

# DOCUMENT

## **PROGRAMME OF RESEARCH AND ACTIONS ON THE DEVELOPMENT OF THE LABOUR MARKET**

**The role of local authorities in promoting local  
employment initiatives**

**Main report**



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PROGRAMME OF RESEARCH AND ACTIONS ON THE DEVELOPMENT OF THE LABOUR MARKET

THE ROLE OF LOCAL AUTHORITIES  
IN  
PROMOTING LOCAL EMPLOYMENT INITIATIVES

MAIN REPORT

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Document

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## ABSTRACT

Local authorities throughout Europe are becoming increasingly involved in promoting economic development and community-based Local Employment Initiatives (LEIs). This study looks at the powers available to local authorities, the many possibilities for action in support of LEIs open to them, and at how these are influenced by the relationships between central governments and local authorities.

Local authorities have a key role to play in promoting LEIs, and are helping considerably by, e.g., providing workshops, finance, business advice, training and encouraging "enterprising" behaviour. Most place greater priority on measures to promote economic development in general including technology transfer and venture capital. Authorities may hinder as well as help the development of LEIs by being inflexible in dealing with LEIs on administrative matters and unsympathetic in responding to community-based initiatives.

The report recommends that local authorities should consider giving greater attention to LEIs and to a wider range of forms of support. A clear strategy for action is important. This should influence the organisational approach adopted by the authority to provide support. Recruitment and training of appropriate staff are essential.

Central governments should ensure that local authorities have general competence to intervene in economic development. The EEC should continue its support for LEIs and its encouragement to local authorities.

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Derrick Johnstone

11.10.85

LE ROLE DES COLLECTIVITES LOCALES DANS LA PROMOTION  
DES INITIATIVES LOCALES POUR L'EMPLOI

Résumé français





Rôle des collectivités locales dans la promotion  
des Initiatives Locales de création d'Emplois (ILE)

RESUME

1. Introduction

1.1 L'accroissement important du chômage dans la Communauté Européenne au cours des 6 dernières années s'est accompagné d'une sensibilisation accrue des collectivités locales sur ce problème. Désormais, à travers l'Europe, ces dernières ont pris à leur charge une série d'initiatives et le rôle qu'elles jouent dans le développement économique ne cesse de croître. L'accent a été placé, avant tout, sur la promotion du développement économique en général, sous-entendant implicitement que chômeurs et autres personnes défavorisées bénéficieraient d'améliorations générales portées à l'économie. Peu de collectivités locales ont fait des recherches pour savoir si le bénéfice en irait à ces catégories sociales. Les collectivités locales ayant adopté une politique spécifique visant à promouvoir les Initiatives Locales de création d'Emplois (ILE) sont dignes d'intérêt car elles reconnaissent qu'il existe des alternatives pour la création d'emplois et qu'en outre les plus défavorisés sont en mesure de générer ces emplois pour eux-mêmes avec une certaine forme d'aide appropriée. La section 1.5 du rapport complet mesure l'importance du rôle joué par les collectivités locales en France et en Grande-Bretagne en particulier, pays où les collectivités locales sont particulièrement actives.

1.2 Cependant, un grand nombre de collectivités locales n'ont pas encore mesuré pleinement la réalité économique d'aujourd'hui ni ce que la promotion du développement économique et des ILE signifie pour elles si elles désirent sérieusement concourir à la création d'emplois. Un certain nombre de collectivités locales continuent à refuser l'interventionisme au-delà d'une position traditionnellement acceptée à savoir celle qui consiste à fournir infrastructure et services publics. Mais leur nombre décroît avec l'évolution des idées sur la durée probable du chômage en tant que phénomène social et du rôle légitime joué par les collectivités locales dans le développement économique.

2. Dossier de Recherche

2.1 Le dossier de recherche avait pour but d'analyser le rôle joué par les collectivités locales pour promouvoir les Initiatives Locales de création d'Emplois, d'inclure leurs activités promotionnelles dans le contexte des mesures globales de lutte contre le chômage, de fournir des précisions sur les relations existant entre Etats membres et collectivités locales (relations centrales-locales) ainsi que sur les pouvoirs statutaires permettant aux collectivités locales d'intervenir. Le dossier se devait de fournir des exemples d'interventions novatrices et faire la preuve de pratiques réussies. Faisaient également partie du projet, l'organisation et l'animation d'une conférence centrée sur le même thème qui s'est déroulée à Barnsley dans la région du Sud Yorkshire en avril 1985. Echanges fructueux de points de vue et

d'expériences entre les délégués venus d'un certain nombre d'Etats membres qui ont permis en outre de tester plusieurs idées de recherche à une étape transitoire du projet.

### 3. Grandes Lignes du Rapport

En premier lieu, le rapport vise à examiner pouvoirs et ressources à la disposition des collectivités locales, relations de ces dernières avec le pouvoir central et en outre à commenter brièvement sur les contraintes auxquelles les collectivités locales sont assujetties en raison des limites assignées à leurs pouvoirs et ressources et du contrôle exercé par l'état central; deuxièmement, d'examiner les réalisations possibles ou en cours des collectivités locales pour promouvoir les Initiatives Locales de création d'Emploi, avec exemples en illustration; et en dernier lieu, de mettre en avant un certain nombre de questions que les collectivités locales devraient se poser lorsqu'elles mettent au point leur approche des ILE. Le dernier chapitre présente conclusions et propositions d'action aux collectivités locales, gouvernements et à la CEE. Un aspect particulièrement important concerne les mesures à prendre par les collectivités locales en vue d'aider plus efficacement à la promotion du développement économique local en général et des ILE en particulier. C'est là un aspect essentiel lorsque l'on parle de "pratiques réussies".

### 4. Importance du rôle des collectivités locales

4.1 Les collectivités locales sont en mesure de promouvoir développement économique et ILE (section 1.2) en raison de 4 facteurs principaux:-

4.1.1 elles sont démocratiquement élues et ont la charge d'assurer le bien-être social et économique de la communauté dans son ensemble;

4.1.2 elles concentrent l'intérêt porte à la localité, ce qui peut être source motrice importante de consensus et d'engagement.

4.1.3 elles ont, ou devraient être en mesure d'avoir, une connaissance très précise des besoins locaux, problèmes et possibilités; et finalement,

4.1.4 elles possèdent les pouvoirs ad hoc d'intervention et les ressources pouvant être allouées au développement économique.

4.2 Les pouvoirs des collectivités locales varient notablement d'un pays à l'autre et la variation la plus frappante est probablement celle existant entre la France, où les collectivités locales ont un pouvoir d'intervention très étendu, et l'Italie où communes et provinces ont un champs d'intervention limité. De plus, la disponibilité de ressources, en termes réels, est également une contrainte pour bon nombre de collectivités locales, bien que parfois il suffise de montrer une volonté politique pour affecter à de nouvelles activités des ressources destinées à des programmes déjà établis. Les collectivités locales adoptent ou non une position interventionniste, davantage en raison du climat économique local que de prises de position politiques. A ce titre, on note que les collectivités locales situées dans des régions ou

le taux de chômage est très élevé sont généralement beaucoup plus actives que celles situées dans des régions de relative prospérité.

- 4.3 Les collectivités locales peuvent jouer les 7 rôles suivants (paragraphe 1.2.5-7):
  - 4.3.1 servir de catalyste, rassembler localement les différents intéressés et donner l'impulsion nécessaire aux projets;
  - 4.3.2 servir de garant à l'investissement privé;
  - 4.3.3 servir de relais au pouvoir central pour la mise en place de programmes correspondant aux objectifs nationaux prioritaires;
  - 4.3.4 servir de coordinateur entre organismes et organisations concernées;
  - 4.3.5 fournir des services et maximaliser la bonne correspondance entre bâtiments et équipements;
  - 4.3.6 servir de régulateur à l'activité commerciale (tâche consistant concrètement, par exemple, à dresser des plans d'occupation des sols ou figurent les possibilités de développement);
  - 4.3.7 servir de banc d'essai à de nouvelles idées se rapportant à la création d'emplois et à la formation professionnelle.
- 4.4 Mais il convient de faire trois mises en garde. Tout d'abord, s'il est vrai que les collectivités locales peuvent concourir au développement et à la création des ILE, il est aussi vrai qu'elles peuvent être un frein, particulièrement dans l'exercice de leurs fonctions régulatrices. Deuxièmement, il ressort d'une analyse plus large que l'ampleur des succès enregistrés par les collectivités locales est marginal, spécialement lorsque l'on se place d'un point de vue national, étant donné, d'une part, les pouvoirs et ressources limités des collectivités locales, d'autre part, l'étendue du chômage et l'impact important des transformations économiques au niveau national et international sur les économies locales. Troisièmement, il se peut que la collectivité locale ne soit pas nécessairement l'organisme le mieux placé pour entreprendre tout ce qui s'offre à la promotion du développement économique local et aux ILE en raison, d'une part, de sa taille, de ses pouvoirs, de ses responsabilités, de l'expérience et aptitudes de son personnel, d'autre part de l'existence d'autres organismes plus qualifiés pour accomplir cette tâche (1.2.8-10)

## 5. Contexte de la promotion des ILE

- 5.1 Cette étude adopte la définition communautaire des Initiatives Locales de création d'Emplois, à savoir, actions basées dans la communauté locale "ayant pour but la création possible d'emplois nouveaux et durables dans de petites entreprises créées à cet effet". Les structures de ces entreprises peuvent s'apparenter à un large éventail de modèles tels que coopératives, entreprises de la communauté locale et petites entreprises de type traditionnel.

Les ILE présentent un certain nombre d'éléments-clés: combinaisons d'objectifs économiques et sociaux; raison d'être particulièrement justifiée dans les zones où parmi les catégories sociales ou les chances de travail sont faibles (régions d'industries traditionnelles en déclin, régions rurales éloignées, par exemple) ou enfin pour les groupes de femmes, minorités ethniques, handicapés et chômeurs à long terme. La plupart des intéressés associés aux ILE ont en général à leur disposition une confiance limitée, peu de qualifications et n'ont bénéficié préalablement d'aucune expérience de gestion.

5.2 La majorité des collectivités locales n'est pas encore familiarisée avec le concept des ILE. Pour certaines, le terme est synonyme d'"initiatives économiques locales", terme s'appliquant à un concept plus large de "développement indigène", intégrant par exemple des activités telles que les transferts de technologie et le capital risque.

5.3 La plupart des collectivités locales qui ont accepté l'idée d'interventionisme dans l'économie locale pour remédier au chômage mettent l'accent sur les objectifs économiques qui, par exemple, encouragent investissements et technologie nouvelle, mais elles ont le sentiment que les objectifs sociaux, s'ils étaient inclus dans l'aide aux ILE, en réduirait l'efficacité. D'autres reconnaissent le bien-fondé des ILE mais attendent de celles-ci qu'elles mettent à leur profit les programmes d'aide aux petites et moyennes entreprises déjà existants. Un nombre relativement restreint de collectivités locales s'est engagé à promouvoir les ILE soit sous toutes ses formes soit pour certains groupes seulement tels que coopératives, entreprises de la communauté locale, ou entreprises de minorités ethniques. Les collectivités locales aidant ce dernier groupe sont situées principalement dans des régions où le de chômage est élevé ou encore dans des régions à forte concentration de groupes défavorisés. L'attrait des ILE réside dans le fait qu'elles peuvent offrir des solutions de rechange même partielles à des problèmes insolubles. Certaines collectivités locales sont intéressées à promouvoir les ILE pour des raisons philosophiques, afin d'encourager de nouvelles formes de travail (spécialement en coopératives) ainsi qu'un contrôle accru par la population locale sur sa propre vie (1.7).

## 6. Relations entre pouvoir central et collectivités locales

6.1 Les rapports entre le pouvoir central et les collectivités locales sont très complexes et diffèrent considérablement d'un pays à l'autre. Ces rapports, liés à l'octroi de pouvoirs et de ressources ainsi qu'au contrôle exercé sur les activités des collectivités locales, sont déterminant et affectent ampleur et efficacité de la réponse apportée au problème du chômage par les collectivités locales. Dans son rapport de 1983, le Conseil de l'Europe établissait que les pouvoirs centraux empêchaient les collectivités locales de remplir ce rôle "assigné par consentement commun", soit en refusant aux collectivités locales les moyens d'intervenir soit en retenant ou en réduisant les ressources à leur disposition (2.1).

- 6.2 Deux types de rapports pouvoir central-collectivités locales: consensus et collaboration d'une part, conflit d'autre part. En France, Belgique et RFA, par exemple, ces rapports s'apparentent d'ordinaire au consensus. En Grande-Bretagne, conflits et confrontations sont plus fréquents. Les conflits surgissent entre ces systèmes de gouvernement pour diverses raisons: divergences d'interprétation de la notion "d'intérêt public" et de priorités à l'échelon local et national, compréhension différente des besoins au niveau local, points de vue politiques et idéologiques conflictuels, et divergences de vue sur compétence et capacité d'intervention des collectivités locales (2.2).
- 6.3 Dans le contexte du développement économique local et des ILE, les conflits peuvent surgir dans les circonstances suivantes:
- 6.3.1 Là où le pouvoir central désire régulariser les activités des collectivités locales s'appuyant sur l'idée d'éviter une intervention excessive et inefficace, par exemple en fixant des plafonds à l'aide financière consentie ou en cherchant à empêcher la duplication de services tels que services-conseils aux entreprises;
- 6.3.2 là où le pouvoir central désire contrôler les dépenses des collectivités locales dans l'optique macroéconomique ou bien assigner de nouvelles tâches aux collectivités locales sans leur fournir les ressources adéquates.
- 6.3.3 là où les collectivités locales contestent leur position à l'intérieur du cadre général de la politique régionale et/ou urbaine du gouvernement, ou bien lorsqu'en raison de certaines contraintes liées à leurs pouvoirs, elles sont dans l'obligation de se limiter exclusivement aux zones de développement régional (c'est le cas en Italie et au Danemark);
- 6.3.4 là où les collectivités locales s'aperçoivent "d'une carence", d'un besoin d'intervenir, par exemple en essayant de soutenir un secteur industriel en déclin, non reconnu à l'échelon de la politique nationale;
- 6.3.5 là où partis politiques et idéologies sont en conflit, tout particulièrement lorsqu'on adopte un point de vue dogmatique en matière de limites d'intervention économique au plan national alors que les responsables locaux souhaitent intervenir davantage car ils mesurent ce que le chômage représente pour leurs administrés;
- 6.3.6 là où les collectivités locales sentent généralement qu'elles devraient bénéficier de plus amples pouvoirs et ressources d'intervention; et finalement,
- 6.3.7 là où le pouvoir central ne croit pas en la compétence et la capacité d'intervention des collectivités locales dans le développement économique.

