

# Connecting the Local: Linking Local Employment and Economic Development into National and Regional Governance Systems

Sixth Thematic report of the IDELE Project

based on an international seminar on 12-13 May 2005  
in Faro-Portugal



## **Introduction**

IDELE is a three year project operated by ECOTEC on behalf of the European Commission. It involves the:

**I**dentification  
**D**issemination and  
**E**xchange of good practice in  
**L**ocal  
**E**mployment Development.

Each year, IDELE focuses on four themes in local employment development and identifies good practice examples from which key lessons can be learnt. These will be of interest to:

- Policymakers at all levels;
- Practitioners involved in local employment development;
- Other local stakeholders; and
- Academics and researchers.

This sixth Thematic Summary considers how local employment and economic development activities can be linked into regional and national governance systems. It demonstrates the potential of local action to develop employment through:

- ensuring that decisions that are most effectively and efficiently carried out locally are taken locally;
- partnership as a means of effective governance able to counter the disadvantages of classic policy 'silos'; and
- exploiting sources of legal or community legitimacy to secure resources and local commitment to activities.

Twelve international IDELE seminars and reports provide a platform for policy-makers and project promoters to share a dialogue about how the local approach can make a difference. This thematic report reflects the outcomes of the sixth IDELE seminar held on 12-13 May 2005 in Faro, Portugal.



## Rationale behind *IDELE*

IDELE is a key element of the European Commission's programme to encourage the exchange of good practice and networking in local employment development (LED). The local level has gained increasing importance in European policy since the first official Communication in 1984 and since the creation of the European Employment Strategy (EES) in 1997. While policies at other levels – macro-economic, structural and regional/sectoral – continued to address the broader competitiveness and cohesion agenda at the level of the economic system as a whole, a policy that proposed to use local actors to seek out local solutions had (and continues to have) strong appeal.

At the end of two decades of experimentation and significant funding both for pilot actions and under Structural Funds measures there is a need to review what has been learned and disseminate and exchange the lessons from practice. IDELE comes at an opportune moment in a more general sense, however. Local actors seem, with or without external exhortation, to be becoming more involved in trying to capture employment and development for their regions and it is important to recognise this. While the European Commission programmes have been a significant spur to action, IDELE provides an opportunity to capture learning from a much wider social movement. IDELE also has the capacity to look at how the overall aim of the EES is being achieved by actions in the wider local setting.

## Possibilities for local action

When the local approach came to play an increasing role in the policy frameworks of the EU and a number of Member States (during the 1980s and 1990s), it was chiefly envisioned as an instrument of unemployment policy and this has determined its development pathway. From the perspective of economic analysis LED is seen to work on both the supply and the demand side.

On the supply side, it offers a means to mobilise labour to adapt to new work opportunities and to acquire relevant skills by drawing the unemployed and socially excluded along 'pathways to integration' with strongly local points of entry. On the demand side, it is a means to prospect for new sources of jobs at the local level – particularly by identifying those service gaps and market failures that were unfilled by private enterprise or public provision as service demands changed faster than orthodox responses. With a re-awakening of interest in social enterprise and the social economy, another demand side option has been to stimulate alternative forms of enterprise within local communities that gave both the prospect of addressing gaps in 'proximity services' and the chance that the locally unemployed could create 'tailor-made jobs' by acting as social entrepreneurs.

Another entry point to the possibilities of action at the local level has come from the orthodox perspective of market economics and from the logic of arguments about *market failure*. Indeed, the essence of the highly influential LDEI initiative that emanated from the European Commission's Cellule de Prospective in 1996 was to position local action as an instrument to address existing and emergent market failures in a fast moving economy.



## Connecting the local: linking local employment and economic development into national and regional governance systems

For local actions to maximize their impact it is crucial that local government and partnership actions are “wired into” mainstream systems of governance. Local associations, partnerships or government agencies must be connected *vertically* with those elements that lie above it in the hierarchy of power and resources and *horizontally* with other stakeholders, players and partners.

