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**Job Creation Policies at Local Level  
and the Role of the Social Partners in Europe**

**Marco Biagi**

**International Labour Office - Geneva  
May 2002**

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Marco Biagi  
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## Table of Contents

	<u>Page</u>
Foreword	a
Introduction	i
Chapter 1 - <b>Job Creation Policies and the Role of the State:</b> <i>Decentralisation Vs. Deregulation</i>	1
Chapter 2 - <b>Job Creation Policies in Europe: Towards a Local Dimension in</b> <i>the European Employment Strategy</i>	3
Chapter 3 - <b>The Local Dimension of the European Employment Strategy:</b> <i>In search of good practices</i>	6
Chapter 4 - <b>Best Practices: an Overview</b>	9
Chapter 5 - <b>Creating new Markets and New Jobs at Local Level:</b> <i>The case of the personal services sector in Italy</i>	16
Chapter 6 - <b>Concluding Remarks: Decentralised Social Pacts and the</b> <i>Role of Trade Unions</i>	19
Bibliography	21
Web sites	22

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## Foreword

Marco Biagi was murdered on the evening of 19 March 2002 in front of his home in Bologna. He was Professor of Labour Law at the University of Modena and Reggio Emilia and a highly regarded figure at the international and national level.

Giuseppe first met Marco at the Johns Hopkins University, and maintained close contact with him throughout the last 15 years. More recently, Patricia had the opportunity to work closely with him during the preparation of the European Commission's *Report of the High Level Group on Industrial Relations and Change in Europe*.

Marco was not only an outstanding researcher; he was an excellent practitioner and also a good friend. His stimulating thoughts and his rich contribution to the debate on the future of industrial relations in Italy and Europe will be deeply missed.

With this publication, we want to pay tribute to a good friend of ours. This paper was his last contribution to the ILO's work. In 2001, we requested him to prepare a comparative study on one of the most topical issues in the area of social dialogue: the experiences in European countries of the role of the social partners in job creation policies at the local level. This paper was finalised in December, 2001.

In this paper, Marco traces the most recent social dialogue trends and experiences at local level in selected European countries. He highlights the importance of local competitive advantages through the establishment of human and social capital; the promotion of local entrepreneurship and inward investment through the provision of investment plans; fighting social exclusion as well as other barriers to employment to increase jobs and to improve living and working conditions; and the promotion of social dialogue between local authorities, social partners and the State.

In this paper, the reader will find concrete examples of how a number of European Union Member States have triggered institutional and administrative decentralisation processes in their employment policies with a view to bringing decision-making closer to the local communities and their needs. Marco firmly believed in this project, and his analysis in this particular area should be treasured.

Patricia O'Donovan  
Director  
IFP/DIALOGUE

Giuseppe Casale  
Deputy Director  
IFP/DIALOGUE

Geneva, May 2002

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## Chapter 1 – Job Creation Policies and the Role of the State: *Decentralisation Vs. Deregulation*

There are conflicting views on what the role of the State and social partners should be in the context of job creation policy.

The OECD, for instance, strongly supports a market-oriented strategy to create new jobs and fight unemployment. This strategy could be defined in terms of *State abstention*, and in some ways reflects the US neo-liberal attitude towards the (de)regulation of the labour market. Since 1992, the OECD has undertaken a major *Job Study* to examine the fundamental aspects of employment and unemployment in the OECD member countries.<sup>1</sup> This study analyses the effects in numerous countries of a range of economic and labour factors on unemployment. Macroeconomic management, competition from low-wage countries, faster technological change and slow adjustment to new jobs and skills are just some of the factors examined. The OECD Jobs Study finds that much unemployment is the unfortunate result of *societies' failure* to adapt to a world of rapid change and intensified global competition. Laws, regulations, practices, policies, and institutions designed for an earlier era have resulted in labour markets being too inflexible for today's world.

Based on this finding, the OECD set out a broad programme of action designed to deal with job creation policies. The OECD strategy is based on ten recommendations representing a balanced mix of macroeconomic and structural policies. According to these guidelines, the state should work to create a climate that spawns entrepreneurship, and the rationalization and simplification of regulations to stimulate the creation of new enterprises, while removing bureaucratic policies and rules that hinder the creation or growth of new entities thereby strengthening the emphasis on active labour market policies and reinforcing their effectiveness. To prevent rising unemployment, wage and labour costs policies should be more flexible and reflect local conditions and individual skill levels.

In these recommendations there is very limited reference to the role of local authorities and social partners. However, the real aim is to increase competition in the market. Employment will be a consequence of economic growth. In a way, one could say that the policies for employment are completely decentralized from the State level to individual economic initiatives. There is an idea that the State's role as a top-down regulator should be changed to that of a listener, gatherer, and disseminator of information. First and foremost, the central government must be a strategic partner for local and regional actors.

Contrary to this idea, the EU approach to unemployment is still based on the pivotal role of the State in the implementation of an employment strategy. Since the publication in 1993 of the White Paper on *Growth, Competitiveness and Employment*, the EU Commission has identified a number of features in the national employment systems that have resulted in the creation of fewer jobs at a given level of output. These include slow adaptation to the new international division of labour, the gap between the qualifications of the labour force and the needs of the market, insufficient flexibility of labour markets with respect to work organization, statutory or other conventions that discourage business from taking on employees, wage increases not leaving enough scope for employment creation, taxes and other statutory contributions creating a heavy burden on labour and employment policies excessively based on passive assistance.

<sup>1</sup> See: OECD, *The OECD Jobs Study: Facts, Analysis, Strategies*, OECD, Paris, 1994. More recently, OECD, *Implementing the OECD Job Strategy: assessing Performance and Policy*, OECD, 1999; OECD, *Implementing the OECD Jobs Strategy: Lessons from Member Countries*, 1997; OECD, 1997.

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However, over the past few years the European Union has adopted a strategy that in many aspects resembles that of the OECD. The idea to maintain high levels of protection and guarantee equal employment opportunities is strongly balanced by a more market-oriented approach towards the mechanism of governing the labour market. Though the OECD stresses a de-regulative approach, the EU concentrates more on the issue of labour market openness. Increasing employment opportunities through the four pillars of the European Employment Strategy (employability, adaptability, entrepreneurship, and equal opportunities) is now the common goal of EU Member States.