7. Mesures de soutien aux ILE: responsabilités des collectivités locales
- 7.1 Les collectivités locales ont à leur disposition une large gamme de mesures destinées à la promotion des ILE. Un grand nombre d'exemples sont cités dans le texte (chapitres 3). Ceux-ci témoignent de l'énergie qualitative et quantitative déployée par bien des collectivités locales, et démontrent clairement le bien-fondé du rôle de banc d'essai pour de nouvelles idées joué par les collectivités locales, comme nous l'indiquons plus haut.
- 7.2 Les mesures possibles peuvent se classer en trois catégories principales: (a) mesures visant à améliorer la disponibilité de facteurs nécessaires ou favorables à la création et au développement des ILE (tels que terrains, locaux, financement, services-conseils et formation professionnelle); (b) mesures visant à créer ou identifier de nouvelles possibilités commerciales pour les ILE; et enfin (c) mesures visant à créer un climat plus "positif" à l'épanouissement des ILE. À la base, ces mesures sont semblables à celles destinées à la promotion des PME en général. Elles mettent en jeu également un ensemble de promoteurs potentiels des ILE et pas seulement les ILE. Les nouvelles initiatives en faveur des ILE devraient être un complément aux structures déjà en place. Le rôle des collectivités locales serait peut-être de coordonner les diverses organisations pouvant être concernées (3.1.3).
- 7.3 La collectivité locale se doit de déterminer les mesures à prendre dans la limite de ses fonctions, capacités et ressources. Si pouvoirs et ressources sont véritablement limités, ceci ne signifie pas pour autant que la collectivité locale ne puisse ou ne doive jouer de rôle. Les élus locaux et l'administration peuvent influencer l'opinion publique, encourager les initiatives et intervenir en collaboration avec d'autres organismes afin d'aider la population locale à créer ses propres emplois (3.1.4).
- 7.4 Les différentes propositions sont détaillées ci-dessous, comme une sorte de récapitulatif pratique. Chaque proposition est accompagnée d'un commentaire destiné aux collectivités locales et tiré du chapitre final (chapitre 5).
8. Facteurs nécessaires ou favorables à la création et au développement des ILE: mesures destinées à améliorer leur disponibilité.
- 8.1 Terrains et locaux. Étant donné d'une part que les ILE ont besoin de petits locaux, bon marché et d'autre part que le secteur privé est peu enclin à fournir de tels locaux, il semble que les collectivités locales devraient envisager d'offrir de petits ateliers soit à la vente soit en leasing. Cela pourrait prendre la forme d'une aide ou d'une garantie financière consentie sur le coût du projet, par exemple. Les collectivités locales se devraient, dans la mesure du possible, de mettre à disposition des ILE les bâtiments non utilisés, en offrant des conditions appropriées (3.1).

- 8.2 Financement. Il est difficile, pour un grand nombre d'ILE, d'obtenir un financement de départ par manque de capital, de garanties ou de "passe" commercial par exemple. Dans ces conditions, il serait souhaitable que les collectivités locales fournissent une aide financière sous forme de subventions, prêts à termes préférentiels, garanties de prêt ou avantages fiscaux. Même pour les ILE déjà en place, des difficultés peuvent se présenter lorsqu'elles s'agrandissent et c'est le cas par exemple des coopératives ouvrières gênées par leur capital propre limité. Les garanties de prêt sont peut-être l'option la plus intéressante car elles supposent que le banquier ou le financier détermine, d'un point de vue commercial, les chances de viabilité du projet du demandeur. La collectivité locale, en acceptant la responsabilité totale ou partielle des risques, permet de retenir certaines demandes de prêt qui auraient été rejetées autrement. Toutefois, les banques peuvent en venir à exploiter l'idée des collectivités locales, attendant de celles-ci des garanties de prêt là où auparavant elles auraient accepté de prendre le risque elles-mêmes. Il est possible que les subventions soient plus attrayantes pour certaines collectivités locales en raison de la relative simplicité de leur administration. Les subventions peuvent être utilisées sélectivement et servir à financer des aspects spécifiques tels que équipements ou étude de marché. Cependant, les subventions gouvernementales servant à alimenter une concurrence déloyale font naître bien des inquiétudes et posent les limites des pouvoirs interventionnistes des collectivités locales. L'aide à l'élaboration de plans de développement d'entreprises est l'un des meilleurs moyens, pour les collectivités locales, d'aider les entreprises à faire leurs premiers pas à peu de frais.
- 8.3 Les collectivités locales, désirant soutenir les firmes en difficulté, devraient également étudier la possibilité d'acheter et de revendre en leasing à ces firmes leurs propres bâtiments. Ceci peut améliorer les réserves de caisse de la société et l'aider à se reconstituer, peut-être rachetée par les ouvriers. Si la société échoue ultérieurement, la collectivité locale devient propriétaire des biens en question.
- 8.4 Un financement spécial est également nécessaire lorsque les ILE sont mises en place directement par les collectivités locales ou conformément aux directives de celles-ci. Ces financements peuvent être nécessaires à la formation et à l'intégration des jeunes ou des handicapés là où des projets commerciaux sont mis en place pour fournir une formation professionnelle dans un environnement commercial. Les collectivités locales se doivent de reconnaître qu'un niveau de subventions progressivement décroissant puisse être nécessaire sur une période plus longue, s'étalant sur 3 à 5 ans par exemple, afin d'amenuiser le conflit inéluctable vécu par les ILE entre objectifs économiques et objectifs sociaux. Les critères de financement retenus dans ces cas-là devraient donc tenir compte non seulement des facteurs économiques mais aussi des facteurs sociaux (3.2).
- 8.5 Développement des capacités locales. Les collectivités locales devraient reconnaître que les efforts faits pour développer les capacités locales grâce à l'éducation élémentaire des adultes, au développement dans la communauté et enfin à la formation

professionnelle est peut-être une condition préalable pour que la politique de promotion des ILE réussisse. Sinon, un écart important peut apparaître entre les aspirations d'un projet visant à promouvoir les ILE d'un côté, et les intérêts et aptitudes de la population locale à répondre, d'un autre côté. Dans certains cas, certains stagiaires peuvent être formés professionnellement avec la possibilité de travailler à leur compte ou en coopérative en fin de formation (3.4).

- 8.6 Services-conseils de gestion, formation et compétences. Les collectivités locales devraient s'assurer que services-conseils pour les affaires, formation professionnelle et compétences adéquates soient offerts aux ILE. Cette tâche est en général assurée par une agence déjà existante ou créée à cet effet dont la clientèle se compose spécifiquement d'ILE. La création de ce type d'agence peut se révéler nécessaire étant donné que les individus montant une ILE risquent d'avoir besoin d'être guidés davantage que ceux des PME conventionnelles. En général, les ILE ont, comme les PME, des besoins particuliers d'aide et de formation en marketing, comptabilité et contrôle financier spécialement lorsque les intéressés concernés n'ont aucune expérience antérieure des affaires. Lorsqu'une agence de ce type est instituée, il ne faut pas s'attendre à ce qu'elle s'autofinance après quelque temps. En effet, elle ne pourrait pas jouer son rôle auprès de sa clientèle variée, souvent de chômeurs, si elle devait faire payer ses services aux taux pratiqués dans le commerce (3.5).
- 8.7 Des stages de formation sont également intéressants à considérer, mais dans certains endroits l'on rencontre une forte résistance à l'idée d'avoir à "apprendre" l'art de faire marcher une entreprise. Il peut s'avérer très utile d'offrir des subventions aux ILE, dépourvues d'expérience dans tel ou tel secteur, et ayant besoin des services de consultants ou de professionnels d'encadrement. Dans certains cas, la collectivité locale peut être en mesure d'offrir ses services pour aider un groupe de la communauté locale à faire démarrer un projet de construction en offrant les services d'un architecte ou d'un géomètre par exemple.
- 8.8 L'Aide Technique est un domaine associé où la collectivité locale a la possibilité de fournir une aide en nature ou de mettre en place des structures spécifiques pour conseiller dans le secteur des innovations et de la production ou de développer des produits utiles à la communauté pouvant être produits par les ILE (3.6).
- 8.9 Information. Les collectivités locales sont bien placées pour réunir les renseignements se rapportant à certains aspects de l'économie locale et du marché du travail, et cette tâche est particulièrement importante si elles désirent améliorer la compréhension de ce qui peut être fait localement pour la promotion du développement économique et des ILE. Dans certains pays, l'Italie par exemple, une meilleure information sur ces sujets est absolument nécessaire. Des renseignements précis concernant la disponibilité de terrains et de locaux, l'aide financière, l'existence de fournisseurs et de marchés, par exemple, peuvent être très utiles pour les ILE (3.7).



9. Mesures visant à créer et identifier de nouvelles possibilités commerciales pour les ILE
- 9.1 Achats et contrats. Les collectivités locales, étant donné leur grand pouvoir d'achat, pourraient envisager d'offrir aux ILE la possibilité d'être soumissionnaire pour de petits contrats ou bien d'obtenir des informations concernant leurs besoins d'achats en général. Un traitement préférentiel des ILE peut être envisagé, mais cela conduirait inéluctablement à une réaction de protestation de la part d'autres entreprises sur la base de la concurrence déloyale. Les collectivités locales peuvent également envisager d'offrir des contrats aux ILE dans les secteurs où les services offerts par les services publics ont été réduits ou supprimés, ou bien lorsqu'ils n'ont pas pu suivre la demande. Toutefois, cet aspect est politiquement très délicat à aborder, car il suscite des craintes de voir les services publics se privatiser. Les politiciens locaux peuvent également s'y opposer en faisant valoir que de tels services sont exclusivement du ressort de leur compétence et non d'organismes extérieurs (3.9).
- 9.2 Développement de l'activité économique locale. Les collectivités locales ont la possibilité de travailler en collaboration avec les ILE afin de trouver les moyens d'étendre les marchés de ces dernières grâce à une collaboration (marketing collectif sur les marchés intérieurs et à l'exportation), l'accroissement des ventes (ayant recours aux expositions, représentants de commerce, et aux annuaires de commerce) pour identifier de nouvelles possibilités commerciales. Il est parfois difficile d'obtenir et de maintenir le niveau d'engagement pris par les entreprises concernées, mais il existe souvent un potentiel de bénéfices importants, comme dans le cas des coopératives agricoles par exemple (3.10).
10. Création d'un climat favorable au plein essor des ILE
- 10.1 Promouvoir une culture "d'entreprise". De même que nous le reconnaissons plus haut (paragraphe 9.2) dans le secteur du développement des capacités locales, il est nécessaire de bien mesurer que des efforts tels que campagnes promotionnelles et travail dans les écoles, doivent peut-être être faits pour promouvoir une culture "d'entreprise", pour aider à un changement de mentalité qui veut que traditionnellement un employé ou un chômeur restent toujours employé ou chômeur et arriver à l'idée qu'il est possible d'envisager sa propre création d'emploi. Ceci est particulièrement vrai dans des régions d'industries en déclin où, dans le passé, une structure industrielle étroite dominée par de grandes entreprises était prépondérante. De telles activités promotionnelles devraient être considérées comme étant des engagements à long terme, et devraient s'accompagner d'autres mesures destinées à aider ceux intéressés à démarrer une entreprise à plus court terme. (3.11).
- 10.2 Animation. Il est peut-être nécessaire aussi de stimuler l'activité: générer localement intérêt et engagement de la part d'individus, de groupes et de la communauté dans son ensemble, aider à l'émergence d'idées de projets et d'entreprises et montrer ce qui peut être fait. De tels efforts sont susceptibles de demander un certain temps avant de pouvoir porter leurs fruits (3.12).

10.3 Le frein mis par les collectivités locales. Les collectivités locales se doivent de reconnaître qu'elles peuvent être autant frein que moteur au développement des ILE. L'administration peut, par exemple, placer un certain nombre d'obstacles inutiles sur le chemin des ILE en appliquant les règlements de manière inflexible. Les élus locaux peuvent se montrer réticents à aider les groupes de la communauté locale à développer leurs idées sur les ILE parce qu'ils ne font pas confiance à la compétence de ces derniers et qu'ils ont des opinions personnelles très divergentes sur ce qu'ils estiment être du ressort des collectivités locales pour aider à la création d'emplois, comme par exemple d'aider à la création de parcs scientifiques.

## 11. Aide aux ILE: questions

11.1 Un certain nombre de questions se rapportant à la promotion efficace des ILE par les collectivités locales restent à débattre. Ces questions touchent au choix des mesures d'aide aux ILE, aux divergences de vue potentielles entre collectivités locales et ILE, aux implications plus larges, pour les collectivités locales, leur organisation, leur gestion, leur personnel et leur besoin d'évaluer et de contrôler l'aide accordée.

## 12. Aide: mesures appropriées

12.1 Il existe un certain nombre de moyens pour structurer l'aide apportée aux ILE qui devraient être sélectionnés principalement en fonction du contexte local. Toutes les formes d'aide peuvent être fournies par les collectivités locales, en partie ou en totalité par une agence de développement déjà en place, ou bien par une agence créée spécialement à cet effet ou encore par quelque forme d'association entre un certain nombre d'organismes intéressés comprenant entre autres la collectivité locale et des groupes de la communauté locale.

12.2 L'élaboration de la structure d'organisation inclut les éléments suivant:

- (i) perception à l'échelon local des problèmes et des possibilités;
- (ii) stratégie d'ensemble, priorités et objectifs de la collectivité locale;
- (iii) pouvoirs, ressources et capacités de la collectivité locale;
- (iv) rapidité et flexibilité d'action de la part de la collectivité locale; et finalement
- (v) désir des politiciens de déléguer ou non leur pouvoir à des organismes extérieurs.

