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## **SolidarCity Policy Group – Policies affecting employment and entrepreneurship in towns and cities**

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*Abstract:* - National and European employment objectives cannot be achieved without the active involvement of actors at the regional and local level. The idea of the project SolidarCity has been developed in continuity of 3 EQUAL Projects implemented during the period 2001 – 2006 by EFXINI POLI / Network of 30 Local Authorities and in collaboration with multidimensional partnerships all having experience in working within the existing employment policy framework and tailoring programs to local needs, influencing the employment development policy itself by becoming an integral part of policy design and appliance.

SolidarCity as a decisive intervention from all local actors (regional & local authorities, civil society) for employment rate increase at local level appears as a need to contribute to the economic modernization and increased competitiveness of Europe. Main objective of the SolidarCity project is to improve the effectiveness of regional development policies by enhancing the role and involvement of local & regional authorities and civil society in employment rate increase through exploring the parameters which burden the active participation into the local labour market and finding ways to create more and better.

This paper will present the outputs of SolidarCity project concerning policies affecting employment and entrepreneurship in towns and cities from several countries as: Greece, Bulgaria, United Kingdom, Finland, Italy and Romania. This project was financed by European Union, European Regional Development Fund through INTERREG IVC program.

*Key-Words:* - employment, entrepreneurship, SolidarCity, regional development policies, involvement

### **1 Introduction**

Overall objective of the SolidarCity project (financed by ERDF through INTERREG IVC program, [www.i4c.eu](http://www.i4c.eu)), is to improve the effectiveness of regional development policies by enhancing the role and involvement of local & regional authorities and civil society in employment rate increase through exploring the parameters which burden the active participation into the local labor market and finding ways to create more and better jobs at local level.

SolidarCity project was developed also to contribute to the aims of Cohesion Policy, Lisbon's and Gothenburg agendas, Regions for Economic Change Communication, European Employment

Strategy all referring to more and better jobs building a two-way bridge by including policy makers and decision makers, play a supportive role for local actors, involve local players in the design and development of job creation and inclusion policies, motivate and encourage more people and organisations to get involved into contribution to employment in their locality, add value to the efforts of EU, national governments and regional governments by have a real impact on persistent problems of unemployment, skills shortages and inequality across Europe, recognise the needs and potential of a particular locality, draw a focus on gender equality and environmental sustainability, create the conditions for an overall employment rate

of 70% in 2010, for women of 60% in 2010 and an employment rate of 50% for older workers (aged 55-64) in 2010, ensure that all levels work together in a coherent way to achieve the employment targets that the EU has set itself, while simultaneously addressing their own employment problems

The SolidarCity project partnership has brought together local authorities, universities, municipalities and national town centre management associations from Greece, the United Kingdom, Bulgaria, Italy, Finland and Romania to investigate existing and innovative ways of creating employment across Europe. This involves traditional top-down training-based approaches as well as bottom-up entrepreneurship-based ways of making towns and locations more attractive to live in, work and invest in by involving local authorities and key local stakeholders from civil society organisations across the community.

## **2 European Labor Market Crisis**

Several elements of the ongoing process of globalisation, especially the unfettered markets, (including the labour market) and the growing inequality (resulting from many households reliance on credit to maintain spending on basic needs) have given cause to the current crisis; therefore, the analysis of the structure and nature of current globalization and its impact on employment and inequality as well as policy recommendations to alter current globalization processes are critical. There is growing evidence that the employment, human and social effects of the financial and economic crisis could be long lasting, especially if without corrective action.

There are thus strong reasons to include policies for employment, income inequality and human development as priority issues in designing short term and longer policies to deal with the crisis. But, might there be tradeoffs between these policies for employment, income inequality and human development? A recent study on explanations for growing inequality over the last decade (Angeles-Castro, 2006) concludes that high employment levels reduce inequality and, especially for developing nations, high employment levels in the industrial sector reduce inequality. Targeting for employment and for reduction of income

inequality can thus be combined objectives in policy making.

### **2.1 Vision for 2020**

Europe 2020 is the EU's growth strategy for the coming decade. In a changing world, we want the EU to become a smart, sustainable and inclusive economy. These three mutually reinforcing priorities should help the EU and the Member States deliver high levels of employment, productivity and social cohesion.

The EU also wants to build strategic relationships with emerging economies, to discuss issues of common concern, promote cooperation on regulation and other matters, and resolve bilateral issues. In this context, the Commission presented a new trade strategy in November 2010. The EU is already developing a real partnership with developing countries to help eradicate poverty, promote growth and fulfil the Millennium Development Goals.