In the wider literature this area of interest is part of a major debate around what is often termed *multi-level governance* (MLG). This concept is helpful because in addition to considering the technical structure of local and regional politics and administration, it also incorporates the rich contextual factors, such as power relationships and resource availability that are being considered in IDELE. Most commentators agree that there appear to be four components to any definition of what this means.

- Firstly, that decision-making at various territorial levels is characterised by the increased participation of *non-state actors*.
- Secondly, that mapping the different territorial levels of decision-making is more difficult in the face of *complex systems of overlapping networks* involving these varying sets of players.
- Thirdly, that under these circumstances *the role of the state is being transformed* as state actors become engaged more in strategies of coordination, steering and networking than in direct and accountable administration.
- Fourthly, that in this changing context, the whole nature of *democratic accountability* is being challenged with lines of representative versus participative democracy becoming increasingly blurred.

## Governance Forms in Transition

### *Flexible Partnership Forms*

The EU Member States have been adapting to the challenges of global economic competition for several decades. Increasing competition from developing countries has forced a shift away from traditional industries towards a high technology, knowledge based manufacturing and service based economy. In the EU this resulted in the original Lisbon Strategy, a strategic package of European and national reforms aiming to make the European Union “the most competitive and dynamic knowledge-based economy in the world”.

These pressures have produced significant challenges for national administrations requiring changes in the approach to policy-making across a whole range of policy fields. There has also been increasing demand and need for a system of government that is more flexible and responsive to the needs of economy and society. In attempting to provide this flexibility and responsiveness, central government hierarchies are being broken down and are giving way to decentralised and multi-layered government institutions. Additionally, partnerships have been heavily promoted within the European Union as devices for improving governance at all levels by coordinating policy conception, programming and implementation.

The EU focus on partnerships as a mechanism for improved and efficient governance is also consistent with other EU policies aimed at the promotion of a common European



identity and the concept of European citizenship. Partnerships of various kinds are seen as crucial ways in which European policy and activities can connect better with the citizen and be more accurately tailored to specific local needs or the needs of distinct target groups. It has been recognised that European and national policies cannot succeed without the active, meaningful engagement of regional and local actors who are essential for policy implementation and who can provide crucial input into policy programming.

### *Multi-Level Governance (MLG)*

The challenges and changes highlighted above are driving governments to distribute roles and responsibilities more widely between departments and non-departmental public bodies (NDPBs). In effect, levels of government are becoming increasingly *horizontally diverse*.

At the same time the pressures of decentralisation are creating a more diverse web of government structures at sub-national levels and also increasing the relative importance of these structures. Government is also becoming more *vertically diverse* as new institutions and NDPBs are created.

The concept of MLG not only illustrates the way in which EU operates but also reflects the situation within many Member States. In EU terms, MLG is particularly associated with the reform of the Structural Funds delivery mechanism in 1998 which saw Member States commit to a process of partnerships of EU, national, regional and local actors and the social partners. A key feature of the EU approach was to see *partnership* as a means of effective governance able to counter the disadvantages of classic policy 'silos'.

In general terms, then, local partnership development is consistent evolving multi-level governance and is a distinctive feature of the European model.

### *Multi-level Governance, Globalisation and the Local*

The local level is not just the instrument of government policies coming from higher levels. Ultimately, the local is where the pressures for change as a product of globalisation and economic and social transformation are played out in practice and in response to these pressures a clear trend is also emerging for local people to come together on their own initiative to influence responses.

Governments are responding differentially to the challenges presented. Most are taking steps to actively facilitate local partnerships and activity but some are still to be fully persuaded of the power of the local to make things happen. Good governance demands *MLG* and in the context of subsidiarity that which is most effectively and efficiently carried out locally should be assigned to local players. What is vital is that the levels be properly "wired up" with the local playing no more and no less than its most effective part in the process.

The proposition emerging from IDELE is that by unbundling the ways in which policy actions are conceived, managed and implemented we can begin to understand the ways "wiring up" the levels to get the best (local) results.