In order to reach this goal, the EU does not simply delegate to market forces the creation of new employment opportunities. Instead, the EU approach is the result of a strategy based on the principles of subsidiarity and proximity that are the best means of preserving the link between the European Union and its peoples. From this perspective, the idea that local and regional authorities play a crucial role in generating employment, both directly as employers and indirectly through fostering a favourable business climate, is more and more accepted. This is particularly true within the European Employment Strategy which reflects the “growing awareness of the opportunities that exist at local level for developing employment”.<sup>2</sup> This has led most Member States to trigger institutional and administrative decentralization processes in their employment policies, so bringing decision-making levers closer to the local communities and their needs.

<sup>2</sup> See: European Commission, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, *Acting Locally for Employment – A Local Dimension for the European Employment Strategy*, COM(2000) 196 final, p. 1.

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## **Chapter 2 – Job Creation Policies in Europe: Towards a Local Dimension in the European Employment Strategy**

The Amsterdam Employment Chapter and its implementation, the so called Luxembourg Process,<sup>3</sup> represents the establishment of a Community policy regarding the creation of new jobs. By including employment in the Community policies and thus making the promotion of employment a matter of common concern requiring Member States to coordinate their policies in order to achieve a high level of employment in the context of balanced and sustainable economic progress, the new Title ensures the development of employment initiatives and the creation of an effective policy at the European level. The extraordinary European Council meeting on Employment in Luxembourg in November, 1997 gave life to these provisions by the development of a coordinated process for implementation. The culmination of these efforts was the adoption of the “Luxembourg Process on Employment Guidelines and National Action Plans” which endorses a coordinated strategy aimed at the development of active job creation policies.

The European Employment Strategy (EES) is based on annual guidelines (GLs) as provided for in Art. 128.2 of the Treaty.<sup>4</sup> Undoubtedly, they constitute an example of soft laws as an alternative to the traditional legislative approach based on directives and regulations. GLs are actual rules that bind Member States to the stated principles, regardless of their political and domestic situation. Nevertheless, since harmonization is openly rejected (Art. 129), hard laws in employment matters would have been inappropriate. Soft law is certainly normative in character, representing a method of Community guidance.<sup>5</sup> Employment guidelines belong to this category of law since they recognize fully the principle of subsidiarity while, at the same time, creating the expectation that the performance of the Member States will be in conformity with them.

The use of this instrument is, consciously or not, revealing of the attempt to find a ‘third way’ between interventionism and abstentionism on employment issues<sup>6</sup>. It could be promising if also used in the social affairs field. The link between the employment and social chapters of the EU Treaty lies in the fact that part of the overall EES to adapt social protection standards mainly in the field of work modernization. Possible Community action in social affairs might in the future take the form of soft law, possibly agreed upon by the *social partners* to be later translated into hard law (directives, etc.). In the light of EU enlargement, it is highly recommendable to assess the results achieved in the context of the employment chapter. Similar to the EES, social policy could also be based on an exchange of experiences and standardization in order to promote the most effective practices.

<sup>3</sup> See: M. Biagi, *The Impact of European Employment Strategy on the Role of Labour Law and Industrial relations*, in *IJCLLIR*, vol. 16, n. 2, 2000, 155 ss.

<sup>4</sup> See: M. Biagi, *The Impact of European Employment Strategy on the Role of Labour Law and Industrial relations*, cit.

<sup>5</sup> J. Kenner, ‘EC Labour Law: the Softly, Softly Approach’ in *IJCLLIR*, vol. 11, n. 4, 1995, p. 307.

<sup>6</sup> J. H. Pedersen, ‘Mainlines in Danish Labour Market Policy as Presented in the Danish National Action Plan 1999’, in *IJCLLIR*, vol. 15, N.4, 1999, p. 383

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The EES represented a move from management by regulation to management by objectives,<sup>7</sup> a new way of working not simply for the EU authorities but especially for national Governments and social partners. It is a model which should be seriously considered beyond employment matters. Instead of long-awaited, watered-down social directives, which simply achieve coordination, one could legitimately raise the question as to whether the EES logic would be preferable, particularly when the object of Community action is not related to the protection of fundamental rights. In the context of EU enlargement, and having regard to the difficulty of pursuing any goal of harmonization, the question deserves serious reflection.

After five years of operation, the EES has demonstrated its vitality in contrast with the critical evaluation originally made by the social partners at the community level. Referring to the draft Amsterdam Treaty, UNICE expressed scepticism about an extensive European employment policy, while, the ETUC called the Employment Chapter a minimalist solution, claiming that the new rules were insufficient to obtain significant advances in job creation.<sup>8</sup> Furthermore, UNICE has never concealed its reservations about the involvement of European social partners in this area, fearful of a possible breach of the subsidiarity principle. Not by chance did the ETUC and the CEEP issue a joint statement in June, 1998 pledging their commitment to make the EES successful experience.

Contrary to these initial reservations expressed by the social partners, the most recent developments demonstrate that the EES represents a tool which not only strongly supports the principles of subsidiarity and proximity, but also increases the role of social partners.

Under the employment guidelines for 2001,<sup>9</sup> all actors at regional and local levels, including the social partners, must be mobilized to implement the European Employment Strategy by identifying the potential for job creation at local level and strengthening partnerships to this end. In this respect, Member States will:

- take into account, where appropriate, in their overall employment policy the regional development dimension;
- encourage local and regional authorities to develop strategies for employment in order to exploit fully the possibilities offered by job creation at local level and promote partnerships to this end with all the actors concerned, including the representatives of civil society;
- promote measures to enhance the competitive development and job creation capacity of the social economy, especially the provision of goods and services linked to needs not yet satisfied by the market, and examine, with the aim of reducing, any obstacles to such measures;
- strengthen the role of the Public Employment Services at all levels in identifying local employment opportunities and improving the functioning of local labour markets.

<sup>7</sup> A. Larsson, *Europe's Labour Markets - the Achilles' Heel of the EMU Process?*, occasional paper, European Commission, Brussels, 1999.

<sup>8</sup> S. Zagelmeyer, *Collective Bargaining on Employment in the European Union and Norway*, European Foundation for the Improvement of Work and Living Conditions, Dublin, 1999.

<sup>9</sup> Council Decision of 19 January 2001 on Guidelines for Member States' employment policies for the year 2001 (COM 2001/63/EC)

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Since 1999 the EU Commission and the Committee of the Regions have developed an initiative called Local Action for Employment, which places local and regional authorities in a position to promote their own national employment action plans. Under this initiative, local development policy has become increasingly important in recent years as social partners and local authorities have sought to address the persistent problems of depressed and undeveloped areas by supporting locally-based, bottom-up approaches that complement mainstream national programmes. The changing global market continually launches new challenges leaving enterprises, communities and workers searching for new ways to increase competitiveness and security in their labour markets.