The aforementioned economic and financial crisis is not the only challenge Europe faces in achieving the 2020 vision. Growth and job creation depend on healthy, well connected markets, where competition and consumer access stimulate business and innovation. Work is also needed to improve access to the single market for small businesses, consumers, and to develop entrepreneurship.

## **3 Key policies affecting employment and entrepreneurship in towns and cities**

### **3.1 Bulgaria**

Bulgaria's national labour market policies are geared towards coherence with the employment objectives of the EU. The main thrust behind this coherence is to ensure Bulgaria has a labour market which is flexible and dynamic, assisting the country to compete on the European stage. This has necessitated the introduction of ideas, concepts and best practice from abroad in order to positively shape employment.

In the Vidin region the updated strategy working has culminated in four main areas of action:

- Policy for economic growth and job creation;
- Activation of the discouraged and inactive persons and effective integration into the labour market;

- Provision of flexibility and security in the confirmation of an approach to work, based on the 'life cycle'; and
- Education and training in support of the transition to a knowledge-based economy.

The policy for economic growth and job creation includes increasing the competitiveness and development of small and medium-sized enterprises; financial stability through reforms in the budget and social security systems; an active policy on labour migration; modernisation of labour market institutions.

Tasks for the activation of the discouraged and inactive persons are the development of preventive measures by introducing the individual approach to job-seekers; conservation of programmes for employment; development of the social economy through a model for promoting social entrepreneurship, ensuring the comprehensive rehabilitation of people with disabilities; improvement of coordination between social and fiscal policy in order to promote the supply of labour; limitation of unregulated employment.

Part of the measures for provision of flexibility and security include the review of labour legislation, the support of the collective labour agreement, the support of a person for quick launch of the first work, the return to work after an interruption due to maternity leave and the extension of working life.

The activities envisaged in the field of 'education and training in support of the transition to a knowledge-based economy' include training at the workplace, effective student probations and improvement of the relationship 'education-science-business', a study of the needs of the labour market, new financial mechanisms to encourage participation in training. Such policies have helped in closing the gap between Bulgaria and the European average labour market levels. Bulgaria is expected remain below the European average for a few years to come but there is now a better harmony with pan-European policies.

### 3.2 Finland

The Act on Social Enterprises (1351/2003) came into law in 2004 in Finland, providing a legal definition of a social enterprise providing business owners with a tangible benchmark to reach.

While a social enterprises are no different from other private enterprises in their need to trade and make a profit, their social purpose sets them apart, allowing them to be seen favourably by Government as a vehicle for meeting both social and economic objectives. The growth of social enterprises is expected to have a positive impact on employment

for the long-term unemployed and vulnerable groups. However, the defining features which constitute a social enterprise, without clear guidance, can often be ambiguous and therefore left open to interpretation and abuse.

Following the implementation of the Act on Social Enterprises in Finland, the difference from other companies lies in the fact that at least 30% of the employees in a social enterprise are disabled or all are disabled or previously unemployed in the long term. In addition, the company must have an entry in the register of social enterprises held by the Ministry of Employment and the Economy. Only a company with an entry in this register can use the name and business ID of a social enterprise in its business operations and marketing. The name social enterprise can only be used by a company with an entry in the register of social enterprises held by the Ministry of Employment and the Economy. The company will be entered in the register if it meets the criteria for a social enterprise. At the moment (October 2011) there are 160 social enterprises in Finland.

### 3.3 Greece

One set of policies that should have a positive impact on total employment in general and particularly in the retail sector, are the recent legislative initiatives (Law 4019/2011) for social economy and social entrepreneurship. Specifically, the new law introduces an innovative element in state-society- private sector relations in Greece: that is the Social Economy and Social Entrepreneurship.

The main objectives of the new legislation are:

- Job creation and social integration of vulnerable groups;
- To meet social needs, particularly through the strengthening of solidarity and social entrepreneurship and social innovation, and
- To enhance local development and social cohesion.

The estimation for the positive contribution of the social economy sector to increasing the overall employment and to creating new jobs, is being based among other factors on the finding that in almost all EU countries, this sector has functioned effectively as a way of entering the labor market not only the socially vulnerable groups but also a growing segment of the population that is affected by unemployment, through innovative and socially oriented activities as well as an effective means to cover the growing need for social services.

Thus, based on this positive experience of other European countries, creating a modern legal framework for the social economy also in Greece is

expected to have a significant positive impact on economic activity and on job creation.

The liberalisation of shop opening hours in Greece is expected to have a positive impact on employment in the country. Thus, in the framework for the liberalisation of the market rules, it was proposed and has been accepted the proposition for the operation of shops and malls for up to four Sundays a year, whereas up to now the operation of shops on Sundays was prohibited. This development is expected to increase the total opening hours of shops and subsequently the total employment in them. Similarly, improvements customer service may also increase employment through the decision for less restrictive opening hours for pharmacies. Until now all pharmacies were closed in the afternoons on Mondays and Wednesdays all day on Saturdays. New legislation from the Ministry of Health means 30% of pharmacies can stay open hours, boosting employment.