12.3 La création d'une agence indépendante semble être très justifiée lorsque les problèmes de zones ou de groupes défavorisés sont particulièrement aigus. Le besoin de ressources supplémentaires

destinées au développement et à l'animation de la communauté locale peut être reconnu comme étant une condition préalable au bon développement des ILE et l'agence devraient incorporer ces tâches au même titre que les services-conseils d'entreprises ou la formation professionnelle par exemple. Une définition très spécifique des attributions peut aider à concentrer l'effort là où il est le plus indispensable. Rapidité et flexibilité d'action, collaboration d'un personnel ayant les compétences requises (peut-être inexistantes dans le cadre des collectivités locales) sont autant de raisons justifiant la création d'une agence indépendante. La collectivité locale garde également la possibilité de jouer un rôle direct en offrant la location d'ateliers, par exemple. Une telle agence, financée par la collectivité locale, devrait être tenue de répondre devant celle-ci en présentant des rapports financiers ou en instituant une représentation d'élus locaux ou d'administrateurs au conseil d'administration (4.2).

### 13. Attitudes négatives vis à vis des ILE

- 13.1 La promotion des ILE se trouve freinée par un certain nombre d'attitudes négatives de la part des collectivités locales vis à vis des ILE dans la mesure où bon nombre des collectivités locales montrent peu d'enthousiasme ou sont hostiles au concept des ILE.
- 13.2 Cette attitude peut naître, premièrement, du fait que les ILE sont marginales et insignifiantes dans le volume économique global et d'autre part, n'entrent pas dans le cadre des objectifs principaux de la collectivité locale; deuxièmement, de conflits reflétant des points de vue politiques différents, particulièrement lorsque les ILE semblent menacer le "status quo"; troisièmement, une absence de confiance de la part des élus locaux et des fonctionnaires vis à vis des ILE et des groupes de la communauté locale, ou bien une aversion du risque à prendre pour les aider; et pour terminer, de l'inquiétude de voir les ILE remettre en cause le rôle traditionnel des collectivités locales en répondant aux besoins de la communauté locale (4.3).
- 13.3 Plusieurs mesures sont nécessaires pour contrecarrer ces comportements négatifs et générer davantage d'engagement à la promotion des ILE. Tout d'abord, il y a lieu d'expliquer le bien-fondé des ILE aux collectivités locales sceptiques, en particulier dans une perspective plus large des aspects sociaux positifs des ILE. En deuxième lieu, communication et compréhension doivent être améliorées entre collectivités locales et ILE par les voies officielles et non officielles. Troisièmement, étant donné que la promotion des ILE demande une approche qui met l'accent sur le travail en collaboration avec, plus tôt qu'au nom de la communauté, il est important de persuader les élus locaux et les fonctionnaires des mérites de cette approche. Une formation spéciale à cet effet peut s'avérer nécessaire. Quatrièmement, les collectivités locales devraient reconsidérer leur comportement vis à vis du rôle potentiel joué par les ILE et les groupes de la communauté locale lorsqu'elles mettent en place des services publics, y compris ceux touchant à l'emploi (4.4).

## 14. Implications pour le personnel et l'organisation des collectivités locales

14.1 Certains points semblent être essentiels si les collectivités locales entendent traiter les questions de développement économique et des ILE sérieusement. Tout d'abord, il y a lieu d'avoir une unité centrale traitant la majeure partie des demandes d'information et ayant l'ultime responsabilité des travaux liés au projet et à la politique à suivre. Le personnel devrait rester en contact étroit avec les élus locaux. Les réunions devraient être organisées dans de brefs délais si nécessaire. Une certaine forme de travail inter-services devrait être introduit pour essayer de garantir un travail en coopération et une compréhension entre les membres de différentes professions.

14.2 Les travaux sur le développement de l'économie locale et les ILE demande une nouvelle conjonction de compétences, rare chez un individu, une combinaison d'expérience et d'aptitudes obtenues dans les secteurs publics et privés. Les collectivités locales doivent apprécier combien il est important de nommer à de tels postes un personnel ayant un sens d'entreprise, de l'initiative personnelle et le sens du contact humain et qui en outre comprend les pratiques commerciales, les besoins de la population locale et sache arriver à des résultats dans le secteur public. La formation dont ils ont besoin pour combler les lacunes de leurs compétences doivent être considérées comme un investissement et tenir une place prioritaire dans l'établissement des budgets de planning.

## 15. Evaluation et suivi

15.1 Jusqu'à présent très peu d'évaluation et de suivis véritables sur l'aide apportée aux ILE ont été effectués. Cela reflète en partie les origines récentes de bon nombre des projets. Le processus de suivi et de révision des politiques suivies est essentiel afin que la direction puisse suivre efficacement la mise en pratique des politiques adoptées et il facilite l'apprentissage pouvant conduire à des changements de politique. Une évaluation dans un contexte plus large est également importante, par exemple pour déterminer les bénéfices sociaux apportés par les ILE ou pour déterminer si les subventions accordées aux ILE conduisent à une perte significative d'emplois dans d'autres secteurs (4.6).

## 16. Conclusions et recommandations

### 16.1 Les collectivités locales

16.1.1 Les collectivités locales devraient faire tout ce qui est en leur pouvoir pour mettre au point une stratégie destinée à la promotion du développement économique et des ILE. Ceci suppose que les collectivités locales aient un sens clair et précis de ce qu'elles entendent accomplir et des moyens par lesquels elles entendent arriver à ce but. Ceci doit s'appuyer sur une analyse complète des besoins et des possibilités ainsi que sur les ressources disponibles dans la région. Il est alors possible de prendre des décisions politiques quant aux priorités d'action, y compris sur le fait de savoir si les ILE doivent tenir une place prépondérante ou non.

- 16.1.2 La stratégie choisie a des implications directes sur la façon dont la collectivité locale s'organise pour la phase de réalisation. A titre d'exemple, on imaginera que la promotion des ILE doit être importante et qu'une approche localisée soit préférable, de telle sorte que la structure choisie soit celle d'une unité centrale de soutien avec des responsables sur le terrain travaillant au niveau des quartiers ou des villages.
- 16.1.3 Il est possible d'envisager une agence d'aide aux ILE indépendante. Elle peut combiner les rôles d'animation, de services-conseils d'entreprises, de formation professionnelle et d'autres formes de soutien. Elle bénéficierait du fait d'avoir des attributions spécifiques et des ressources adéquates afin de lui permettre de remplir convenablement un rôle de soutien étant donné les importantes demandes en conseils rencontrées par la plupart des ILE. D'un autre côté, une agence déjà en place pourrait assurer la même fonction si elle était disposée favorablement à l'encontre des ILE.
- 16.1.4 Le facteur le plus déterminant, pour savoir si une stratégie particulière réussirait ou non, est le double engagement: celui des élus et celui des fonctionnaires. Si les acteurs-clés ont la volonté et sont prêts à faire preuve d'un esprit d'entreprise, ce qui peut apparaître à d'autres comme étant d'insurmontables obstacles (manque de pouvoirs ou de ressources par exemple) peut se transformer en un défi aboutissant à un résultat plein d'imagination.
- 16.1.5 Au cours de la mise au point d'une stratégie il est important d'observer comment les diverses formes de soutien se lient ensemble et peuvent se renforcer l'une l'autre. A titre d'exemple, une campagne promotionnelle de "l'entreprise" générera une demande en ateliers et en moyens et financements de départ. Les entreprises démarrées ultérieurement pourront bénéficier des foires commerciales et des renseignements complémentaires portant sur le marketing et l'expansion de l'entreprise, cela pouvant conduire cette dernière à déménager dans des locaux plus spacieux et à engager davantage de personnel ayant besoin d'une formation professionnelle.
- 16.1.6 La stratégie adoptée devrait également tenir compte du rôle d'autres organismes et organisations, et chercher à compléter non à doubler celles-ci. Il serait peut-être du ressort de la collectivité locale de jouer le rôle de coordinateur de tous ces divers organismes, ou peut-être celui d'organisme "parapluie" pour tous les organismes, couvrant un très large champ. La stratégie choisie devrait aussi incorporer suivi et révision des politiques en vigueur afin d'améliorer la qualité des actions futures et de se désengager de celles qui ont échoué.
- 16.1.7 Les collectivités locales devraient connaître les sources de financement de la CEE en faveur des ILE et des structures de soutien aux ILE. A ce jour, le Fond Social Européen a été largement utilisé, mais il existe également des possibilités d'aide dans le cadre du Fond Européen de Développement Régional et du Fond Européen d'Orientation et de Garantie Agricole (5.3.).

## 16.2 Le pouvoir central

- 16.2.1 Il est encore nécessaire dans certains pays (l'Italie, les Pays-Bas, L'Irlande du Sud, et le Royaume-Uni, en particulier) que le pouvoir central reconsidère les pouvoirs et les ressources dont disposent les collectivités locales lorsque celles-ci ne sont pas en mesure d'intervenir dans les affaires se rapportant à l'économie et au chômage.
- 16.2.2 Le pouvoir central devrait accepter le besoin d'assurer un financement adéquat aux collectivités locales s'étant engagées à jouer un rôle actif dans le développement économique et les travaux des ILE.
- 16.2.3 Le pouvoir central devrait envisager l'idée d'un soutien plus accentué des ILE et examiner, en particulier, l'exemple très concluant de la France (5.4).
- 16.2.4 Le pouvoir central devrait aussi reconnaître le besoin d'aider les collectivités locales à développer leurs capacités à intervenir de façon efficace grâce à, par exemple, la formation professionnelle, l'aide technique, l'échange d'informations et la recherche orientée vers la pratique.

## 16.3 CEE

- 16.3.1 La CEE devrait chercher à persuader les pouvoirs centraux à fournir davantage d'informations sur la façon dont ils font usage eux-mêmes des sources de financement de la CEE. Cette conclusion reflète un manque général d'information à un niveau local de la façon dont de tels fonds sont utilisés, même parmi ceux qui pratiquent le développement économique.
- 16.3.2 En outre, la CEE devrait réexaminer la façon dont les petites entreprises et les ILE en particulier peuvent accéder aux instruments de financement et, d'autre part, explorer la possibilité de donner aux collectivités locales et autres agences intermédiaires la responsabilité "d'accorder" de tels financements.
- 16.3.3 La CEE devrait continuer à promouvoir le concept des ILE et particulièrement les bénéfiques tant sociaux qu'économiques qui s'y rattachent. Bon nombre de collectivités locales n'ont pas encore mesuré tout le potentiel des ILE.
- 16.3.4 Un accroissement des fonds destinés à la formation professionnelle "d'agents de développement" (à savoir, ceux qui se sont engagés dans la promotion des ILE) devrait s'effectuer dans le cadre du Fond Social Européen, afin de subvenir à leurs besoins très importants de formation.
- 16.3.5 La CEE devrait continuer à apporter son soutien à l'échange d'informations et d'expériences dans le domaine de la promotion des ILE à l'échelon international, en particulier grâce au nouveau projet ELISE. De plus, il serait très utile d'avoir à disposition une documentation d'appui expliquant le contexte des travaux des ILE pour chaque pays ainsi qu'un bulletin d'information régulier destiné aux collectivités locales et de brefs compte-rendus de projets soutenus par le Fond Social Européen.

16.3.6 De plus amples recherches, utiles tant à la CEE qu'aux praticiens, seraient indispensables et porteraient sur l'évaluation des structures de soutien aux ILE et aux méthodes particulières de promotion de ces dernières.





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The Role of Local Authorities  
in Promoting Local Employment Initiatives

SUMMARY

1. Introduction

1.1 As unemployment has risen dramatically in the European Community over the past six years so too has increased the concern of local authorities. Throughout Europe, they have engaged in a wealth of initiatives and the extent of their involvement in economic development continues to grow. The main emphasis has been placed on the promotion of economic development generally, with an implicit assumption being made that unemployed and other disadvantaged people would benefit from any general improvement in the economy. Relatively few authorities have devoted much attention to trying to ensure that such people do benefit. Notable are those authorities which specifically have adopted policies to promote Local Employment Initiatives (LEIs), for they recognise that there are alternative ways to create work and that many disadvantaged people can do that for themselves with some appropriate support. The scale of involvement, particularly in France and Britain, where local authorities are very active, is described in section 1.5 of the full report.

1.2 On the other hand, there are still a large number of local authorities which have not come to terms with current economic circumstances, and do not fully appreciate what the promotion of economic development and LEIs entails for them if they are to be serious about helping to create jobs. Some authorities continue to resist the case for intervention beyond a traditional role of providing infrastructure and public services. But their numbers are fewer as perceptions have changed about the likely duration of unemployment as a social problem and about the legitimate role for local authorities in economic development.

2. Research Brief

2.1 The research brief was to analyse "the role of local authorities in promoting Local Employment Initiatives, putting their promotional activities in the context of overall local authority measures in the fight against unemployment", to give details of the relationships between the governments of Member States and local authorities ("central:local relations") and of statutory powers giving local authorities opportunities for intervention. Examples of innovative types of intervention were requested along with demonstration of good practices. The project has also involved the organisation and animation of a conference on the same theme, which was held in Barnsley, South Yorkshire, in April 1985. This proved to be a valuable opportunity for the exchange of views and experience by delegates from a number of Member States, and also allowed some of the research ideas to be tested at an interim stage of the project.

3. Format of the Report

- 3.1 What the report seeks to do is, first, consider the powers and resources available to local authorities, and their relationships with central governments and comment briefly the extent to which powers, resources and central control constrains the activity of local authorities; second, to look at what can be done, and is being done, by local authorities to promote Local Employment Initiatives, with examples; and, third, to raise a number of issues which local authorities should face in determining their approach to LEIs. The final chapter follows with conclusions and recommendations for action by local authorities, national government and the EEC. A major concern relates to what local authorities need to do to become more effective in helping to promote local economic development in general and LEIs in particular. This is central to any discussion of what constitutes "good practice".

#### 4. Significance of the Local Authority Role

- 4.1 There are four main factors why local authorities are in a position to play a significant role in promoting economic development and LEIs (section 1.2):-

4.1.1 they are democratically elected with a responsibility for the social and economic welfare of the community as a whole;

4.1.2 they are a focus of concern for the locality, which can prove to be an important source of consensus and commitment to act;

4.1.3 they have, or should be able to build, an intimate knowledge of local needs, problems and opportunities;; and

4.1.4 they possess relevant powers of intervention and resources which could be devoted to economic development.