There is a large, persistent gap in the distribution of employment and unemployment across the Union. Throughout much of the South, and in many regions on the periphery of the Union and in many older industrial areas of the Member States, employment rates are below 50 to 55 percent with unemployment rates often twice the EU average. These countries are undertaking new initiatives to strengthen the connections between the local business community and multinationals, to promote partnerships among enterprises and to help employers and workers to develop workplace practices that foster both security and flexibility. New employment approaches at a local level seem to be very important because they best reflect the needs of the local market.

There has been little overall change in the long-term regional disparities of employment rates in the Union. If anything, disparities between regions have widened over the past 15-20 years. Over the last two decades, unemployment rates in the high employment regions remained in the narrow range between 4 and 7 per cent while the low employment regions have seen a marked deterioration from 15 per cent to around 25 per cent. This implies quite serious structural problems in the regions affected by low employment rates. The regional authorities can create an appropriate legal framework taking into account the specific features of the regions.

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## Chapter 3 – The Local Dimension of the European Employment Strategy: *In search of good practices*

As stressed in the previous paragraphs, the awareness of opportunities for developing employment at the local level is quite new. It is only in the last decade that most EU Member States have developed an institutional and administrative decentralization process in their employment policies, reflecting the importance on job strategies rooted at local level. An important “facilitator” of this is the pan-national *European Commission of the European Union*, through its agencies, programmes and funds (EU structural funds).<sup>10</sup>

Different countries have adapted various strategies to create employment opportunities at local level. However, they may be able to draw on the ideas and experiences of other countries and integrate different methods to solve their own problems. EU policies have created instruments to promote a coordinated process for the comparison and benchmarking of these strategies in the different areas of intervention.

Based on the experience of several Member States, the EU Commission has identified 17 fields with potential for employment at local level: home help services, child care, information and communication technologies, assistance to young people facing difficulties, housing, security, local public transport services, revitalisation of urban public areas, local shops, tourism, audiovisual services, cultural heritage, local cultural development, waste management, water services, protection and conservation of natural areas, and the control of pollution.<sup>11</sup>

More than 80,000 local authorities exist in the EU. It is clear that the role of local authorities and job creation models vary from country to country on the basis of national peculiarities. For example, highly developed countries pay more attention to the qualitative aspect of job creation while less developed states tend to focus on the quantitative aspect. However, the fact that local authorities do not always have power to determine employment policies does not prevent them from becoming increasingly involved in the development and delivery of active market measures.

It is clear that local authorities are among the most important players in the development of employment at local level. Being closest to the local economy and, consequently, to the local population, local authorities clearly have a key role in developing partnerships and promoting cooperation between various local public and private actors. In the context of job creation, it is particularly important that local authorities have powers that give them the potential to create new jobs, so their actions are likely to have a considerable impact on the local labour market. Although they are often major employers, their role may need to be strengthened if they are to play their part more efficiently.

<sup>10</sup> Communication from the Commission on a European strategy for encouraging local development and employment initiatives, COM(95)273; see also the Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, *Acting Locally for Employment. A local dimension for the European Employment Strategy*, (COM(2000) 196 final

<sup>11</sup> See: F. Pyke, *Local Development Initiatives and the management of Change in Europe*, ILO, Employment and Training Papers, n. 31, 1998, 6-7.

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*“Good and better practices”* is the motto under which the EU is planning to increase employment and improve working conditions. Identifying good practices for local development is a challenging task. This is partly because of the large variety of initiatives put in place in the EU and OECD countries for raising endogenous local potential, encompassing fields such as entrepreneurship, tourism promotion, training and skills development, environmental programmes, management, agricultural diversification and so on. It also reflects the broad range of objectives of these programmes covering different aspects of economic development, social development and long-term capacity building and the different criteria that can therefore be applied to judging success. Finally, it is challenging because the possibilities of what can be achieved by policy may vary between different areas and different times. Moreover, the very concept of local development is based on promoting local approaches that respond to local conditions. Therefore, there is no single model of how to implement local development or what strategies or actions to adopt.

One of the keys to successful local development interventions is the careful development at the outset of a strategy or plan that explores the opportunities and challenges for the area and identifies priorities, actors and methods of intervention. The strategy should be built up by all the relevant partners so that there is a sense of a shared vision for the future of the locality. The strategy should also be reworked regularly to ensure that it adjusts to changing conditions. Development of an appropriate strategy seems to be one of the most important issues. The European Commission identifies the following key factors for successful strategies:<sup>12</sup>

- *Choose a relevant territory for the initiative. This area should be selected on the basis of the potential to form partnerships, mobilize the area for common projects, and the ability to draw on local assets of skills and know-how.*
- *Choose a relevant time-scale for the strategy. The emergence of projects, the development of networks and the acquisition of new skills take time, at least 18 months in most cases. Sometimes five or six years are needed to transform attitudes.*
- *Seek the commitment of those who have the resources and responsibility for the future development of the local area and its community.*
- *Identify a planning group/development agency responsible for the strategy with the resources, the expertise, and credibility amongst the local community to carry out the task.*
- *Complete a strategic audit. This constitutes an analysis of the area’s strengths and weaknesses, including a review of its ‘hardware’ (e.g. natural resources, physical infrastructure, population trends) and its ‘software’ (e.g. technical skills, availability of finance, innovation, R&D, business culture).*
- *Develop processes of action appropriate to the local area’s stage of development and local conditions, as identified by the strategic audit. In this way the development strategy can be designed to address local needs, capacity, and circumstances.*
- *Set strategic goals that are clear, attainable, and measurable. The specified objectives should endeavour to focus on the various dimensions of the problem and should not be over ambitious. Goal specification should also reflect a community’s capacity to realize these goals.*

<sup>12</sup> Commission of the European Communities, *Second Interim Progress Report on the Territorial Employment Pacts*, Commission staff working paper, November 1999, Commission of the European Communities, Communication from the Commission to the Council, the European Parliament, the Economic and Social Committee and the Committee of the Regions, *Acting Locally for Employment. A local dimension for the European Employment Strategy*, (COM(2000) 196 final, cit..