### *Local Employment Development Actions: From path dependency to creative action*

The EC drive to promote bottom-up and local approaches has done much to enhance the local component of MLG. But in many cases it has been the opportunity to draw down



funds that has driven the process of partnership formation rather than a full understanding of the value added that can come from acting locally. In these cases, *path dependency* tends to be the norm with a track laid out and followed more because it can be done under the prevailing circumstances than because it is the one that can make a real difference.

To break free from path dependency requires group action that involves *a high level of agreement, commitment and energy* and it is only under special circumstances that this can be achieved. Local development at its best is above all an exercise in *creativity*. Simple rule following may produce the structures necessary for local partnerships to be initiated and sustained in the short run but long run sustainability demands innovation and the flexibility to respond to fast moving change.

### ***The rationale for local partnership***

The case example partnerships held various sources of legitimacy, based upon their legal status but also what are they were *actually doing*, that gave them a claim on local people, government or other agencies. Three broad types were identified:

1. Filling local gaps (services, representation etc.) by bottom up action;
2. Delivering co-ordination and integration among agencies acting locally
  - Top-down by government initiative;
  - Bottom up by concertation among local stakeholders;
3. Delivering vertical integration and brokering activities across the different levels for a given space or locality.

#### *Filling local gaps (services, representation etc) by bottom up action*

The drive for local people to capture a stake for themselves in the system of governance normally comes from the recognition that some community need is not addressed or is inadequately addressed by public services and that self-determined action may be the answer.

#### ***Example: Trångsviksbolaget AB, Trångsviken, Sweden***

In response to difficult local economic and social conditions in the mid-1980s the local community started to pull together to find solutions to their problems. After many years of work, these efforts resulted in the construction of a new community building that provided new premises for existing public facilities and the environment for new cooperative activities.

At the same time the local Trade Association was reformed as a new joint-stock company, Trångsviksbolaget AB, to help provide long-term support for community development. The company is wholly owned by the Trångsviken community whose individuals and businesses invested 1.5 million crowns in initial share-capital followed by a further 1.2 million crowns in 2003. The major shareholder is the Community Folk Association of which all inhabitants of Trångsviken are automatically members.

#### *Delivering co-ordination and integration among agencies acting locally*

This rationale derives from the need to coordinate together the actions of the many agencies that have “footprints” in a given local area. Responses to local needs are placing increasing demands for governance structures to be both more flexible and more joined up and the broad rationale that underpins this category is the need to coordinate public action at a local level in order to increase the efficiency and effectiveness of local delivery.



We can divide this category into two components that reflect the way the action was sponsored:

- *Top-down by government initiative;*
- *Bottom up by concertation among local stakeholder.*

In some cases the driver has come from higher tiers of government seeking to improve the efficiency of policy. In others, the stimulus has come more from the agencies themselves taking the initiative as a means to work better together to break down the 'silo mentality'.

***Example: INNOPUNKT Programme and Projects, LASA Brandenburg GmbH, Germany***

The implementation of the labour market policy of the Land Brandenburg is the responsibility of LASA Brandenburg, the State Agency for Structure and Labour, working under contract to the Brandenburg Ministry of Labour. In 2000 the INNOPUNKT initiative was established to try directly to tackle the region's persistent problem of high and sustained unemployment. This was as much about achieving more coordinated action between the many players as it was about delivering direct actions to tackle the unemployment problem.

A key part of the project requirement is the establishment of a network of actors across the Land. At the end of the first three years INNOPUNKT had assembled approximately regional networks linking business and labour market service providers with other stakeholders. The rationale in this case seems to belong more clearly to the top-down actions of Land Brandenburg - faced with a highly challenging problem of intractable unemployment and needing to bring a variety of players together in an integrated action programme.

INNOPUNKT conducts competitive project selection campaigns three times a year focusing on a different topic of regional importance. This is decided after collaborative discussions between the key stakeholders and social partners.