- 4.2 Powers do vary between countries, perhaps most starkly between France, where local authorities have a general competence to intervene, and Italy, where the scope for provinces and communes is very circumscribed. Real availability of resources is also a constraint on many local authorities, although sometimes it is a matter of showing the political will to shift resources from established programmes into new activities. Whether or not local authorities take an interventionary stance depends much on the local economic climate rather than party political views, i.e., local authorities in areas of high unemployment are generally much more active than local authorities in regions of relative prosperity.

- 4.3 Seven types of role can be identified which local authorities can perform (paras 1.2.5-7):-

4.3.1 acting as a catalyst, bringing together local interests and making things happen;

4.3.2 acting as a guarantor to ensure that private investment takes place;

4.3.3 acting as an agent of central government in delivering programmes in accordance with national priorities;

4.3.4 acting as a co-ordinator of other agencies and organisations involved;

4.3.5 providing services and investing in relating buildings and equipment;

4.3.6 acting as a regulator of business activity (a task which can be approached positively, e.g., in drawing up land-use plans which feature development opportunities); and

4.3.7 acting as a test-bed for new ideas about job creation and training.

4.4 Three warnings are necessary. First, just as local authorities can facilitate economic development and the creation of LEIs, so can they be a hindrance too, particularly in the exercise of their regulatory functions. Second, in the wider analysis, given the limited powers and resources of local authorities, the scale of unemployment and the open-ness of local economies to the effect of changes in the national and international economy, the scope for successful action by local authorities is marginal, especially when viewed from a national perspective. Third, the local authority is not necessarily best placed to undertake all the possible actions open for promoting local economic development and LEIs, because of its size, powers and responsibilities, the background and skills of its staff and the existence of other agencies perhaps better equipped for the task (1.2.8-10)

## 5. The Context of the Promotion of LEIs

5.1 This study adopts the EEC description of Local Employment Initiatives, taken to mean community-based actions at a local level "with the specific aim of providing additional, permanent employment opportunities through the creation of small-scale enterprise". These may take a wide range of organisational forms including co-operatives, community businesses and conventional small businesses. Key elements of LEIs are that they are to have a mixture of economic and social objectives and be particularly relevant in areas of amongst groups with poor job prospects - such as areas of declining traditional industry, remote rural areas, and groups of women, ethnic minorities, disabled and long-term unemployed people. Many of those involved directly in LEIs are likely to have limited confidence, low skill levels and no previous experience of business management.

5.2 This concept of LEIs is not, as yet, familiar to many local authorities. For some the term is synonymous with "local economic initiatives", a term relating to the wider concept of "indigenous development", including, for example, activities such as technology transfer and venture capital.

5.3 A large number of local authorities which have accepted the case for intervention in the local economy to counter unemployment emphasise the economic objectives of, say, encouraging investment and new technology and feel that the pursuit of social objectives as well in supporting LEIs would detract from their effectiveness in this respect. Other local authorities recognise the value of LEIs but expect LEIs to make use of support generally available for Small and Medium-sized Enterprises (SMEs). A relatively small

proportion are committed to the promotion of LEIs, either all forms of LEIs or discrete groups, such as co-operatives, community businesses or ethnic minority enterprises. This last group comprises authorities located mainly in areas of high unemployment or with particular concentrations of disadvantaged groups. The appeal of LEIs for them is that LEIs may offer alternative, albeit partial, solutions to intractable problems. Some authorities are keen to promote LEIs for philosophical reasons, to stimulate new forms of working (especially through co-operatives) and to encourage local people to take more control over their lives. (1.7)

## 6. Central : Local Relations

6.1 The relationships between central governments and local authorities are very complex and vary greatly between countries. These relationships, concerning the provision of powers and resources and control over local authority activities, are crucial in affecting the scale and effectiveness of the response of local authorities to the problem of unemployment. The Council of Europe in its 1983 report stated that central governments were preventing local authorities from fulfilling this role, "devolved by common consent", either by refusing to give local authorities a general competence to intervene or by withholding or cutting back resources (2.1).

6.2 Central : local relations may be characterised predominantly by consensus and joint working or by conflict. For example, in France, Belgium, and Germany a consensual style is usual. In Britain, conflict and confrontation are more common. Conflicts may arise in any of these government systems, stemming from a number of possible causes, such as varying interpretations of the "public interest" and priorities when viewed from national and local perspectives, different understanding of needs at a local level, opposed party political or ideological views, and differing views of the competence and capabilities of local authorities to intervene (2.2).

6.3 Specifically in relation to local economic development and LEIs, conflicts may arise in the following situations:-

6.3.1 where central government wishes to regulate the activities of local authorities on the grounds of avoiding wasteful and ineffective intervention, e.g., in controlling maximum levels of financial assistance which may be offered, or in seeking to prevent duplication of services such as business advice;

6.3.2 where central government wishes to control the expenditure of local authorities in accordance with macroeconomic policy, or to allocate new tasks to local authorities without giving adequate resources;

6.3.3 where local authorities dispute their position within the overall framework of State regional and/or urban policies, or where they are constrained because of certain powers are limited to regional development areas only (as in Italy and Denmark);

6.3.4 where local authorities identify a "policy gap", a need to intervene, e.g., in trying to support a declining industrial sector, which is not recognised by national policy;



- 6.3.5 where party politics and ideology conflict, especially where at a national level dogmatic views are taken about the appropriate limits to economic intervention while at the local level people wish to intervene more because of their appreciation of what unemployment means to people they know or represent;
- 6.3.6 where local authorities feel generally that they should have greater powers and resources to intervene; and
- 6.3.7 where national government does not trust the competence and capability of local authorities to intervene in economic development.

## 7. Responsibilities for Action by Local Authorities to Support LEIs

- 7.1 A wide range exists of possibilities for action by local authorities in seeking to promote LEIs. Many examples are cited in the text (Chapter 3). These illustrate the wealth of activities and commitment of many local authorities, clearly showing the value of local authorities performing a role as a test-bed for new ideas, mentioned above.
- 7.2 The possibilities for action can be categorised into three main types: (a) measures to improve the availability of factors necessary or favourable to the creation and expansion of LEIs (such as land and premises, finance, advice and training; (b) measures to create or identify new business opportunities for LEIs; and (c) measures to create a more "positive" climate for the successful development of LEIs. These possibilities are similar in essence to those applying to the promotion of SMEs in general. They also relate to a variety of potential promoters of LEIs, not just the local authority. New initiatives in support of LEIs should be complementary to existing provision. It may be the task for local authorities to co-ordinate the various organisations who may be involved (3.1.3).
- 7.3 The local authority must judge what actions lie within its powers, capabilities and resources. If powers and resources are genuinely limited, this does not mean that the local authority can or should play no role. Councillors and officials can influence local opinion, stimulate initiative and intervene with other agencies to smooth the way for local people trying to create work for themselves (3.1.4).
- 7.4 The various possibilities are outlined in more detail below, almost as a checklist for action. Commentary on each includes recommendations for local authorities drawn from the concluding chapter, Chapter 5.

## 8. Measures to Improve the Availability of Factors Necessary or Favourable to the Establishment and Growth of LEIs

- 8.1 Land and Buildings. Given the need of LEIs for small, inexpensive premises and the reluctance of the private sector to provide such accommodation, local authorities should consider steps to make a range of small workshops available for sale or on flexible leasing terms. Typically this may include providing finance, or a financial guarantee, towards project costs. Local authorities should also, wherever possible, be prepared to make available

redundant buildings or surplus and to LEIs on appropriate terms (3.1).

- 8.2 Finance. As many LEIs suffer particular difficulties in obtaining start-up finance, because for example, they lack their own capital, security, and a "track record" in business, local authorities should consider providing financial assistance, in the form of grants, loans on preferential terms, loan guarantees, or tax concessions. Even established LEIs may experience difficulties as they expand, as, for example, in the case of worker co-operatives hampered by limited equity capital. Loan guarantees are perhaps the most attractive option as they require the bank or other financier to make a commercial judgement on the applicant's likely prospects of viability. By bearing all or part of the risk the local authority allows loan applications to proceed which would not otherwise have been accepted. However, banks may tend to exploit the local authority's scheme by expecting the authority to guarantee loans where previously they would have accepted the risk themselves. Grants may have more appeal to some authorities because of their relative simplicity to administer. Grants may be used selectively and to fund specific items, such as equipment or market research. Subsidies, however, give rise to concerns about government financing of unfair competition and to limits on local authority powers of intervention. Assistance with the preparation of business plans is one of the best ways of helping fledgling businesses with little cost to the public authority.
- 8.3 Local authorities should also consider the option of purchase and lease-back of property where they wish to help firms in difficulty. This can improve the company's cash reserves and help it to re-establish itself perhaps in the ownership of the workforce. Should the company subsequently fail, the local authority retains the assets involved.
- 8.4 Special financial requirements also exist where LEIs are established by local authorities directly or in accordance with local authority policies. This may arise in the training and integration of young or disabled people where training projects are set up to provide training in a commercial environment. Local authorities should recognise that a diminishing level of subsidy may be required over a longer period, say, three to five years, to ease the likely conflict within the LEI of economic versus social objectives. In the examples above this could involve a diminution of the quality of training in order to make a profit. Criteria for funding in these cases, therefore, should incorporate social as well as economic factors (3.2).
- 8.5 Raising local capabilities. Local authorities should acknowledge that efforts to raise local capabilities, through adult basic education, community development and vocational training may be a pre-requisite if policies to promote LEIs are to succeed. Otherwise there may be a great gap between the aspirations of a project to promote LEIs and the interest and capability of local people to respond. Possibilities may exist whereby people can be trained vocationally with an option of self or co-operative employment at the end of the training period (3.4)
- 8.6 Management advice, training and expertise. Local authorities should ensure that appropriate business advice, training and

expertise are available to LEIs. This is likely to be the task for an existing agency or a newly created agency with LEIs specifically as its clients. The latter may be necessary as people setting up LEIs may need more "hand-holding" than those in "conventional" small businesses. As with SMEs in general, LEIs have particular needs for assistance and training in marketing, book-keeping and financial control, especially where those people involved have no previous business experience. Where an agency is charged with this task, there should be no expectation that it will be able to pay for itself after an initial period. It would not be able to assist the typically wide variety of clients, often unemployed, if it had to charge a commercial rate for its services (3.5).

- 8.7 Training courses can also play a valuable role, but in some areas there is strong resistance to the idea of being "taught" to run a business. Grants for consultancy or placement of managerial staff may be particularly useful for some LEIs, short of particular forms of expertise. Occasions may arise when the local authority itself may have some expertise to offer, when trying to help a community group get a building project off the ground, providing service of, say, an architect and quantity surveyor.
- 8.8 Technical assistance is a related area where the local authority may be able to provide help-in-kind or to set-up structure specifically to give advice on innovation and production matters or to develop socially-useful products which could be produced by LEIs (3.6).
- 8.9 Information. Local authorities are well placed to gather information on aspects of the local economy and labour market, an important task if they are to develop a sound understanding of what can be done locally to promote economic development and LEIs. In some countries, e.g., Italy, there is a great need to develop better information on these matters. Specific data can be very useful to LEIs, e.g., about the availability of sites and premises, financial assistance, suppliers and market opportunities (3.7).
9. Measures to Create or Identify New Business Opportunitie for LEIs
- 9.1 Purchasing and contracting. Local authorities, given their substantial purchasing power, should consider whether LEIs should be helped to compete for local authority work, for example, by being given opportunities to tender for smaller supply contracts or information on general purchasing requirements. Preferential treatment of LEIs may be considered, but is likely to lead to protests from other areas and businesses about unfair competition. Authorities may wish to think about giving contracts to LEIs in the field of public services where state provision has been reduced, discontinued or has failed to keep up with growing needs. This subject is, however, politically contentious, as it gives rise to fears about "privatisation" of public services. It may also be opposed by local politicians who regard the provision of such functions is properly the task of their authorities and not of outside organisations (3.9).
- 9.2 Local business development. Local authorities may choose to work with LEIs to develop ways of expanding their markets through collaboration (group marketing in domestic or export markets),

sales promotions (through e.g., exhibitions, sales agents and business directories) identifying new business opportunities. It can be difficult to obtain - and maintain - commitment from participating businesses, but often the potential exists for significant commercial gains, as shown by many agricultural co-operatives, for example (3.10).

## 10. Creating a Favourable Climate for the Successful Development of LEIs

10.1 Promoting an "enterprising" culture. Just as it was recognised above (para. 9.2) with regard to raising local capabilities, it is necessary to appreciate that efforts, e.g., through promotional campaigns and work in schools, may have to be made to promote an "enterprising" culture, to help shift attitudes away from assumptions of always being an employee - or unemployed - towards acceptance that consideration of ways of creating one's own work must figure as an option. This is particularly true in areas of declining traditional industry, once totally dominated by a narrow industrial structure and large enterprises. Such promotional activities should be seen as a long term commitment, and should be accompanied by other measures to assist those people stimulated to think about setting up in business in the shorter term (3.11).

10.2 Animation. Similarly there may be a need to animate activity : to generate local interest and commitment by individuals, groups and the community as a whole, to help develop project and business ideas and to demonstrate what can be done. Such efforts also can take a long time to bear fruit (3.12).

10.3 Local authority as a hindrance. Local authorities should not fail to recognise that they can hinder as well as help LEIs. For example, officials can place unnecessary obstacles in the path of LEIs by the inflexible application of regulations. Councillors may be unwilling to support community groups in developing ideas for LEIs because they do not trust their competence and hold a very different view of what the authority should be doing to help create jobs, such as develop a science park.

## 11. Issues : Providing Support for LEIs

11.1 There are a number of issues which concern how local authorities might set about promoting LEIs and how effective they can be in this. These relate to the choice of appropriate means of providing support for LEIs, the potentially adverse differences in attitude between local authorities and LEIs, the wider implications for local authority organisation, management and staffing and the need to evaluate and monitor support given.

## 12. Appropriate Means of Providing Support

12.1 There are a number of ways of structuring support for LEIs, which should be selected largely on the basis of local circumstances. All forms of support may be provided by the local authority, some or all by another, existing development agency, some or all by a specially created agency for LEIs, or by some form of partnership between a number of interested organisations including the local authority and community groups.