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- *Find the appropriate capacity of individuals, organisations and development agents. This can be developed by increasing skills, encouraging new forms of organisation, stimulating new linkages between organisations and increasing flexibility and adaptation to a wide range of situations in order to fill the gaps in local development.*
  - *Include all relevant parties. The utilization of input from a variety of actors is essential for successful implementation. This information includes knowledge, expertise, and enthusiasm to be associated with successful actions.*
  - *Place an emphasis on monitoring, evaluating, following-up on subsequent enhancements/readjustments of the strategy. These post-implementation activities may enhance the understanding of the area's problems and demonstrate important lessons both for the area itself and for other areas.*

Another way of understanding 'good practices' methodology is to assess them in terms of what works. The effective strategies for job creation are those that have been established for longer periods of time and continue to produce employment opportunities. The key to evaluating the effectiveness of a project can be made on the basis of the satisfaction of all parties concerned. Searching for good practices does not only entail the examination of local pacts but determining whether jobs have been created or not. An understanding of project failure is also necessary for the development of effective strategies.

Job creation is not a simple task. Firstly projects need to be proposed by local governments and the business community. Their proposals should stress equal opportunity for men and women, elderly people and individuals at the risk of social exclusion. Secondly, projects should reduce long-term unemployment and youth unemployment. Finally, projects need to be signed and implemented by the signatories. Once adopted, policies must be financed and implemented. The signatories are responsible for making sure that their policies are carried out. Job creation policies are experimental in that a trial and error period exists in which a project either succeeds or fails. This period may last, on average, a couple of months to a year before results can be seen. Once the results are achieved, the signatories can decide if they want to continue with the project as it is, make amendments, or discard the project altogether. The job creation policies that are proposed for examination in the following paragraphs have all been adopted and carried out to demonstrate the effectiveness of local job pacts.

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## Chapter 4 – Best Practices: *An Overview*

Although the job creation strategies adopted by the regional governments of EU Member States differ, they share a common goal. That goal is to create new jobs. There are several factors involved in the attempt to make job creation policies work at local level. Helping to maintain the balance between supply and demand of labour, defining the type of aid to be given (financial measures, tax incentives, subsidies to employers, deregulating national rules on labour law, etc.) and listing acceptable working conditions are just some of the factors. The others include setting up guidelines for the training process of the workers involved and giving incentives to entrepreneurs (those who are self-employed). These elements can be found in the policies adopted by the regional governments that are proposed for analysis here. All the pacts fit perfectly with one or more pillars of European Employment Strategy.

### Entrepreneurship: Asturias, Spain (1998)

Asturias (Spain) is undergoing a process of industrial reconversion, particularly in the coal mining and steel-making sectors. It has the highest regional unemployment level in Spain (17.92 per cent). The mining areas have been hit the hardest. The job creation ideas that the regional and local authorities chose to adopt in 1998 seem to be working. One of the ideas is to set up institutional co-operation through the development of associations 'Casas del Consorcio' and an observatory. This will provide information, documentation and analysis of the action themes in the Pact. The signatories of the Pact plan to create a fund through which to finance aid to projects involving investments of less than 40 million pesetas. The social partners hope to set up a committee, the 'Mesas para el Pacto', which will co-ordinate the fight against unemployment. They plan on providing support for networks of business partnerships and creating regional mobile advisory teams, which would help to supervise businesses. The local government hopes to develop industry through the integration of new technologies into industrial areas and undertaking regional industrial development.

Source: [http://www.inforegio.cec.eu.int/pacts/EN/LIST/es\\_asturias.cfm](http://www.inforegio.cec.eu.int/pacts/EN/LIST/es_asturias.cfm)

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## **Employability: Molsheim-Shirmeck. France (1998)**

Youth unemployment is the target of the job creation plans adopted in the Molsheim-Shirmeck region of France. The signatories agree that by informing SMEs of employment aid for young people, developing sandwich courses in businesses with more than 50 employees, and promoting apprenticeships in the crafts sector, the number of job vacancies in the area, especially for young people, will be increased. Job search will be made easier for young people once new employment services and opportunities have been created. It is estimated that 250 new jobs will be created each year through the use of sandwich course contracts. The regional authorities hope to create jobs in the area by increasing access to these contracts and by creating an insertion solution for every long-term unemployed person. The job creation plans that were adopted between the months of January and September 1998 are numerous. They are adjusting the supply of labour to the demand, improving employment guidance for young people, making teachers aware of the realities of business life (visits to businesses and three-day courses under the local Economics Education Committee) and making summer jobs available in the community's engineering departments. Others include simplifying administrative procedures and creating a resource centre intended to structure supply and demand for services. Funds will be provided in order to finance these programs and to open a youth centre. A job initiative counter will be set up at Schirmeck.

Source: [http://www.inforegio.cec.eu.int/pacts/EN/LIST/fr\\_molsheim.cfm](http://www.inforegio.cec.eu.int/pacts/EN/LIST/fr_molsheim.cfm)

## **Employability – adaptability: Halle Vilvoorde, Belgium (1998)**

The Halle Vilvoorde region in Belgium has a job shortage, resulting from the closure of the Renault car plant. Very few jobs can be found in the primary and secondary sectors, because the closure resulted in the loss of 3,100 jobs. The unemployment rate stands at 6.05 per cent. Most of the people unemployed in Halle Vilvoorde are long-term unemployed and over 40 years old. Almost a third of the unemployed in the area do not speak Flemish, the language of the region. The region is highly dependent on Brussels for employment. The Halle Vilvoorde local pact encourages training, counselling and supervising unemployed people. Priority will be given to the highest risk groups. Job opportunities will be created for the unemployed by providing training for those workers who feel threatened by unemployment. They feel they might be out of a job due to changing circumstances in their companies. Integrating former Renault employees into the labour market is one of the aims of the local government. Several job creation methods have been adopted targeting such employees. These include offering job seekers the chance to expand their skills through temporary employment in companies, through internships, individual vocational training projects or subsidised labour. Job seekers will be given the opportunity to find work, improving the match between training and company needs and organizing in-company training. In-company training will focus on adapting workers to changes in industry and organizing campaigns to increase awareness of the measures being implemented by various governments. Other job creation ideas include developing additional business sites in the area (one of the region's weaknesses), promoting childcare facilities, and establishing neighbourhood services. Promoting childcare and environmental projects has already created jobs. Childcare projects allow the long-term unemployed to look after children of employees while their parents are at work, solving both the problem of long-term unemployment and the problem of childcare. Protection of the environment as well as job creation is stressed when municipal green projects are promoted. These projects encourage employment by employing job seekers to maintain public parks and shrubbery in the municipality.