***Example: Asturias Autonomous Region, Spain***

As part of the decentralisation process in Spain, the responsibility for employment services was transferred to the regions (Autonomous Communities) in 2002 is to try to provide a better and more efficient service. As a result, regional governments are *politically responsible* for setting up the necessary mechanisms to implement local employment services and to ensure that they are linked to other related policy fields such as economic development, training and education, social integration and territorial cohesion. In order to ensure that this responsibility is carried out effectively, the Asturias regional government and the Local Government Association representatives are in the process of establishing local partnerships where all levels of government and stakeholders are involved. This is a contemporary example of the working through of the rationale for government bodies to "drill down" to engage local players.

The Local Government Association and its members, the municipalities, also took the view that employment projects and services required a "supra-municipality" approach ('supramunicipalidad de los proyectos de empleo') in order to be successful. The size of the municipalities was recognised as being too small effectively to deliver services. Only by voluntarily agglomerating their competencies in the field could efficient services and activities be delivered.



*Delivering vertical integration and brokering activities across the different levels for a given space or locality*

One of the problems that needs to be addressed in dealing with local development is the sheer complexity of what is to be confronted in some contexts. There is a need for a body that can respond flexibly and appropriately to make things work better than government bodies who are often insufficiently “light footed” enough to cope with the dynamics of local policy or who need to be at arms-length from some aspects of the development process. It is this sort of rationale that has brought into play organisations that can take the role of *development engineer* - pulling together complex bundles of funds and competencies from a variety of sources and packaging and brokering them to make them useful to organisations at local level.

#### **ADM Ltd, Republic of Ireland**

Area Development Management Ltd is long established feature of the local partnership scene in Ireland. Unlike SEP and GSuB its remit is a national one within the context of a small country. Functionally, ADM carries out those sorts of brokering and engineering functions we discussed in the previous section. It occupies an important intermediary position between the Irish government and the area and community partnerships across the country. Like SEP it has a primary role as an intermediary in the allocation of European funds to local partnership bodies – handling the process through an arms length framework contract. Under its wing there are currently 72 Area and Community Partnership Companies in Ireland funded under the Local Development Social Inclusion Programme (LDSIP) of the National Development Plan. These vary considerably in size from county-based structures to smaller local bodies. They were originally supported by EU funds but are now funded by the national government. ADM also supports local activity by providing advice, guidance and research to partnerships and assists them in their attempts to influence the development of national policy.

#### **Key Lessons**

- *The importance of having a long term clear vision;* It is important for organisations or partnerships to be *forward looking* in order to remain ahead of developments and ultimately to ensure their long-term sustainability. New public bodies can arise to take over a partnership's role and funding programmes are often time-limited. Faced with this, the ability of a local body to have a long-term vision against which to organise its day-to-day and task driven activities is crucial. It is also sensible, in the face of fast transformation, to underpin those long-term perspectives with a *diverse portfolio of activity* and alternative sources of revenue and resources.
- *The importance of operating at an appropriate scale;* Finding the right level for an activity that will give it sufficient scale to be both efficient and effective is critical. The scales required may not fit within the established system of administrative boundaries. Co-operation and pooling of competency and resources is essential and the arrangements to achieve this may need flexibilities within the existing governance arrangements.
- *Acknowledge the diverse needs of the local:* setting central targets to help civil servants measure the relative success of a policy initiative and to ensure spending on *national* priorities is a blunt instrument. It encourages one-dimensional activity focusing on single issues and discourages integrated holistic action addressing the complex problems localities face. In the UK, the experience of uniform central targets has led to “risk aversion and almost certainly systemic underperformance”.



Partnerships whose circumstances make their targets relatively easy to achieve have little incentive to overachieve, while those whose context made their targets relatively difficult are faced with punishment for their perceived failure.

- *Acknowledge local movements:* It is often difficult to mobilise people but the importance of local identity and a "common purpose" as instruments that can effect change mean that great efforts need to be made to do so. When this mobilisation occurs independently of public sector stimulation, public bodies should "flow with it" to *remove barriers impeding people who are coming together to make things happen.*
- *National governments should focus on creating the right conditions for local employment and economic development.* They should balance accountability on one hand and the giving of maximum freedom to the relevant bodies supported, if necessary, by intermediate support structures. Furthermore, if local people wish to come together to try and effect positive change, this should be supported where practically possible.