12.2 Relevant factors in determining this organisational structure

include:-

- (i) local perceptions of problems and opportunities;
- (ii) the overall strategy, priorities and objectives of the local authority;
- (iii) the powers, resources and capabilities of the local authority;
- (iv) the ability of the local authority to act quickly and flexibly; and
- (v) the view of politicians whether or not to delegate responsibility to outside organisations.

12.3 The case for a separate agency may be strong where problems of disadvantaged areas or groups are regarded as particularly severe. The need for extra resources devoted to community development and animation may be recognised as prerequisite to the successful development of LEIs and that the agency should encompass these tasks as well as, say, business advice and training. A very specific remit can help concentrate support where it is most needed. The needs to operate flexibly and quickly, and to employ staff with appropriate skills, (perhaps not to be found in the local authority) or other reasons to establish a separate agency. The local authority may also remain directly involved, e.g., by providing workshops to let. Any such agency funded by the local authority should be accountable to it, by, e.g., financial reports or participation of councillors or officers on the agency's board committee (4.2).

### 13. Negative Attitudes LEIs

13.1 Constraints on the effective promotion of LEIs exist in a number of negative attitudes to be found in local authorities towards LEIs, to the extent that many authorities are lukewarm about or opposed to the concept of LEIs.

13.2 This may arise from, first, a view that LEIs are marginal and insignificant in scale and not relevant to the over-riding economic objectives of the authority; second, conflicts reflecting different political views, particularly where LEIs are thought to be challenging the "status quo"; third, on the part of local politicians and officials, a mistrust of the competence of LEIs and community groups, or an aversion to taking risks in helping them; and, fourth, concerns that LEIs, may challenge the traditional role of the local authority in providing for the local community (4.3).

13.3 Several steps are needed to deal with negative attitudes, to generate more commitment to promote LEIs. First, there is a need to explain the value of LEIs to sceptical local authorities, particularly in relation to the wider social benefits of LEIs. Second, there is a need for formal and informal channels to improve communication and understanding between local authorities and LEIs. Third, as the promotion of LEIs demands an approach which emphasises working with the community rather than on their behalf, efforts are required in persuading councillors and officers of the merits of this approach. Related training may

be needed. Fourth, local authorities should reconsider their attitudes towards the potential roles of LEIs and community groups in providing public services, including those concerning employment (4.4).

#### 14. Implications for Local Authority Organisation and Staffing

14.1 Certain points seem essential if local authorities are to take their economic development and LEIs work seriously. First, there should be a central unit to deal with most information enquiries and have responsibility overall for policy and project work. Staff should be closely in contact with councillors. Meetings should be convened at short notice as necessary. Some form of inter-departmental working should be introduced to try to ensure that there is co-operative working and understanding between members of different professions.

14.2 Local economic development and LEIs work demands a new blend of skills rarely found in one person, a blend of public and private sector expertise and experience. Local authorities must acknowledge how crucial it is to appoint the right quality of staff to this work, people who are entrepreneurial, self-starting and personable and who understand business methods, the needs of local people and how to achieve success when working within the public sector. Their training, to fill the gaps in their skills and experience, must be regarded as an investment and take high priority when planning budgets.

#### 15. Evaluation and Monitoring

15.1 Relatively little thorough evaluation and monitoring of support for LEIs has been carried out to date. This partly reflects the recent origins of many projects. The process of monitoring and review of policies is essential to exercising effective managerial control in implementing policies and facilitates learning which may lead to changes in policy. Evaluation in a broader context is important too, e.g., to assess the social benefits of LEIs or whether subsidies given to LEIs lead to significant job losses elsewhere (4.6).

#### 16. Conclusions and Recommendations

##### 16.1 Local Authorities

16.1.1 Local authorities should do their utmost to develop a strategy relating to the promotion of economic development and LEIs. This involves working out a clear sense of what the local authority wants to achieve and how it intends to do this. This must be based on a thorough assessment of the needs and opportunities facing the area and what resources are available to it. Political decisions can then be made about what priorities for action should be, including whether or not LEIs should feature prominently.

16.1.2 The strategy chosen has direct implications for how the local authority is organised to implement it. For example, it may be considered that LEIs should be promoted strongly and that a very localised approach is best, so that the chosen structure is a central support unit with fieldworkers operating at a neighbourhood or village level.

- 16.1.3 A separate agency to support LEIs may be considered. It could combine an animation role with business advice and training and other forms of assistance. It would have the advantage of a specific remit and should be provided with adequate resources to allow it to fulfil a suitably supportive role given the needs for intensive advice that many LEIs have. Alternatively, an existing agency could fulfil the same function if it is sympathetic to the concept of LEIs.
- 16.1.4 The most important factor affecting whether or not a particular strategy will be successful is commitment by both elected representatives and officials. If the key actors have the will and are prepared to be enterprising what may to others appear to be unsurmountable obstacles - such as a lack of powers or resources - can be turned into a challenge with an imaginative outcome.
- 16.1.5 In devising a strategy it is important to see how the various forms of support link together and can reinforce each other. For example, mounting an "enterprise" promotional campaign will generate demand for workshops and start-up advice and finance. Enterprises subsequently launched can benefit from trade fairs and further advice about marketing and managing expansion, and may grow to a stage where they need to move to bigger premises and take on new staff who require vocational training.
- 16.1.6 The strategy should also recognise the role of other authorities and agencies and seek to complement, not duplicate, these. It may be the task for the local authority to act as co-ordinator of all these various bodies, or perhaps some inter-authority association covering a large area. The strategy should also incorporate monitoring and review of policies, to help improve future actions and withdraw from unsuccessful one.
- 16.1.7 Local authorities should fully aware of sources of finance from the EEC for both LEIs and structures to support LEIs. Much use has been to date of the European Social Fund, and opportunities exist also under the European Regional Development Fund and the European Agricultural Guidance and Guarantee Fund (5.3).
- 16.2 Central Governments
- 16.2.1 It is still necessary in some countries (e.g., Italy, Netherlands, Eire and UK) for central governments to reconsider the powers and resources available to local authorities, where they lack a general competence to intervene in economic and employment matters.
- 16.2.2 Central governments should accept the need to ensure adequate finance for local authorities engaging in economic development and LEIs work.
- 16.2.3 Central governments should consider the case for more active support for LEIs and look in particular at the positive example of France (5.4).
- 16.2.4 Central governments should also recognise the need to help local authorities develop their abilities to intervene effectively, through, e.g., training, technical assistance, information exchange and practice - oriented research.

16.3 EEC

- 16.3.1 The EEC should seek to persuade central governments to be more informative about how they themselves use EEC monies. This conclusion reflects a lack of general awareness at a local level, even amongst economic development practitioners, of how such funds are being spent.
- 16.3.2 The EEC should further review the access to funding instruments by small enterprises including LEIs, and explore the possibility of local authorities and other intermediary agencies being given responsibility for "delivering" such monies.
- 16.3.3 The EEC should continue to promote the concept of LEIs, and particularly their social as well economic benefits. Many local authorities have not yet grasped the potential significance of LEIs.
- 16.3.4 Funds for the training of "development agents", those people engaged in the promotion of LEIs, should be made more widely available under the European Social Fund, to meet their very considerable needs for training.
- 16.3.5 The EEC should continue to support international exchange of information and experience on the promotion of LEIs, particularly through the new ELISE project. In addition background papers relating the context of LEIs work in individual countries would be useful, as would a regular newsletter for local authorities and brief summaries of projects supported under the European Social Fund.
- 16.3.6 Further research, of benefit to the EEC and to practitioners, is needed on the evaluation of support structures for LEIs and on particular methods of promoting LEIs.



## Chapter 1

### INTRODUCTION

#### 1.1

##### Local Authority Response to Unemployment

- 1.1.1 As unemployment has risen dramatically in the European Community over the past six years, so too has increased the concern of local authorities. Many innovatory steps have been taken by local authorities in efforts to promote economic development and alleviate unemployment. Two studies carried out in 1983 by the Council of Europe (1985 a-e) for the OECD (Waters, 1985) highlighted the extent of this growing involvement, particularly in Great Britain and in France. Indeed replies to the Council of Europe received from British authorities "report a veritable transformation in their functions over recent years, to a point where economic promotion has become the essential concern of certain districts and countries" (p.28).

So great has been the extent of industrial restructuring and the loss of jobs in many sectors of the economy that many local authorities do not foresee any significant improvement in the availability of jobs, especially for young people, disadvantaged groups such as ethnic minorities and disabled people, and older workers displaced by changes in technology.

- 1.1.2 The "mobilisation of indigenous potential" has become the catch-phrase of regional and local economic development. Policy-makers doubt the efficiency in creating jobs through macroeconomic policies currently being pursued and have realised that there is no longer a large number of major national and international companies seeking sites for new investment. They also accept that much more attention needs to be paid to ways of encouraging investment and the creation of new jobs within each region, relying on the region's own resources and capabilities. There is a current theme of "capacity building" : how can you harness local resources, especially the skills and energy of local people, to make the way the regional economy works more self-reliant, resilient and adaptable to economic changes, based on principles of enterprise, flexibility and local control and commitment? The alternative is thought to be allowing the existing social and economic structure to fossilise. At the same time, many individuals and groups have been considering increasingly how to create work for themselves rather than relying on others to provide work for them. Their motivation may be entirely pragmatic, in seeking a route out of unemployment or bleak career prospects, or more philosophical, in seeking an alternative style of work.

- 1.1.3 In some areas unemployment has reached very high levels at over 20% of the working population, even over 50% in small areas in British cities, with a large proportion of people not having worked for over a year. Many people have been forced to think in less conventional terms about means of creating work, even just

ways of "getting by" or "making ends meet", to subsist with less dependency on state support.

- 1.1.4 Local authorities potentially can play a very significant role in promoting local economic development and Local Employment Initiatives, and, indeed, can make a useful contribution to the achievement of regional and national policy objectives in employment, training and enterprise creation. Why can they play such a role?

## 1.2

### Significance of the Local Authority Role

#### \* Responsibility for community welfare

- 1.2.1 First, local authorities, are democratically elected with a responsibility for the social and economic welfare of the community. While powers and attitudes towards the execution of this responsibility do vary, it is the case that no other organisation has the same overall concern and wide range of relevant functions. In some countries such as Germany and France, local chambers of commerce have had a major responsibility for promoting economic development, but their concerns have been those of the business community, and not, say, in seeking new ways to create work for an expanding number of unemployed people. Local authorities, on the other hand, have both economic and social objectives in pursuing economic development policies.

#### \* Local concern

- 1.2.2 Second, local authorities are a focus of concern for the locality. With this, there may be a "community spirit", perhaps reflecting a local consensus about the severity of the problem of unemployment and the need to act. At the local level, a pragmatic approach supporting the need for intervention is more likely than a dogmatic ideological debate, as people see in their day-to-day lives the impact of unemployment and the fear of redundancy. This can be seen by the remarkable degree to which socialist-controlled local authorities in France and Great Britain support small businesses, once an anathema to their political views. Dogmatic views are more likely at a national level, where politicians and the representatives of employers and workers may take stances which can stifle or limit local initiatives, say, by delaying legislation or financial assistance intended to benefit of Local Employment Initiatives by blaming the other party for causing the problem of unemployment in the first place.

A genuine concern to act, and local political pressures to be seen to be doing so, may give the local authority extra commitment and motivation, essential to successful intervention. Evidence of this commitment can draw upon the goodwill of the local community and encourage the support of local businesses and individuals in a wide range of projects.

Examples include local enterprise agencies (business advisory services, mainly funded, in cash or by seconded staff, by large companies) in Britain and local "platforms of initiative" (associations of local interests to provide, through subscriptions and subsidies, loans and business support to new entrepreneurs) in

France.

\* Knowledge of local needs and opportunities

- 1.2.3 Third, local authorities should be in a position to have, or be able to build up, an intimate knowledge of local needs, problems and opportunities. On the one hand, constituents bring to elected representatives their problems and, less often, their ideas. On the other hand, officials employed in policy-making and in providing services have detailed knowledge of the needs of their clients, e.g., in social welfare or careers guidance to young people. Staff employed in planning and economic development have a knowledge of problems and opportunities relating to sites and potential development and varying degrees of contact with individual businesses. Many local authorities have research staff who could be devoted to relevant work, for example, the analysis of local labour markets.

\* Powers of intervention

- 1.2.4 Fourth, local authorities in all Member States have relevant powers of intervention and resources which could be devoted to local economic development. These powers, and the way in which they are used vary greatly between countries, as will be explored later in Chapter 2 and described in Appendix A. In some countries such as France powers stem from a general responsibility for the welfare of the community whereas in others such as Britain they arise from statutory legislation relating to land development and planning or education and training.

There is a traditional view, reflecting a "laissez-faire" approach to the role of government, that maintains that the local authority's duty is to provide a range of statutory services as efficiently as possible at a minimum cost and to refrain from further intervention. This takes a narrow view of the local authority as a provider of services and assumes that the welfare of the community is best protected by allowing the "benefits" of the "free play of market forces" in industry and commerce. Some local authorities still hold this view and do not use the powers at their disposal. They tend to be located in regions of relative prosperity such as in Germany or rural conservatism such as in Eire, and are increasingly fewer in number as more authorities come to understand that the problem of unemployment is not a temporary one.

\* Positive roles

- 1.2.5 Local authorities can play, and are playing, a number of possible, positive roles in promoting economic development and local initiative. These are:-

(i) acting as a catalyst, bringing together local interests and making local developments happen. This may be enhanced where the local authority has a credible image and has some funds to "prime the pump" of new projects. The local authority may play the role of "entrepreneur", in the sense of identifying the opportunity, assembling the relevant people and resources, and ensuring the implementation of the project.

(ii) acting as a guarantor, for example, of rents on a

workshop project or of loan repayments by an individual enterprise, to encourage private sector involvement and overcome obstacles to business growth (e.g., lack of accommodation or lack of a track record to show when requesting finance).

(iii) acting as the agent of central government in delivering programmes in accordance with national priorities, e.g. for urban, regional or employment policies. Local authorities, for example, have become extensively involved in providing work under temporary employment schemes to create jobs for young and long term unemployed people, such as the Cadre Special Temporaire in Belgium, the TUC (Travaux d'Utilite Collective) in France and the Community Programme in Great Britain.