Source: [http://www.inforegio.cec.eu.int/pacts/EN/LIST/be\\_hallevilvoorde.cfm](http://www.inforegio.cec.eu.int/pacts/EN/LIST/be_hallevilvoorde.cfm)

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## **Employability – equal opportunities: Sonderjylland, Denmark (1998)**

Residents of Sonderjylland (Denmark) know all about hard times. With a high female unemployment rate, an unskilled workforce (employees with little or no qualifications), and an aging labour force, the region is extremely fragile. As a result, the area is sensitive to economic fluctuations. The local government is hopeful that the job creation schemes they chose to adopt in July 1998 will correct the problems of the past. They feel that creating new jobs will eliminate some of the problems they have had. The job creation schemes of the Sonderjylland target women who have had difficulties entering the labour market, young people with little to no experience, and older workers who wish to remain in the labour market but on a part-time or more flexible basis. One of the schemes is to establish a secretariat that will act as a go-between for actors at the community level and those at the regional level. The secretariat will consist of two people who undergo specialized training. From this training they will become familiarized with the range of subsidies and measures which may be employed in the implementation of the pact. By coordinating the measures needed to fight unemployment and sponsoring cross-border projects (measures which respond to business needs), people who feel they are at risk of being marginalized and SMEs receive assistance. To create jobs in the area, regional authorities have taken a regional approach to employment.

Source: [http://www.inforegio.cec.eu.int/pacts/EN/LIST/da\\_sonderjylland.cfm](http://www.inforegio.cec.eu.int/pacts/EN/LIST/da_sonderjylland.cfm)

## **Employability: Noord-Brabant, the Netherlands (1998)**

The region Noord-Brabant, located in the Netherlands, is struggling. It is difficult to fill vacancies in this area due to long-term unemployment and lack of an adequately trained workforce. Lack of flexibility threatens business competition. High levels of inactivity exist, especially among older workers. The social partners of Noord-Brabant agreed to the following job creation schemes when they adopted their local job pact in February 1998. Exchanging information between the various governments on what works, they set up a series of sectoral employment projects which will help fix staffing problems in companies and the qualitative mismatch between supply and demand and implementing projects like RegioMet. RegioMet is a partnership of metalworking companies, which targets long-term unemployed people in disadvantaged neighbourhoods. The La Poubelle project inserts the long-term unemployed. Suitable candidates among the long-term unemployed are selected for a job. The candidates undergo a training course and once they are deemed to be qualified for a regular job the “soon to be” employee will be given a subsidized position in the company.

Source: [http://www.inforegio.cec.eu.int/pacts/EN/LIST/nl\\_noordbrabant.cfm](http://www.inforegio.cec.eu.int/pacts/EN/LIST/nl_noordbrabant.cfm)

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## **Employability: Dublin, Ireland (1999)**

In 1997, 19,528 people under the age of 24 were unemployed in Dublin (Ireland). These people account for 24.5 per cent of the total unemployed in the region. Unemployment in the area currently stands at 12.8 per cent, compared to the national average of 11.8 per cent. Long-term unemployment as well as youth unemployment remains a problem. For instance, 52 per cent of the unemployed are classified as long-term unemployed. To Dublin residents it is not only important to reduce long-term unemployment in disadvantaged and excluded groups (disabled people and travellers), it is a necessity. Creating jobs means identifying a skills-base needed to meet the demands of local businesses, providing training in information and communication technologies and implementing the programs designed to help tackle the issue of long-term unemployment. These programs are the 'Whole Time Jobs Initiative Program', the 'Core Skills Program', and 'Organised Labour Streams.' The local authorities hope to fight youth unemployment by implementing the Luxembourg guarantee to young people who are within six months of leaving full time education and developing linkages between schools and the business sector, local authorities and community organisations. The guarantee is to provide a training place for young people. The 'Train and Build Project' is a project that aims to establish links between young people and labour. This offers educational support to young people from disadvantaged communities and builds skills to the third level initiative. The social partners hope that by implementing the Social Economy Development program which aims to research, facilitate, and develop social economy projects the social economy will be helped. Some of the job creation schemes included in this pact establish networks and linkages at the local and regional level, implement the Economic Profile Project, and set up the Core Pact group. The Economic Profile Project will review and evaluate issues such as sustainable employment, job creation, and raising the skills base. The Core Pact group along with focus groups tackle problems of long-term unemployment and youth unemployment with expertise.

Source: [http://www.inforegio.cec.eu.int/pacts/EN/LIST/ir\\_dublin.cfm](http://www.inforegio.cec.eu.int/pacts/EN/LIST/ir_dublin.cfm)

## **Employability – adaptability – equal opportunities: Vienna, Austria (1998 - 2001)**

Employees in Vienna (Austria) feel threatened by corporate downsizing. Fighting long-term unemployment requires restructuring the local economy, raising qualification levels through active labour market policies, and improving equal opportunity between men and women. Some of the job creation schemes that have been adopted are reintegrating the unemployed into the labour market, improving the attractiveness of Vienna as an economic and business centre and as a potential site for the implementation of projects like the Training Account Program. This program will give grants to finance individual training courses. The WiedereingteigerInnen Program supports reorientation, training, job searches and new business start-ups for women and men returning to the labour market after time-off. The Flexwork project specializes in finding contractual work in companies for older and long-term unemployed people. The Home Service project provides employment for long-term unemployed women. The women receive an hourly wage plus social security benefits in exchange for domestic services carried out in private homes. The WAFF (Weiner ArbeitnehmerInnen FyrderingsFords) acts as a promoter of active labour market policies and human resources. The mayor of Vienna acts as president of WAFF whereas representatives from the district, the political parties, and the social partners sit on the advisory committee. The WAFF budget originates from the city council and private sector funds. Every WAFF project receives co-financing from the European Social Fund.

Source: [http://www.inforegio.cec.eu.int/pacts/EN/LIST/au\\_wien.cfm](http://www.inforegio.cec.eu.int/pacts/EN/LIST/au_wien.cfm)

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## **Entrepreneurship - adaptability: Ita Lappi, Finland (1998)**

People are leaving Ita Lappi (Finland) in search of work. The region is losing their best-trained young people. In order to get people to stay, action plans and job creation schemes promoting tourism and economic growth have been adopted. Preventing migration, developing tele-work, providing support for subcontracting, and setting up seasonal jobs in the field of forestry are just some of the job creation schemes that have been implemented. Other projects include developing Eco-tourism and modernising the area's image in order to attract tourists and investors.