#### *Going with the grain of local partnership*

- The modern world is one of fast change and the best way to ensure that local places and their people can keep up with it is to devise ways to *give maximum freedom* to local partnerships, associations and stakeholder groups within the constraints of accountability and legitimacy.
- The idea is to go along as far as possible the grain of local movements that see *people coming together to make things happen.* Local identity and common purpose have to be seen not only as social capital in the making but also as instruments that can effect change and as assets to be protected and build upon.

#### *The effect of context*

- A solid pool of human capital competency already exists due to the long-standing involvement of the public, private and third sectors in LED and built up by the intensification of LED activity over the last few decades.
- Due to the many different governance systems that exist, it is not possible to draw easy comparisons between or even within countries. Local government units vary significantly in size, the range of their legal, mandatory and statutory powers, their sources of revenue and the prevailing cultural attitudes towards their role.
- The variety of contexts means that outcomes will be different everywhere as players are at different stages of development and each place has a different set of competencies (skills, funds, powers, capacity).
- A clearly defined geographical area and a relatively homogenous community can be beneficial but these may not be reflected in the government infrastructure.
- A power imbalance between the resource rich (often the public sector) and resource poor (often the third sector) will always be present. No amount of partnership, capacity building or empowerment can overcome this fact but by recognizing its existence, partners can ensure that it does not harm their activities.

#### *Flexible delivery structures and forms*

- Context is ever changing and governance systems must change accordingly as shown in the regionalisation/decentralisation agenda over much of Europe.



- Local partnerships and organisations must continuously evolve to respond to change in order to survive and prosper – this can involve different organisational and legal forms at different stages of the organisations development.
- A significant level of independence is important for local actors to maintain some influence over larger public bodies. Independent income streams can help overcome the funding giver-receiver power imbalance.
- Administrative units and departmental divisions are designed to make the *administration* of policy-making and delivery easier and do not reflect the complex, messy reality. *Effective* policy-making and delivery requires intra-territory and departmental cooperation
- Radical overhauls of the governance infrastructure are not desirable – the challenge is to adapt existing structures to ensure that they are flexible enough to cope with and adapt to change.
- The objective of local employment and economic development is not the creation of partnerships – the objective is *always* the delivery of efficient and effective public services that are responsive to local needs. A small focussed partnership of key organisations is more desirable than a large unfocussed, but nominally participative one.

#### *Supporting and financing local action*

- Excessive regime compliance is counter-productive as it introduces an element of 'one-size-fits-all', is risk-adverse and restricts flexibility and creativity.
- The sustainability of much local activity is debateable as many local actions are still strongly attached to EU funding streams. Not enough has been done to ensure the sustainability of successful local activities post-2007. Options could include the reform of local government finance moving away from funding focussed on specific activity and towards a more flexible 'block grant', and the increased involvement of the (corporate) private sector through corporate social responsibility.
- In many cases private finance from the banking sector is not easily available to private businesses or public sector organisations involved in local employment and economic development due to a perceived high risk and/or low rate of return. Alternative funding mechanisms providing loans for LED or loan-to-grant schemes could be appropriate.
- Small-scale public support through asset transfer, the provision of seed-capital and the removal of unnecessary institutional obstacles can allow communities to undertake highly effective activity.
- The commitment of higher levels of government is crucial if local activity is to succeed. Acknowledgement of the potential contribution of local actors, coupled with political will and the provision of adequate resources is essential for effective and efficient local action.



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- Sustainable rural communities: local approaches to job generation and learning & skills development (seminar 11 Santiago, Spain)
- Local and the European Employment Strategy: Lessons from IDELE (seminar 12 Brussels, Belgium)

### **Contact Details**

The full thematic reports and thematic summaries and further information on IDELE can be found on the project website: [www.ecotec.co.uk/idele](http://www.ecotec.co.uk/idele)

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