(iv) acting as a co-ordinator. Particularly where the local authority is charged with a wide range of functions closely relating to economic development, the local authority may be well placed to co-ordinate the activities of other agencies in economic development work, a potentially difficult task but one which may be rewarded by enhancing the effectiveness of those agencies involved, including the local authority itself.

#### 1.2.6 There are two, more traditional, roles:

(v) providing services and investing in related buildings and equipment. Larger local authorities tend to be major employers and investors within their localities, sometimes, in many parts of Britain, for example, the largest. Expenditure on education, social welfare, and environmental services and so on is all relevant to the local economy, through job creation directly in local authority departments and indirectly through purchases of goods and services, and through the "outputs" of public services, such as young people prepared for an adult working environment, or the collection of industrial refuse.

(vi) acting as a regulator, a role which can be approached in a positive manner, e.g., in drawing up land-use plans which feature development opportunities linked to programme of co-ordinated public and private investment in infrastructure (roads, sewers, drains, etc).

#### 1.2.7 There is another role for local authorities when viewed from a national, or international perspective, that of:

(vii) a test-bed for new ideas. Local authorities are well placed to innovate in local economic development, as in other areas, because of their freedom to act within certain prescribed limits. Many have taken full advantage of this scope in recent years, even taking, for example in Britain, the interpretation of existing legislation beyond what were thought to be the limits. The diversity and creativity of many of these initiatives has been great. This poses a problem in itself: how best can you draw on the experience of multifarious projects to give advice and guidance to others? This question will be discussed later.

#### \* Caveats

#### 1.2.8 Just as local authorities can facilitate economic development, so can they be a hindrance too, particularly in the exercise of their regulatory functions, for example, in planning and building

control over new development or alterations to existing buildings. Rules regarding access to financial assistance, where offered, may be too detailed and inflexible and may deter people from applying for support. On a broader level, if there is not the commitment of the local authority to new development and to supporting local people being enterprising, much less might be achieved than could otherwise be the case.

1.2.9 Two further caveats must be added about the role of the local authority. First, in the wider analysis given the powers and resources of local authorities which are fundamentally limited, the very numbers of unemployed people, and the open-ness of local economies to the effects of changes in the national and international economy, the scope for successful action by local authorities is marginal, especially when viewed from a national perspective. This is a point generally accepted by local authorities. However, intervention can still be significant in local terms, in demonstrating that new jobs can be created, for example, after major redundancies have occurred. From the perspective of the national government, local policies which promote small businesses and co-operatives, improve training or better prepare school students for the world of work, concur with national objectives of promoting enterprise, making the labour market more flexible and improving business competitiveness.

1.2.10 Second, the local authority is not necessarily best placed to undertake all the broad roles outlined above or the particular activities described in Chapter 3 below. It may be too small, in its territorial coverage or its responsibilities or its staffing and revenue; or other organisations, such as regional development agencies, already carry out most of these activities; or the local authority itself may not be the right body to take the lead because of the personalities involved or because it has a very rigid and unimaginative bureaucratic structure, where the staff, and elected representatives, have great difficulty in communicating with businessmen and community groups. These issues will be more fully explored in Chapter 4 in addressing the issue "What role should local authorities play in promoting Local Employment Initiatives?"

### 1.3

#### Purpose and origins of the study

1.3.1 The research brief was to "concentrate on analysing the role of local authorities in promoting Local Employment Initiatives, putting their promotional activities in the context of overall local authority measures in the fight against unemployment". We have been asked to give details of the relationships between the governments of Member States and local authorities (referred to as "central/local relations") and of statutory powers giving local authorities opportunities for intervention. Examples of innovative types of intervention were requested along with demonstration of good practices.

1.3.2 What this report thus seeks to do is, first, consider the powers and resources available to local authorities, and their relationships with central governments and comment briefly the extent to which powers, resources and central control constrains the activity of local authorities; second, to look at what can be

done, and is being done, by local authorities to promote Local Employment Initiatives, with examples; and, third, to raise a number of issues which local authorities should face in determining their approach to LEIs. The final chapter follows with conclusions and recommendations for action by local authorities, national governments and the EEC. A major concern relates to what local authorities need to do to become more effective in helping to promote local economic development in general and LEIs in particular. This is central to any discussion of what constitutes "good practice".

1.3.3 An earlier study for the European Commission by IUTEP Ltd (1983), which solicited the views of local authority associations in Europe on the potential for greater local authority action against unemployment, met with some negative reaction from individual associations. They felt either that:

(a) their members were already doing all they could, given existing powers and resources; or

(b) their members could not involve themselves in new initiatives, given the "desperate and deteriorating situation in regard to the services which they offer, their financial viability and their relations with higher levels of government" (p.16); or

(c) economic development is the proper task of national government, and the role of local authorities is to provide statutory services more efficiently and at less cost.

It is hoped that this study will help to counter these comments, not least by demonstrating the rich variety of actions being undertaken by local authorities.

\* Conference

1.3.4 The research project originated in the initiative of Barnsley Metropolitan Borough Council, Yorkshire who proposed the holding of an international seminar for local authorities. The idea was accepted by the European Commission and became part of this research project. A successful conference was held on 17th-19th April 1985 in Barnsley, organised by the Planning Exchange, co-sponsored by the European Commission, the International Union of Local Authorities (IULA) and Barnsley MBC, and with the assistance of Bradford and Sheffield City Councils. The conference was used as an active part of the research programme, to make contacts, obtain background information and discuss issues. A large amount of conference time was planned for discussion, and the programme included visits to local economic initiatives in Barnsley, Bradford and Sheffield, a feature much appreciated by delegates. The conference lasted two and a half days and was attended by 55 participants from Denmark, France, Germany, the Netherlands, Spain and the United Kingdom, invited by IULA. The report of the conference is attached to this report as Appendix B.

1.4

Methodology

1.4.1 This research report substantially develops previous work carried out by the Planning Exchange for the OECD on "The Role of Local

Government Authorities in Economic and Employment Development" (Waters, 1985), and draws upon published research for the European Commission on Local Employment Initiatives, current comparative work on the organisation of local government in different countries by the Institute of Local Government Studies at the University of Birmingham and related projects at the Planning Exchange including LEDIS, the Local Economic Development Information Service, which features brief case-studies of local economic initiatives. The research has benefitted from access to the papers produced by the ILE Programme of the OECD and to the individual returns of local authorities to the Council of Europe (1983 a-e) survey.

The Barnsley Conference mentioned above was a valuable opportunity to learn more about other countries and to test ideas. The research budget was not intended to cover the costs of a comprehensive survey though a number of local authorities were visited or returned questionnaires. A questionnaire was distributed to local authority associations by IULA but this had a poor response.

- 1.4.2 The subject matter is a large and complex one, demanding economic, political and sociological analysis. Previous international comparisons must be treated with care, because of the likelihood that generalised conclusions do not hold for individual Member States and because their authors naturally tend to impose their own national perspective on the analysis. The present author does not claim to avoid this latter criticism but he has tried to recognise the problem, particularly by discussing issues with a number of practitioners, policy-makers and academics in different countries.
- 1.4.3 Particularly where citing examples of actions in support of Local Employment Initiatives (in Chapter 3 below), the report does not attempt to be fully comprehensive. Rather illustrations are used to support points. Given the wide and expanding range of initiatives by local authorities it is inevitable that many will be disappointed that their projects are not featured. Furthermore, the content of the study reflects considerably the availability of texts and information in England and French.
- 1.4.4 One methodological difficulty has been the definition of "local authorities". The report is primarily concerned with the roles, powers and activities of the lower tiers of elected, general purpose government (communes, municipalities, counties, provinces, or their equivalents), which are independent and accountable to people living within their boundaries. The population and territories of these local authorities can vary considerably from communes covering a few hundred people and a few square kilometres to city councils with several million people. Especially given the trend in most European countries towards decentralisation of government, it is impossible, however, to overlook the roles, powers and activities of regional authorities. The approach of this study, therefore, has been to concentrate on the lower tiers but to illustrate where necessary the actions of regional authorities.
- 1.4.5 Furthermore, it is necessary to point out that just as the scale of "local" authorities varies, so does people's perception of what constitutes "local" economic activity and of related concepts such

as "the local community". In defining the former the author prefers to think in terms of the economist's model of "local labour markets", areas defined by the daily patterns made by people travelling to work. The term, "local community" may be used abstractly to connote the constituency of the local authority or alternatively to relate to the residents of a particular place who share important interests - such as the need to find jobs for unemployed young people.

## 1.5

### Extent of Involvement by Local Authorities

- 1.5.1 Intervention by local authorities in the local economy can be traced back many years. There are two main strands: one of "municipal enterprise" wherein local authorities, from the late 19th century onwards, provided services of essentially an industrial or commercial character (e.g., public utilities, transport services, swimming pools and campsites) where justified "in the public interest;" and the other, of promotional activities intended to attract tourists and businessmen. Camina (1977) notes that before the Second World War over 350 local authorities in England and Wales were involved in development organisations of this type. Liverpool and Jarrow obtained private Act powers enabling them to build factories, to make loans to industrialists and to develop industrial estates. In Germany after the War, economic development departments became common features of city administrations, established by British and U.S. military representatives to help with the necessary economic rebuilding. In Britain during the 1950's and 1960's several, previously energetic, local authorities withdrew from this field of activity, while those that remained were primarily concerned with attracting new companies to their area, providing serviced sites and helping existing local companies to relocate where necessary, for example, because of urban redevelopment schemes. In other countries regional and sub-regional bodies were charged with similar tasks, e.g., the intercommunal associations in Belgium and regional expansion committees in France, and sometimes with Chambers of Commerce taking the lead. Meanwhile in Italy local authorities had no power to intervene and no power to raise revenue independent of central government. Please note that Appendix A discusses available powers in greater detail.
- 1.5.2 As suggested above, the last six years in particular have seen a major increase in the involvement of local authorities, and a change of emphasis towards indigenous development. The new approach concerns, essentially, trying to make the most of what resources and opportunities you have rather than relying on external help in the form of new companies or large government grants. For example, in the Netherlands over 30 of the largest towns now have economic affairs departments, a major growth in this period. They are involved in many local economic initiatives, workspace projects, small business advisory centres and so on.
- 1.5.3 In Britain there is currently widespread political consensus, at least at the level of the local authority, that such authorities should be involved, though the debate continues as to what form this involvement should take. Over 90% of local authorities



(District/Borough and County Councils in England and Wales; District, Regional and Islands Councils in Scotland) now undertake some economic development work. Most of these have appointed Economic Development Officers (EDOs) to liaise with business and to develop economic development programmes. Such staff have been drawn either from a local authority or a commercial background. In the smallest authorities that may be only a part-time post, with the EDO fulfilling other duties. At the other end of the scale are a few Economic Development Departments employing over 70 people, such as in Sheffield and Leeds.

1.5.4 A recent, major (but as yet unpublished) study carried out by the Policy Studies Institute found that out of the 242 authorities in England and Wales which replied to its questionnaire, over 80% provided sites and premises and/or supported business development, and nearly 50% offered direct financial assistance to industry and commerce. Expenditure by local authorities directly on economic development is now very considerable. District Councils (the lower tier of authority) in non-metropolitan areas in England and Wales expect to spend £84m in 1984-5 (Association of District Councils, 1985). 30 authorities surveyed by the Policy Studies Institute spent over £0.5m each on industrial sites and premises alone during the previous year. These figures compare with budgets of £424m for regional assistance provided by central government, £1433m for the Manpower Services Commission (central government's agency for training and temporary work schemes), and £97m for the Scottish Development Agency and £43m for the Welsh Development Agency, both also funded by central government. These figures are not great in comparison to total local government expenditure either : for example, the capital expenditure on economic development of Kingston Upon Hull City Council at £3.5m (1984-5) is under 8% of the Council's capital budget, and Fife Regional Council spends only 0.5% of its total budget on economic development. Evidence from other countries shows that the sums spent on economic development are similarly small in relation to total budgets.

1.5.5 In France, départements and communes have been responding both to the challenge of unemployment and also to the challenge of decentralisation, the transfer of powers from the state to territorial, directly elected authorities. The Law of 2 March 1982 gave to these three forms of government, commune, département and Regional Council, new competences and complete freedom of action in economic development, save the acquisition of shareholdings. This law was intended to legalise existing practices which were becoming increasing widespread and to enlarge possibilities for action. A survey by the Association des Maires de France (1983) found that, at a relatively early stage following the new legislation, over 35% of mayors considered that they had benefited from the freedom given by the new law and had acted on it. Communes have been encouraged to form local development or employment committees covering local labour market areas. These are bodies representing employers and workers also, charged with the task of stimulating enterprise and the creation of jobs, by seeking local solutions and co-ordinating the actions of all those involved (Badet 1983). There are now over 300 throughout the country.