Source: [http://www.inforegio.cec.eu.int/pacts/EN/LIST/fin\\_italappi.cfm](http://www.inforegio.cec.eu.int/pacts/EN/LIST/fin_italappi.cfm)

## **Entrepreneurship: Stromstad, Sweden (1998)**

The economy in Stromstad (Sweden) is declining. The unemployment rate stands at 13.9 per cent. Entrepreneurs in the area realize that in order for jobs to be created there is a need for economic co-operation. The success that the local government has been having with their job creation schemes relates to the fact that their schemes pertain to all sectors of the economy - fishing, agriculture and commerce - and they focus on improving local skills. Appointing a project manager is one of the job creation schemes. The project manager will be responsible for project management, the distribution of data, the evaluation of individual projects, and the quantification of NTERREG funds for interregional co-operation. Other job creation schemes include developing and enlarging the fishing sector, establishing computer communication centres in rural areas, promoting tourist activity in the region and increasing access to the Norwegian market.

Source: [http://www.inforegio.cec.eu.int/pacts/EN/LIST/sv\\_stromstad.cfm](http://www.inforegio.cec.eu.int/pacts/EN/LIST/sv_stromstad.cfm)

## **Employability: Haringey and North London, England (1998)**

Job creation schemes adopted in Haringey and North London (England) cover the regions of Easterhouse and Coatbridge. One of the schemes is to set up a steering group, which makes decisions regarding policy development and financial control. The Local Employment Observatory develops innovative research methods in order to improve understanding of the local labour market. The local government hopes to create jobs by improving the employability of people. Employability means an employee that is flexible and mobile. Employers want employees who are willing to take on new tasks.

Source: [http://www.inforegio.cec.eu.int/pacts/EN/LIST/uk\\_tottenham.cfm](http://www.inforegio.cec.eu.int/pacts/EN/LIST/uk_tottenham.cfm)

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## **Entrepreneurship – equal opportunities: Florina and Kozani, Greece (1998)**

In an attempt to fight unemployment and social exclusion, the regional and local authorities of Florina and Kozani (Greece) have come up with job creation schemes and start-up plans. To the residents in these regions job creation means keeping the population of the area active, providing access to the labour market for women and enhancing the efficiency of existing development projects and programs for the creation of sustainable employment. In Florina, women especially are affected by increasing unemployment rates. In Kozani, unemployment stands at 17 per cent, which is the highest in Greece. The economic crisis that hit industry in the area had a direct effect and led to the mass lay-off of personnel. The local government hopes to develop the primary sector by enhancing agricultural development through the processing of farm products, giving aid to private and co-operative units which process farm products in the area and promoting local farm products. One of the job creation schemes that the regional authorities of Florina have come up with is to establish an employment observatory. The aim of the observatory will be to speed up the adjustment process of the workforce and entrepreneurs to industrial changes and to create networks at the national and transnational level. This will improve communication channels through the transfer of experience, know-how and information, the development of an electronic advertisement service, and will also make the management of human resources within local labour possible.

Source: [http://www.inforegio.cec.eu.int/pacts/EN/LIST/el\\_kozani.cfm](http://www.inforegio.cec.eu.int/pacts/EN/LIST/el_kozani.cfm)

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## **Employability, entrepreneurship, adaptability, equal opportunities: Milan, Italy (2000)**

Creating a Concertation Commission which approves and monitors projects is just one of the many job creation schemes that the Milan Municipal Administration and the social partners (except for the CGIL) agreed to and adopted in February 2000. The Concertation Commission will be a tripartite body made up of representatives from the Milan Municipality, the Province and signatory associations. The president of the Commission will be the Milan Municipality and the signatories will nominate the two vice-presidents, one from the employer's side and the other from the trade union side. The Commission will meet at least six times a year. When the Commission is in session it will meet with representatives from the city associations that deal with the social economy, physical and/or mental handicaps, and immigration. The Milano Lavoro One-Stop Shop is a job creation scheme aimed at helping the match between supply and demand of labour. It will be set up on the basis of a convention between the Municipality and the Province of Milan. The One-Stop Shop is aimed at helping businesses hire workers. It gives the authorization needed for dependent work and self-employment. The terms for hiring under a fixed-term contract can be found in the Milano Lavoro One-Stop Shop. A business can hire under a fixed-term contract when hiring the first employee. This type of hiring is allowed when employers have up to five employees and the parties agree to the importance of placing special attention on the use of contracts or quasi-subordinated work for people over 40 who have been excluded from the labour market. A person with whom a previously stipulated contract had been created is another requirement for hiring under the contracts of dependent work. According to the procedures established by the Concertation Committee public or private enterprises will be able to apply for self-financing, co-financing or financing on behalf of a third party. One-Stop Shop funds originate from municipal, provincial, regional, and EU sources. The financial measures taken by these sources are handouts in the form of financial aid or normative aid. The government, in situations it deems necessary, distributes financial aid. Normative aid is more complex in that there are certain rules governing state aid. Once the Concertation Committee has chosen which enterprise it would be most beneficial to finance, they will co-ordinate training courses. These courses should reflect the needs expressed by the demand of labour. Through the use of training and guidance courses and work programs, the Milano Lavoro will be able to carry out activities. The aim is to provide the co-operation needed to create employment insertion methods. The training programs that the Concertation Committee chooses to institute will operate in partnership with public and private institutions in training suppliers and in finding suitable training offers.

Source: <http://www.comunemilano.it/>

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## Chapter 5 – Creating New Markets and New Jobs at Local Level: *The case of the personal services sector in Italy*

At this point of our research we cannot ignore some of the inconsistencies which are emerging in the policies of job creation at local level recently pursued in Europe. These inconsistencies are a direct consequence of traditional legal rules that are no longer adequate for handling the modern labour market. The emerging sector of *personal services* (services like care for the elderly, child care, etc.) represents a valid field for testing this proposition.<sup>13</sup>

The specific characteristics of this sector show the positive role played by the intermediary in the hiring of labour. According to each national labour law, the presence of a third party in the employment relationship has been considered as being disadvantageous for workers and for the functioning of the labour market. The old legislative frameworks are not progressing at the same pace as the economy and society. Legal rules, work contracts and principles formulated over the course of the past century are inadequate for governing and representing the new types of labour of the 21st century. They constitute one of the main obstacles to efforts to create more jobs and also interfere with enterprises that attempt to meet those needs that are not met by public services or by market forces. If a rigid and old-fashioned legal framework discourages private enterprises from entering and investing in a market of this kind, stable organisations willing to operate in this sector will falter. This will hinder the development of informal practice, inevitably altering the purpose of this sector.

