector covering fitness and adventure.

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

**2. Taking stock of 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 "developments agent" posts have been created in "départements" or towns; these agents are expected to set up local integration projects funded by sports movements and the State. The object is to promote local initiative 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)
- "*Sportive 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 technique;
- 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);
- occupational 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 – for visual consumption rather than participation – for spectator sports.

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 concern, 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 advantage of "going professional".

## ANNEX 3

### **NATIONAL EXAMPLES OF THE USE OF SERVICE VOUCHERS AND SUBSIDIES FOR CONSUMPTION**

- In Denmark a subsidised **domestic service** scheme was launched in January 1994 for a period of two years. It consists of grants paid direct 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 running 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 has just been 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 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 the status of these new jobs will be uncertain.
- In Germany a **dependence 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 committees of companies 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, the municipalities were required to set up a local agency to serve as an intermediary between the long-term unemployed and natural or legal persons (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 status as unemployed.  
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 (INSERSO) 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 INSERSO, 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 worth of activity and is recovered in full by the tax authorities.

## ANNEX 4

### **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, arrangement 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 policy of competition and some practices connected with the LDEIs (18/10/95);
- job creation in the field of the energy saving (7/11/95)
- job creation in the field of sport (2/5/96).

A seminar was co-organized with DG V on “the subsidies to consumption and the 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 the 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 exchange regularly information and diffuse the “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 include 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 the 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 the good practices of urban revitalization was agreed (23/2/96), which will allow the development of the methodological forms devoted 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 aimed at 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 5

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