## 1.6

Economic Development and Local  
Employment Initiatives: Definitions

- 1.6.1 It is important to clarify what is meant by the terms, "promotion of economic development", "employment policies", "local economic initiatives" and "Local Employment Initiatives" as these can be a source of some confusion. The promotion of economic development relates to activities intended to facilitate new investment and the creation of wealth, directly or indirectly leading to the creation, or retention, of jobs. This covers topics such as the provision of infrastructure, land and premises for new and existing businesses, financial incentives to individuals and companies, business training and advice, technology transfer and vocational training. Training activities overlap with employment policies, i.e., those which relate to those activities intended to improve the workings of the labour market and the competitive position of the unemployed and disadvantaged groups within it. The term, "local economic initiative" may be used to describe any local project which falls under these two headings, which essentially, therefore, covers all forms of activity relating to the concept of "indigenous development" introduced earlier.
- 1.6.2 The term, "Local Employment Initiative" has a narrower definition, but an important one to understand. The term, "Local Employment Initiative" was introduced by the European Commission in 1982, in parallel with the OECD with its ILE (Initiatives Locales d'Emploi) Programme. Both institutions have resisted the adoption of a precise definition. However, the Council of Ministers has accepted the general description of LEIs as "initiatives that have occurred at the local level - often involving co-operation between individuals, action groups, the Social Partners and local and regional authorities - with the specific aim of providing additional, permanent employment opportunities through the creation of small-scale enterprise" (Official Journal of the European Communities, No. C70, 12.3.84). The Council further accepted a list of general characteristics (see Table 1).
- 1.6.3 These characteristics cover a great diversity of activities, from crafts and social services to high technology manufacturing, and a wide range of organisational forms including co-operatives, community businesses, partnerships between the community, local authorities and large companies, and conventional small businesses. The common aim is the creation of economically viable, sustainable jobs.
- 1.6.4 Key elements of LEIs are that they are likely to have a mixture of economic and social objectives and be particularly relevant in areas or amongst groups with poor job prospects - such as areas of declining traditional industry, remote rural areas, and groups of women, ethnic minorities, disabled and long-term unemployed people. Many of those involved directly in LEIs are likely to have limited confidence, low skill levels and no previous experience of business management.
- 1.6.5 LEIs are not the same as Small and Medium-sized Enterprises (SMEs), although there is a close relationship. The European Commission (1983) in its "Communication on Local Employment Initiatives" (COM (83) 662) states that LEIs tend to differ from

SMEs "in terms of their reasons for being created, the background of their members, and the types of activity on which they concentrate.... As they grow and mature, LEIs may become more integrated into the small firms sector as a whole while at the same time changing its average complexion." (p4)

Table 1

General Characteristics of Local Employment Initiatives

## "Local Employment Initiatives

- are most often the result of action by individuals or groups of individuals who are either unemployed or threatened by unemployment,
- are consequently implemented by persons who are not necessarily conversant with the management or administration of an undertaking and who have no personal capital of any significance,
- are particularly important for persons whose chances of integration or reintegration into the labour market are very slight,
- differ widely in their modes of organisation,
- involve a wide variety of activities which are normally centred on local needs and adapted to local conditions,
- are often important in places suffering from serious unemployment or under-employment as a result of special development difficulties,
- often involve; especially at local and regional levels, co-operation by public authorities, both sides of industry and other parties, including youth organisations,
- have as their prime objective the creation of economically viable jobs,
- may rebuild confidence and produce skills, qualifications and capacity for enterprise."

.. Source : Official Journal of the European Communities  
No. C 161/2, 21.6.84.

- 1.6.6 As the ECOSOC (1984) Opinion on the LEIs Communication pointed out, the consultations undertaken by the Centre for Employment Studies during 1982-83 on behalf of the European Commission did suggest that in addition to co-operatives and a variety of community-based enterprises the term LEI does, in practice, encompass very small firms with a traditional profit orientation. Perhaps what makes these fall under the LEI category is the primary desire of the founder to create work for himself or herself rather than work for somebody else, and that for many it may be new option, perhaps a route out of unemployment.
- 1.6.7 The ECOSOC Opinion further commented that LEIs do not constitute a homogeneous group: the founders of LEIs may have very contrasting backgrounds, philosophies and motivations and may face distinctly different sets of problems in starting up and becoming established. For example, the needs of a group of graduates setting up a co-operative bookshop are likely to be significantly different from the needs of an unemployed manual worker living in a deprived inner city area who would like to create a job of some kind for himself. This diversity must be recognised when considering appropriate forms of support.
- 1.6.8 It is also important to point out that the understanding of most local authorities in Europe of what constitutes a "Local Employment Initiative" is synonymous with "local economic initiative", the wider definition. At all times in carrying out the research it has been necessary to define the use of term, "LEI".

## 1.7

Where Do LEIs Fit into the Overall  
Activities of Local Authorities

- 1.7.1 Most local authorities which have decided to intervene in the local economy have placed their emphasis on economic objectives, on encouraging investment and wealth creation, improving business efficiency and promoting technological change that is oriented to market demand. The underlying assumptions of this approach are that in the longer term more, and more secure, jobs will be created, and that local unemployed residents will obtain jobs in time as expanding firms grow and more money is spent in the local economy.
- 1.7.2 Typically such authorities are likely to pursue themselves, or be involved in, several activities from amongst the following:-
- promoting the area to attract investment;
  - providing serviced sites and premises;
  - providing "business incubators", workshop projects offering common services to tenants;
  - providing loans and/or grants, and trying to make venture capital funds more available to local businesses;
  - providing business advance to small businesses and

engaging in other forms of assistance for small business;

- promoting technology transfer (science parks, innovation centres, technology licensing, etc)

- 1.7.3 A very much smaller number have emphasised policies which are more concerned with the distribution of jobs, more concerned with ensuring that disadvantaged groups do share in the benefits of what investment and growth takes place, through means such as appropriate training and job subsidies. A number of authorities wish, too, to ensure that where technological change is encouraged, it relates to socially useful products and in ways that do not detract from or threaten human skills or working conditions.
- 1.7.4 Local Employment Initiatives can be supported in ways similar to those relating to conventional small businesses. These will be explored in Chapter 3. The concept of LEIs, however, is also in tune with the philosophy of the second group of local authorities which places a greater political weight on social objectives.
- 1.7.5 The commitment by local authorities to support LEIs as part of their overall economic development activities varies considerably, and is only stated comprehensively by a few authorities, such as a handful in Germany which have adopted the EEC definition within their policy. At one extreme stand authorities who place all their emphasis on policies and projects with economic objectives alone and do not recognise a role or a need for LEIs. At the other extreme are authorities who are developing programmes for specific types of LEI, e.g., co-operatives, community business and ethnic minority enterprise. In between are authorities who expect LEIs to make use of programmes being provided for conventional small businesses, covering advice, premises, grants and loans, etc. In Britain only one local authority, Swindon Borough Council, specifically has a "Local Employment Initiatives" Committee and budget.
- 1.7.6 Much more attention is now being paid to the idea of LEIs, however. In Britain, for example, the idea of "community business" is spreading. These are businesses owned and controlled by local communities with a mix of economic and social objectives and intended to create lasting jobs. Concern over very high unemployment on council housing estates or in areas suffering from high numbers of redundancies is leading to projects to help residents in such areas create work for themselves. The threat of further rioting and the expectation of continuing high unemployment amongst ethnic minorities in the inner cities has led to a government funding for business advisory and training services for these groups. There is a strong link with community work and community education, in that much preparatory work may be required to promote interest and commitment within the community and help people raise their basic capabilities to the point where creating jobs for themselves becomes a more feasible option. The context of this work may be very difficult: e.g., community morale may be very low or non-existent, there may be no tradition and culture of creating one's own work, and local spending power may be very limited, restricting the creation of new, local market opportunities.

1.7.7 Local authorities have been drawn to LEIs in many cases in a search for alternative solutions, solutions which are thought to offer permanent jobs rather than temporary, "make-work" activities. They may have come to this point having recognised the need to ensure that some action is taken to help people who are disadvantaged in the labour market, or because they hold an ideological commitment to ideas such as co-operative working or community empowerment, encouraging local people to take more control over their lives.

1.7.8 It is worth quoting from a recent Merseyside County Council (1985) report, "Agenda for Merseyside", as it sums up a number of points made in this introductory chapter:-

"We conclude that there is little prospect of a return to full employment in the market economy in the foreseeable future. This means that:-

- increasingly there is a need to distinguish between policies which foster economic growth and those which generate employment....
- local authorities have a vital role to play in identifying and responding to the needs of the local economy and community and in drawing together other agencies
- ....priority should increasingly be given to policies and programmes which seek to develop and harness the resources of local communities, assisting locally generated employment and building on people's initiative and creativity".





## Chapter 2

### CENTRAL:LOCAL RELATIONS

#### 2.1

##### Introduction

- 2.1.1 The subject of the relationships between central government and local authorities ("central : local relations") is not a very straightforward one at the level of individual Member States, and is far less so when comparing the situation in different countries. Not only are there great differences in tradition and politics, the structures vary greatly. The responsibility for a particular function may be wholly that of one tier of local authority, or be shared with another tier or with the national government, or involve only implementing the policy of another tier. Powers of revenue raising may be extensive or very circumscribed as, for example, in the case of Italy. The network of powers, responsibilities and inter-governmental relationships has a strong influence over what local authorities can achieve in their efforts to promote economic development and LEIs.
- 2.1.2 Local authorities may have a general competence to act in the "local interest", as in France and Belgium, subject to supervision by the national government, or be limited by statutes as in the case of the United Kingdom. In the former case, local authorities are creatures of the national constitution; in the latter, creatures of the national government. The extent of controls by central government can be very extensive and take the form of, for example, legislation, standards and decrees, procedural controls, financial rewards and penalties through earmarked grants and loans. As a last resort central government may have powers to disband local authorities in extreme cases of incompetence or financial mismanagement.
- 2.1.3 Another factor affecting central:local relations is the closeness or otherwise to the national political and administrative systems. In France and Italy, for example, there are strong and close links between the political parties of the centre and local politicians. In France, the Minister dealing with local authorities may be himself or herself a mayor or a political leader from a big city.
- 2.1.4 This contrasts with Britain where local politicians rarely gain national prominence. In France, the "deconcentrated" nature of central government administration, with government representatives in the Regions and Departments ensures close contact with local authorities. Again, Britain stands at the opposite extreme, as a more centralised government system, with, in England, regional offices of central departments having little power and only limited efforts being made, in the "inner cities" and "rural development areas", to co-ordinate programmes and work closely with local authorities. Channels of communication within the professions of officers may assume importance.

## 2.2

Consensus or Conflict?

- 2.2.1 The approach to central:local relations may be marked by predominant styles of consensus or conflict. The emphasis may be placed on partnership, sharing responsibility in planning, budgeting and implementation, as in the case of France, or on negotiation and conflict as in the case of Britain. M. Stewart (1984) referred to these relationships in Britain as being "often frustrating and difficult" and "grounded in lack of understanding" (p55).
- 2.2.2 There are a number of potential sources of tension or conflict between national governments and local authorities which in essence stem from different interpretations of the "public interest" when viewed from a national or regional or local perspective. National governments are typically concerned with the overall management of the economy and with ensuring that public services are provided efficiently, effectively (in relation to meeting their objectives) and equitably - between areas, between enterprises and between individuals. In principle, local and regional authorities would subscribe to the similar goals of ensuring efficiency, effectiveness and equity, but within their own jurisdiction. One of the first compromises that central governments must make is to accept the trade-off between efficiency in public services and the wish to ensure local democracy. There is no doubt, for example, that many communes in France are too small to provide services economically, but their continued existence is desired to maintain proximity between government and people.
- 2.2.3 Conflicts may arise also because of differences between national and local priorities, the matter of finance being a pre-eminent source of tension. The Council of Europe survey (1983 b) noted how extensively local and regional authorities felt themselves to have been constrained seriously by central controls over expenditure, particularly in Italy, Netherlands, Germany and Great Britain. In the latter two countries, central government has reduced its share of local authority finance, and in Germany has also increased its use of specific grants, eloquently described as "golden reins" of control over local government expenditure. A further issue in Britain is the inability to make medium-term financial plan because of the single year allocation of central grants. Occasionally, central governments may try to make local authorities spend more, not less: in France, block allocations from central government favour communes with higher spending levels in an effort to persuade some communes to provide more and better services. However, generally in France where central, local relations are reasonably harmonious, finance is the main issue.
- 2.2.4 The implementation of national programmes may have differential impacts in terms of which areas benefit economically and which areas lose, for example, as a result of defence expenditure on equipment, armaments and bases. At the same time, local attitudes on defence and on other policies such as nuclear energy may sharply diverge from national policies.

- 2.2.5 Furthermore, national policies may be based on an inadequate understanding or interpretation of local needs. In Britain, the Central Policy Review Staff (1977) remarked that "Central government's knowledge about what is happening at the local level can best be described as patchy" (p33). The same report stressed the failure of central government to co-ordinate inter-departmental views about local authority services.
- 2.2.6 Further conflicts may arise on party political or ideological grounds. In Italy, party political views are firmly entrenched at a local level: conflicts between local and/or regional authorities and the State are commonplace. In Britain, political differences between the national Conservative government and Labour metropolitan authorities have been a major factor in bringing about legislation to abolish the metropolitan counties.
- 2.2.7 Conflicts may also arise because ideological dogma is more firmly a factor at a national level than at a local level; it may be easier to reach a consensus to act at a local level where the problems of, say, unemployment are felt and pressures to act are greatest, than at a national level where there may be less pragmatism and more principle (or inertia).
- 2.2.8 Related to this are views about the "proper" extent of government intervention. On the one hand, central governments may wish local authorities to intervene more than they consider justifiable (as in the above case of French communes), or, on the other hand, they may wish less and seek to control by legislation, limits on funding or some other means.
- 2.2.9 Another set of factors leading to possible conflicts concern views held about the principle of decentralisation and the capabilities of local authorities. In many European countries, (notably in Germany) there is commitment to the "subsidiary principle" which states that "tasks should be undertaken at the lower rather than the higher level where the lower level is competent to undertake them; and that the higher level should defend and support the lower level to ensure that it has sufficient means to undertake them" (Norton, 1985 b, para 50). Furthermore, the concept of "joint tasks" underpins much of the process of decentralisation, in most Member States. As Norton explains, "It assumes that joint purposes can be defined jointly by higher level governments in consultation with representatives of the community, that they can be given definition at the higher level in legal form and that lower authorities can give them appropriate local definition within the agreed framework and implement them." An official commitment to decentralisation and joint working in principle may not be reflected in practice. In Italy, for example, the national government has been reluctant to surrender powers and has maintained a restrictive definition of the Constitution.
- 2.2.10 Central governments may take an elitist view of local authorities and tend to view them primarily as agents for national programmes, with limited capability or competence to pursue their own policies.
- 2.2.11 Even where decentralisation has involved substantial reforms, some of the new responsibilities have not been welcomed by local authorities, if only because there has been no commensurate increase in resources or there are long delays before the State

pays its contribution. This was a concern of the Vaucluse Department, noted by the Council of Europe (1983 b). In concluding its report the Council of Europe stated that the recognition by central governments that local and regional authorities had an "essential" role to play "is not always followed up by measures of a legislative kind, an administrative kind (decentralisation) and above all a financial kind (genuine financial autonomy) which would enable local and regional authorities to discharge the role which now devolves on them by common consent". (p17)

## 2.3

### Aspects of Relating to Local Economic Development and LEIs

2.3.1 Following from the previous section we may consider the following topics relating to local authority relationships with central governments on the subjects of local economic development and LEIs:

- (i) efficiency
- (ii) finance
- (iii) regional, urban and industrial policies
- (iv) policy gaps
- (v) party politics and ideology
- (vi) powers - adequacy and interpretation
- (vii) local authority capability

#### (i) Efficiency

2.3.2 Examples of central government concern to ensure efficiency in public policy and avoid wasteful and ineffective competition include efforts in the UK to co-ordinate and limit actions by local authorities to attract overseas investment and the abolition of Local Act powers to encourage economic development, such as those of Tyne and Wear Metropolitan County Council. In the Netherlands, central government has been anxious to avoid overlapping of activities in support of small businesses in each region. While not wishing support to be uniform, it does desire the establishment of a readily accessible information point for small business enquiries in each region which can clearly "signpost" them to appropriate sources of assistance, and also that advisory services should be of a sufficient quality (De Boer 1985). This national government attitude has so far prevented the municipality of Heerlen from establishing a Business and Innovation Centre (Reijnen, 1985). In France, maximum levels of financial assistance are set by the state, and departmetns and communes many only provide such aid to "top up" the aid given by the Regional Council.