Recent attempts to support the emergence of a structured market in the area of personal at-home services for the elderly by some Italian local authorities (Milano, Modena and Bologna) have given us the opportunity to observe the problems which arise in the area of job creation at local level. Placed in the context of the European Employment Strategy, these experiences clearly show the importance of a modern legal framework in order to facilitate the likelihood of success in the markets of the 21st century.

In Europe, both statutory rules and collective agreements are still concentrated in the industrial sector, according to standard models of organisation and pre-defined contractual patterns. The lack of *ad hoc* rules causes the development of *sui generis* contractual schemes, mainly situated on the border of legality.

In Italy, this situation is the main cause of a very large underground economy. By using the ISTAT estimates on irregular labour, the average rate of irregularity of the system seems to range around 15%, with values exceeding 20% in Southern Italy. In turn, the development of *sui generis* contractual schemes is the cause of unfair competition (i.e. social dumping) which further complicates the rare attempts to discipline the new markets and the new ways of working.

Source: National Employment Action Plan (Italy – 2001)

It is certain that these characteristic manifestations are common in modern society and not just in relation to labour markets. Every country and every sector of the economy is establishing informal practices of producing and circulating wealth. Practices exist which are more or less illegal and more or

<sup>13</sup> See: Scharpf, *New Challenges and Political Responses*, in *Conference on The Future of Work, Employment and Social Protection*, January 18-19, 2001.

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less tolerated by the public authorities. These illegal practices weaken the force of law. The more the State pretends to regulate all the aspects of the economy and of the market, the stronger the push towards anti-state and the processes of auto-regulation. However, this phenomenon is particularly relevant in the area of the labour market, especially if we take into consideration the historical role played by the State in protecting workers as the “weaker parties” in the employment relationship. In this respect, if it is true that the end of labour law is possible, it seems that we are going toward a “labour law without the State”.<sup>14</sup>

It is equally true that the underground economy allows us to evaluate, with a high degree of certainty, the efficiency and rationality of State intervention in the labour market. This process involves all sectors of production, including those apparently not subject to international competition. The services include those for the municipality (cleaning and maintenance of the streets and parks, traffic control etc.), for people (care and assistance to the elderly, ill, disabled people, children; restoration; entertainment; culture, tourism; domestic cleaning, etc.), for enterprises management of information technology, maintenance and surveillance of the enterprises possession, etc.). With respect to these sectors, opportunities for regular work are not only dispersed and fragmented in the labour market, but also generate social hardships, urban decay, misdemeanours and in general a situation of illegal activities. These activities are ultimately concentrated in the informal economy because they involve services which are labour intensive requiring a high degree of flexibility.

Particularly interesting in this context are the personal at-home assistance services for older people, which today are completely deregulated. In the area of home care and household based care, provisions to care for elderly tend to be poorly articulated, especially if compared with provision for children or for people with disabilities. The legislative framework offers mainly services-in-kind, limited cash benefits and pensions in addition to very little time off for the family engaged in work outside the home. No legal rules seem to exist for any household services in the grey area that exists between domestic cleaning services and the field of medical assistance.

This is the reason why the market for personal assistance services to the elderly is not at all transparent. The supply of social and household services to the elderly responds to the changed nature of both potential and effective demand in a manner that is both quantitatively and qualitatively inadequate. From a legal point of view, these phenomena are the causes of inefficiencies and wastes (high cost for the services for the families which render low quality services supplied). From a legal point of view, they constitute a clear violation of the legal rules in the area of the employment relationship. The absence of appropriate contractual schemes for the worker in this so-called grey area represents one of the main distortions in the market for personal assistance services.

The resulting gap has been partially filled either by informal activities or, in other cases, by the families themselves, who have been obliged to act as self-producers. The overall quality of services supplied and the quality of life of the family have suffered from this situation.

The lack of an appropriate legal framework still represents a challenging obstacle to the development of this sector. This is particularly true from the point of view of the employment relationship between the family/elderly and the worker. In this regard, it is true that new regulations were introduced in 1999 in order to provide incentives to the social co-operatives, particularly for disadvantaged persons. The provisions of Law No. 44/1986 (on youth entrepreneurship) were also extended to the expansion and consolidation of social enterprises. In addition to elements of financial feasibility, the criteria adopted for granting incentives take into consideration the social benefits of the activities. However, the case still remains that the direct and informal employment relationship between family/elderly and the workers is inevitably concentrated in the informal economy.

<sup>14</sup> See: H. Arthurs, *op. cit.*

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In this sector, it is difficult to rationalize the economic incentives for entrepreneurs. One solution could be to make the employment relationship transparent and contribute to the regularisation of the relationship between the employee and the family assisted. In fact, the regular relationship between the family and the worker-assistant could also increase the quality of service. To create such an effect, it is necessary, for example, to derogate from the national collective agreement with a local level collective agreement signed by the social partners and the local authorities.

### **An attempt to regulate this market: Modena, Italy (2000)**

In December, 2000, the Municipality of Modena and the social partners (CGIL-CISL-UIL) signed an agreement. This agreement had the following goals: to deal with undeclared work, to regularise irregular employment relationships, to optimise local labour demand and supply, to regularise the extra-community workforce, and to raise the quality of the workforce.

The most innovative part of the agreement was the effort made by the parties to fight against the black market. In order to achieve this objective, the social partners agreed to introduce the so-called *quasi* subordinated contract (c.d. collaborazioni coordinate e continuative).

This kind of employment contract is between self-employment and an employment contract. The main characteristic of this contract is that it is quite similar to the standard one. In fact, the employment is considered to be continuous but the legal effects are not those of a typical contract of employment, but rather those of self-employment which is why this kind of employment contract is very attractive for the employer.

In signing this local agreement, the social partners have tried to balance work flexibility with the level of social protection.