### **3.4 Italy**

In Italy several reforms are ongoing in the labour market, last one subsequently to the Law n.30/2003 and its subsequent amendments and integrations (the so called "Biagi reform"). It describes a complex framework of actions and measures in the active employment general policy where competences and functions of planning and control processes operate in a common framework to make more flexible the tools to boost employment.

The Italian labour market in recent years has been profoundly modified and simplified from the point of view of institutional responsibilities among the various levels of government (central and local) from the point of view of operating rules.

This process of structural reform was also the result of stress in Europe. In accordance with the principle of subsidiary, in fact, the management of services offered to citizens, and the identification of policy measures for active employment were delegated to the regions and local authorities in order to better meet the actual needs of the area.

The Directorate General of the labour market has remained purely strategic tasks and direction, including coordination, monitoring and evaluation of interventions in the area. To ensure a uniform national system, the Directorate General sets the national priorities and operational guidelines to be implemented, while respecting the diversity and territorial autonomy. But this reform was not only a redefinition of roles and responsibilities between institutions but a profound change in the system. The old placement offices, in fact, no longer suitable

to meet the needs of the labour market, have been replaced by the new Public Employment Services, the responsibility of the provinces, and were reorganized to become providers of services related to 'matching of demand and supply of labour. At the same time, since 2003, it has been recognised as new subjects of mediation: Private employment agencies, universities, educational institutes, chambers of commerce, employment experts, bilateral bodies, etc.

These new entrants, following appropriate authorization by the Ministry, may carry out mediation between demand and supply of labour. In this way, you have exceeded the concept of public monopoly on placement and have established a culture of customer service and the ability to choose the same quality of service.

The expansion of providers stimulates the same to improve its services to the users who benefit from it. To give transparency to this complex system was created National Labour Exchange Continue (BCNL) that represents a national network through which to connect computer systems and create a regional network between all actors in the labour market. This system guarantees citizens the transparency and completeness of the information on the labour market throughout the country.

### **3.5 Romania**

Romania is in need of foreign investment in order to strengthen and grow its economy. Where retail is stifling SME businesses, investment in other elements of the economy such as infrastructure and agriculture is a necessity. Romania needs to be competitive on the international stage as it cannot rely on domestic consumption alone for growth. The global economic crisis and unhelpful decision-making by Romanian policy-makers has hampered efforts to attract this investment.

Romania has to redefine its regional borders and accelerate the process of integration in regional development policies. This is to maintain dynamic economic activity and access to European funds. Regional development policies are promoted through local central administrations relying on engagement with a number of diverse actors from the private, public and voluntary spheres. The policies are focussed on entrepreneurial development, the labour force, investment, the transfer of technology infrastructure development, environmental quality, health, education and culture.

The main objectives of the policy are:

- The regeneration of deprived locations;
- The simulation of interregional cooperation domestically and internationally.

A tax paid by employers on salaries is reported to have discouraged SME businesses from offering high quality employment packages to workers. Instead, these taxes have fuelled employment through the grey and black labour market allowing SMEs to invest in business development. Analysts have declared that a better thought-out policy on employment tax will encourage investment in business development.

One of the most important key policies in Timisoara area, affecting towns and cities, and one that may have an effect (direct or indirect) on the creation of employment and entrepreneurship, is the creation of Timisoara Growth Pole (TGP).

The existence and implementation of the Concept of Economic and Social Development of Timisoara Area increased the confidence of foreign investors in local business, increased the volume of foreign investments attracted to Timisoara which is much higher than the national average. The main industries that have developed in recent years on the area covered by Timisoara Growth Pole were telecommunications, electronics and electrical, machinery, equipment and auto components.

Although in their spatial development some built city areas and some of the surrounding towns have come into contact with the compact built-up areas in the centre, the new growth areas are discontinuous in their urban structure and the level of utilities and socio-economic facilities is poor. On the other hand, Timisoara city needs space for building new infrastructure and buildings (exhibition centres, sports and leisure facilities, new economic functions, etc.), their transfer to suburban communities is advantageous for both the municipality and for surrounding towns. This necessitates that the city works closely with municipalities in its area of influence.

### **3.6 United Kingdom**

The UK is no longer governed by a single executive that has the ability to introduce retail and town centre economic development policies for the entire kingdom. The process of devolution means, to a differing extent, there are four separate legislative and executive power bases including:

- England;
- Northern Ireland (through the Northern Ireland Act 1998);
- Scotland (through the Scotland Act 1998); and
- Wales (through the Government of Wales Act 1998).