This atypical contract must be in written form: it must indicate the duration of the contract, the hours of work, the kind of services, the remuneration, causes of termination or suspension of the employment relationship. Remuneration should not be less than that which has been fixed in the national collective agreement for that specific service sector.

All other working conditions, with a few exceptions, are regulated either by the national collective agreement or by law. For example, in case of illness or injury, the employee receives the agreed remuneration, but only for the first month following the suspension of the contract.

The agreement recognises basic trade union rights and some training rights in order to develop the quality of the services provided to the families.

Source: Biagi M., Tiraboschi M., Servizi di cura alla persona, assistenza domiciliare agli anziani e politiche locali per l'occupazione: l'esperienza modenese nel contesto comunitario, Modena, 2000.

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## Chapter 6 – Concluding Remarks: *Decentralised Social Pacts and the Role of Trade Unions*

The comparative analysis of the local employment pacts reveals that the social dialogue method is the basis of best practices. While analysing social pacts at the local level, it can be concluded that a number of serious problems, such as creating new jobs and fighting unemployment, may be resolved more easily locally than nationally, having regard to the difficulty of implementing locally measures adopted at national level. The results obtained through social dialogue seem to be more satisfactory in comparison to those obtained by the simple policies of deregulation, which in Europe are unable to resolve the problem of the necessary coordination of job flexibility with job security. Above all, the added value is the creation of a working climate of trust and participation among all of the social partners involved.

Focusing on social pacts at the intermediate and local levels allows for a clear distinction, even in terminological terms, between *Local Employment Pacts* and *Pacts for Employment and Competitiveness*.<sup>15</sup> Functionally, both types of pacts use a method of concertation for the controlled introduction of various forms of microeconomic flexibility in both internal and external labour markets. In terms of regulation, the final result of both seems to be de-standardisation and a consequent regulatory differentiation.

The objective of both types of pacts, despite their differences, is the reconciliation of the entrepreneurial and territorial systems' competitiveness with employment friendly policies. The basic objective of these pacts is to search for adequate provisions which can combine flexibility with security of employment. In sum, these pacts deal with three guiding principles with regard to social and economic policies: flexibility, competitiveness, and job security.

*Functionally*, the task of *Local Employment Pacts* is to adapt the micro (territorial) impact of the legal national framework. Macro-policies of centralised social pacts often seem unable, without further intervention, to extend the macro-level advantages of bargaining, such as pay agreements, a low rate of inflation and safeguarding welfare system, to certain excluded and marginalized social groups. Therefore, centralised social pacts appear to be incapable of coping with territorial and social inequalities and the differences in development and unemployment rates.<sup>16</sup> *Structurally*, territorial pacts aim at involving social partners in the institutional government of the labour market, fully exploiting the resources of the contractual method, but at territorial rather than company level. Through territorial social pacts, the collective bargaining method, with its resources of consensus and flexibility, goes beyond the scope of a single company and is extended to the territory. It is as though collective bargaining has reinvented itself to become a practice of territorial labour policy concertation, thus not

<sup>15</sup> See the documents from the European Foundation for the Improvement of Living and Working Conditions: K. Sisson and A. Martin Artiles 'Handling Restructuring Collective Agreements on Employment and Competitiveness', Dublin 2000; S. Zagelmeyer 'Innovative Agreements on Employment and Competitiveness in the European Union and Norway, Dublin, 2000. K. Sisson, J. Freyssinet, H. Krieger, K. O'Kelly. C. Schnabel, H. Seferit, 'Pacts for Employment and Competitiveness Concepts and Issues', Dublin, 1999.

<sup>16</sup> B. Caruso, *Decentralised social pacts, trade unions and collective bargaining - how labour law is changing*, in Biagi M. ed., *Towards a European Model of Industrial Relations? Building on the First Report of the European Commission*, Kluwer Law International, 2001.

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only enlarging its traditional jurisdiction (even dealing with active labour policies), but also conquering new spheres of institutional legitimacy.<sup>17</sup>

Formally, the main feature of *Local Employment Pacts* is the direct involvement of various public actors: local authorities, chambers of commerce, banks, research institutes, universities, professional associations, third sector associations, etc. In *Local Employment Pacts*, public authorities directly make certain commitments, often in a solemn, written form. These commitments are concerned not only with the granting of financial resources but also supporting forward-looking plans (e.g. investments in infrastructures, providing services for enterprises, administrative efficiency, public order measures, etc.). Commitments of the various partners assume the *form* typically associated with a privately negotiated deal.

Since 1995, showing remarkable farsightedness, the European Commission, in conjunction with the Committee of the Regions in the context of White Paper, recognised that only with the participation of the actors at local and regional levels can efficiency be achieved. Today, the Commission stresses the necessity of giving a local dimension to the European Employment Strategy underlining that the local level is not limited by administrative boundaries. The appropriate territory for local intervention is more often defined by the cultural affinities with which local people identify, local production systems and trade flows, and the travel-to-work area. This is particularly important for the development of territorial bargaining also in relation to the so-called trans-frontier economies.

More recently, the Lisbon Summit stressed the importance of coordination policies. The local level is subject to the same logic. The European Employment Strategy pushes national employment policies from passive positions to active positions, recognising that employment is the best method to overcome social exclusion and poverty.

To create new employment it is necessary to diversify actions according to the territorial peculiarities indigenous to each state. So it is possible to think about many local models of economic systems co-existing in the same area. All over Europe, there are spaces where one can simultaneously find metropolitan, tertiary, industrial, and small and medium enterprises, rural, and declining areas. Empirical evidence demonstrates that negotiated programmes at the territorial level are the most appropriate to regulate the balance between supply and demand of labour. The intermediate level (between plant and national level) of regulation of social and economic phenomena related to the world of production and labour, began to prevail in the latter half of the 1990s. The development of post-Fordist production methods contributed greatly to the “externalization” at plant level and to the localization at State level of certain interests. In a number of European countries, the regions are beginning to play a very important role in the process of implementation of European social policy. But numerous problems still exist. When agreements are developed to favour an increase in employment particularly in disadvantaged areas, (but not only in these cases), the best instrument is flexibility in hiring and utilization of the workforce.

However, these first experiences have demonstrated many limitations, as there are many obstacles in the legal systems of the various European countries. For example, there is a risk of violation of the principle of discrimination. The second problem concerns the actors themselves both from the point of view of territorial representation and from that of the matters to be included in territorial collective agreements.

<sup>17</sup> *Ibidem*.

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