One area where executive power is still centralised is that of fiscal responsibility. The UK Coalition Government cannot necessarily dictate what the other national and local governments can spend money on but it can dictate the level of spending. With record levels of Government borrowing and concern for interest rates on Government debt spiralling out of control, policy-makers in Westminster have reduced public spending for the entire UK. Cutting costs and finding new methods of local government and civil society to raise funds for economic development is the main thrust behind many policies in the UK.

In England, the Government Department for Business, Innovation and Skills (BIS) leads the work to build a dynamic and competitive economy by creating the conditions for business success, promoting innovation, enterprise and science and giving everyone the skills and opportunities to succeed. Within the Department, the Labour Market Analysis & Minimum Wage team provides the evidence and information that underpins policy making and delivery in the Employment Relations Directorate. This involves extensive programmes of analysis, research and evaluation on areas including domestic and European employment legislation, labour market flexibility and diversity, and employment and industrial relations.

Growth is the Government's top priority and every part of Government is focused on it with a clear and active role for Government to create the conditions for the private sector to grow and remove unnecessary barriers that can stifle growth. The UK Government's Budget (2011) set out the Government's Plan for Growth. This plan builds on action already taken to restore economic stability. The Plan is based around four overarching ambitions for the economy, and announcements in the Budget identified a range of reforms to help us meet these ambitions:

- **Ambition 1: To create the most competitive tax system in the G20**
  - The Government will simplify the UK Tax system. This includes integrating the operation of Income Tax and National Insurance Contributions, helping UK business, and improving the administration of IR35 legislation – providing greater certainty for the freelance worker.
- **Ambition 2: To make the UK the best place in Europe to start, finance and grow a business**
  - Actions on this front include a £20m fund to support innovation through government procurement from SMEs and a one-year extension of the small business rate relief holiday from 1 October 2011.

- Ambition 3: To encourage investment and exports as a route to a more balanced economy
  - Actions on this front include a £3 billion for the Green Investment Bank to help drive investment in green infrastructure and new support to help SMEs to break into overseas markets.
- Ambition 4: To create a more educated workforce that is the most flexible in Europe
  - Actions on this front include a £180m package for 50,000 Apprenticeship places, 10,000 of which are for degree-level Higher Level Apprenticeships and simplifying employment legislation by scrapping over £350 million worth of employment regulation.

Another important area of government action is the creation of the Regional Growth Fund (RGF). This is a £1.4bn fund operating across England from 2011 to 2014 supporting projects and programmes that promote private sector investment creating economic growth and sustainable employment. It aims particularly to help those areas and communities currently dependent on the public sector to make the transition to sustainable private sector-led growth and prosperity. This funding stream is expected to create at least 4,000 jobs and unlock around £500 million of new investment by small and medium businesses (SMEs).

## 4 Conclusion

The EU is suffering from the most serious recession it has ever faced with financial turmoil contributing to deterioration in confidence, affecting both investment and consumption.

The recession is impacting on employment. At the end of December 2011 unemployment in the EU stood at 23.8 million, 1.1 million more than March 2011. Consequently, the EU unemployment rate is at an historic high of 9.9%. This overview masks huge differences in labor market performance between EU Member States.

The crisis was met instantly with resolute action by Member States to protect households from the worst effects of downturn by shielding the financial system from collapse. However, rather than resolving the crisis completely this had led to serious sovereign debt problems which have led to an urgent need to either reduce public spending, raise taxes, or in some cases, both. This has been painful for many European households with a loss of jobs in both public and private sectors. What is clear to the SolidarCity Group is that the impact of the financial crisis varies from country to country, from social group to social group.

SolidarCity Partnership suggests a set of recommendations to the EU and its Member States to improve labor market conditions across the continent, both in general and for vulnerable groups in particular. In particular, these recommendations are aimed at getting the EU back on track to meet the vision for 2020 by focusing on the following core themes:

- Equal Opportunities
- Environmental Sustainability
- Labor Market Growth

The policy recommendations are:

- 1) Protecting Female Employment through the Strengthening of Anti-Discrimination Legislation
- 2) Identify the Family and the Young as Central Target Groups for Social Policy
- 3) Support Inclusive Employment Practices through an Equal Opportunities Charter
- 4) Understand, Define and Support Social Enterprise
- 5) Mainstream Green Public Procurement
- 6) Invest In the Green Economy
- 7) Reduce Employment Related Taxation
- 8) Encourage Entrepreneurial Activity
- 9) Support the development of Private-Public Partnerships for the management of town and city centers

For more analytical information on our Labor Market Policy Recommendations, you can download the Labor Market Policy Recommendations document from [www.solidarcity.eu](http://www.solidarcity.eu).

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