#### (ii) Finance

2.3.3 Obtaining adequate financial resources for economic development assumes critical importance as the desire to intervene grows and as limits on expenditure tighten as a result of central controls and cutbacks and the recession. In all countries this is a concern of local authorities. The issue is greatest where there is tightest control, as in Britain, and where other factors eat away local revenue as, for example, where business taxes are lost following closures and reductions in turnover and profits (Germany, France), or there are added burdens, e.g., increased

social welfare payments (as in the Netherlands), or new tasks. In France, there are still great uncertainties about the availability of finance for local authorities engaging in more extensive economic activities.

(iii) Regional, Urban and Industrial Policies

- 2.3.4 National government may choose to provide additional finance where this accords with their own priorities, as in the case of the Urban Programme in England and Wales which makes a significant contribution (75% of project costs) to the expenditure on economic development of a number of selected city authorities. The Urban Programme was originally intended to be a partnership between central government and local authorities but has in fact evolved into a situation where local authorities must bid against each other for funds and central government can influence greatly the nature of what proposals are submitted (M. Stewart, 1984).
- 2.3.5 Disputes can arise, for example, in the context of national regional policy where the local authority perceives unemployment locally to be a major problem but the national government rules that the area does not warrant support because the unemployment rate is below a certain level or because the area involved is too small to feature in a national programme of aid. This is a concern of many District Councils in Great Britain.
- 2.3.6 This is an example of conflict over territorial allocations, as seen from national and local perspectives. The former seeks to ensure that the areas of greatest need obtain the greatest assistance. This conflict may also arise where the central government seeks to ensure concordance between regional and urban policy and local authority activities. For example, in Denmark only local authorities situated in regional development areas are allowed to establish "incubator workshops" for new businesses. In other countries in practice this particular conflict may not arise because the national government places a high priority on encouraging enterprise, wherever it is located, or because of the nature of the planning system which promotes congruence between national and regional/local goals as in France.
- 2.3.7 In the context of industrial policy and the national government's desire to ensure fair treatment of individual enterprises, conflicts may arise where local authorities wish to provide direct financial aid to local companies, at a higher level than available elsewhere and at the risk of leading to the displacement of jobs in businesses in other parts of the country. This is an issue of both equity and efficiency, the latter in the sense that public money can be considered less well spent if the creation of jobs in one place leads to loss of jobs somewhere else.

(iv) Policy Gaps

- 2.3.8 Local authorities may intervene where they see a problem, or a gap in policies, demanding action. For example, the local authority may wish to aid companies in a particular sector in decline with a view to promoting its modernisation, while the national government has an overall policy to manage the restructuring of that industry, implicitly accepting that factories will close and jobs will be lost. There may, on the other hand, be a vacuum, where

only a limited or no national policy exists. Initiative by local authorities in such fields may give rise to hostility and resentment from central government.

- 2.3.9 The gap may result from a failure of central government to co-ordinate its own activities. This is a common criticism in England where a corporate approach is needed between the Departments of Trade and Industry, Employment and Environment. In the Netherlands the stark division of government activities into "economic" and "social" is thought to hinder the development of LEIs which mix these objectives.

(v) Party Politics and Ideology

- 2.3.10 It was noted above that conflicts crossing political parties and ideologies are a feature of central:local relations in many countries, an inevitable fact in western democracies. The conflict may take a straightforward form, such as that between the Conservative national government in Britain, pursuing principles of economic liberalism, and Labour local authorities demanding greater powers and resources to intervene. The debate is not entirely along party lines, as many Conservative local authorities, especially in less prosperous areas, would like more ability to intervene, or at least maintain their existing level of activity which is threatened by central controls.

- 2.3.11 Attitudes relating to local authority intervention may be more dogmatic - in opposition - at a national level than locally, as is the case in Denmark. Individual local authorities may find much local support from businessmen for their plans, but be confined within a restrictive framework dictated in part by the views expressed by national representatives of business who take a more political, non-interventionist stance. Similarly, trade union representatives can more easily stick to principles regarding minimum pay and working conditions when discussing these on a national stage than at a local level where they may regard the creation of jobs, say, at low wages and/or with long hours, as more important.

- 2.3.12 One aspect of the abolition of metropolitan counties in England, argued above to be based largely on political differences, is the loss of funds available for spending on local economic development. This is because each local authority has the right under section 137 of the 1972 Local Government Act to spend up to the product of a 2p rate (the local property tax), in ways which the authority considers to be "in the interests of their areas or any part of it or all or some of its inhabitants". Much of this provision is currently devoted to economic development which has otherwise no statutory existence other than indirectly in planning land and education legislation. The abolition of one tier of authority thus removes half the potential funds available for economic development. Coulson (1985) estimates that in only 20 out of 36 metropolitan districts could current levels of activity be continued. As metropolitan counties have taken the lead in supporting many Local Employment Initiatives, e.g., through co-operative development agencies and women's projects, there is currently great concern over future assistance and funding LEIs.

(vi) Powers - Adequacy and Interpretation

- 2.3.13 Views vary between authorities and countries about the adequacy of powers available to local authorities. It was a general conclusion of the Council of Europe (1983 a) that local and regional authorities should be given enhanced powers. National associations may take different views from their members, for example, in England the Association of District Councils thinks the available powers are adequate, but Kingston Upon Hull City Council thinks not. The view of the national government is opposed to granting further powers and, indeed, in 1983 began to take steps to limit expenditure on economic development. This move failed because of political opposition but it did lead to a clarification of powers. Various local authorities in other countries have called for greater powers, e.g., Enschede in the Netherlands. Many Danish authorities would like the power to give direct aid to private companies.
- 2.3.14 Constraints over powers and finance may be more a figment of people's minds rather than a genuine block. Narrow interpretations of powers can simply be used as a means of avoiding action, while claiming that resources are too tight can avoid facing hard decisions about priorities within the overall budget and trying to be imaginative in finding new ways of raising finance, e.g., by working with the private sector. Even where services are specifically demanded by statute, local authorities may have considerable scope to determine the levels and quality of service.

(vii) Local Authority Capability

- 2.3.15 Concern has been expressed by representatives of a number of national governments about the competence and capability of local authorities to intervene in economic development. This can be demonstrated indirectly in the case of England where central government has introduced a number of policies and programmes alongside those of the local authorities. Such as Enterprise Zones, Urban Development Corporations and support for Enterprise Agencies (local business advisory services). Measures to improve co-ordination, such as the City Action Teams in London, Liverpool and Newcastle/Gateshead, may be regarded by local authorities as just another vehicle for central control. These are described as "seeking the most effective application of national policies at a local level".
- 2.3.16 On the other hand, other national governments are seeking to improve the capability of local authorities in the field of economic intervention by providing training for elected representatives and officers, information, and technical consultancy. An example of this is the CREATEL club run by the National Agency for the Creation of Enterprise in France (see para. 4.5.7 below).

\* Positive Example

- 2.3.17 A positive example of central:local relations in the field of the promotion of Local Employment Initiatives is to be found in France where the State offers finance for regional programmes in support of LEIs. Circular no. 11, 12 February 1985 from the Employment

Ministry sets out provisions for continuing financial support in collaboration with regions and local authorities, with a jobs target of 5000.

LEIs to be supported should fit the following criteria :

- be a trading entity of collective or community interest
- develop local resources, little or un-exploited
- relate to the modernisation of small and medium sized enterprises and crafts

Financial self-sufficiency is expected of LEIs within three years. Finance is also available for the creation and development of support organisations.

2.3.18 The Provence-Alpes-Cote d'Azur Regional Council has signed a contract ("Plan Contrat Micro-Initiatives") with the State which relates to this provision. They offer support for projects under the following headings : youth enterprise, technology transfer, technical and economic feasibility studies, import substitution, exploitation of natural resources, and employment of residents of disadvantaged areas.



## Chapter 3

POSSIBILITIES FOR ACTION TO PROMOTE  
LOCAL EMPLOYMENT INITIATIVES

## 3.1

Introduction

- 3.1.1 The possibilities for action by local authorities to promote Local Employment are essentially similar to the range of possibilities for the support of small and medium-sized enterprises (SMEs), covering measures to improve the availability of factors necessary or favourable to the creation and expansion of enterprises (such as land and premises, finance, advice and training), to create or identify market opportunities, and create a more positive "climate" for the successful development of SMEs and LEIs.
- 3.1.2 Many local authorities have taken action to the benefit of both SMEs and LEIs; these will be illustrated below, along with measures aimed at LEIs alone. What is at issue is whether or not local authorities should pursue such specific activities and, if so, how the authorities should provide this support. The former issue depends on political resolution, on how local needs are perceived and what possibilities for action are imagined. The latter issue is considered further in Chapter 4. In the case of policies for disadvantaged groups or residents of disadvantaged areas, extra support may be required to help build confidence, bring forth ideas and compensate for a limited base of skills. In the case of co-operatives and alternative business ventures, specific support may be justified to overcome particular barriers, e.g., the conservative views of financiers and a lack of experience of co-operative working.
- 3.1.3 Before proceeding to consider a list of possibilities for action it is necessary to stress, first, that these possibilities relate to a variety of potential promoters of LEIs, not just the local authority. The contribution of the local authority should be complementary to those of other bodies to avoid duplication. Perhaps it will be the task of the local authority to co-ordinate the various contributions.
- 3.1.4 Second, the local authority must judge what actions lie within its powers, capabilities and resources. If powers and resources are genuinely limited this does not mean that the local authority can or should play no role. Elected representatives and officers of the local authority may exercise valuable functions in forming opinions, stimulating ideas and exploiting contacts, influence and goodwill to the benefit of local people trying to create work for themselves. It is important to know, at the very least, what is happening in the local economy, what are the problems and opportunities facing individuals, businesses and the community as a whole from an economic standpoint, and to know where to advise local people to go for advice and finance, both from the public and private sectors.

- 3.1.5 Third, it should be appreciated that there are varying geographical levels of intervention appropriate to the different stages of development of SMEs and LEIs and to the different forms of intervention. For example, venture capital and assistance with technology licensing are likely to be activities best addressed on a regional level where there is a larger number of potential client firms to justify the costs of administration of a programme of support and, in the case of investments, to spread risks. On the other hand, for the vast majority of LEIs, the lowest tier of local authority may be the most appropriate to assist, given the close relationship of LEIs to local needs, opportunities and resources at this level. Only when LEIs become properly established and face pressures of expansion or loss of trade may it be necessary to employ tools (e.g., finance, specialist advice) available on a regional scale.
- 3.1.6 The range of possibilities open to local authorities is set out in Table II below, and is followed by a discussion of each including illustrations.

Table IIPossibilities Open to Local Authorities  
to Promote Local Employment Initiatives (LEIs)

1. Influence the supply of factors necessary or favourable to enable the establishment and growth of LEIs.
  - 1.1 Land and buildings
  - 1.2 Finance (loans, guarantees, grants and tax concessions)
  - 1.3 Raising local capabilities (through community development, basic education and vocational training)
  - 1.4 Management training, advice and expertise
  - 1.5 Technical assistance
  - 1.6 Information (about markets, suppliers, availability of finance and other resources, etc. - and examples of what other people have been able to achieve)
  - 1.7 Rescue operations
  
2. Help to create or identify market opportunities for LEIs through
  - 2.1 Public purchasing and contracting
  - 2.2 Local business development (common promotion of local goods and services, including tourism, and identification of business opportunities)
  
3. Help to "create the climate" for the successful development of LEIs.
  - 3.1 Promoting an "enterprising culture" (the idea that people can create work for themselves individually or collectively) and establishing a legitimate role for LEIs
  - 3.2 Animation - helping to bring forth ideas and show what can be done
  - 3.3 More flexible and sympathetic administrative arrangements.

Influencing the Supply of Factors Necessary for  
Establishment and Growth of LEIs

## 3.2

Land and Buildings

3.2.1 The provision of land and buildings for industry has been a traditional economic development activity of local authorities. In recent years, "workspace" projects, either of new construction or involving the refurbishment of existing buildings, have become very popular (Martinos 1985). In some cases, they have been designed as "business incubators", incorporating common business services (e.g., secretarial and reception facilities, telex, meeting and exhibition rooms, canteens) and free management advice, all intended to make starting in business less difficult. Small businesses in the past have suffered greatly from cramped and inadequate premises and a shortage of alternatives. Typically, private developers have been loathe to provide very small units because they have expected higher construction and management costs and poorer returns from such developments. In many areas the balance between supply and demand is now much better thanks principally to the intervention of local authorities who have provided finance and guaranteed returns on workshop projects.

3.2.2 Workspace projects are becoming increasingly a standard tool of local economic development. In Britain there are over 150 "business incubators" and many more other workspace developments without common services. Well-known projects include Avondale Workshops, Bristol (LEDIS A92/93) where local authorities provided financial guarantees to a development trust (New Work Trust Co. Ltd), and Bradford Microfirms (LEDIS A13), where Bradford City Council provided a fixed interest loan as part of a financial package and offered a further larger amount if required. A third example is the "Seedbed Workshops" within the Barnsley Enterprise Centre (LEDIS A99) where small units are provided for new businesses by the Metropolitan Borough Council at graduated rents over one year, after which businesses are expected to move out to larger premises. Provided free of charge are heating, lighting, local telephone calls, cleaning, security, repairs, and maintenance. Many other projects, e.g., in London, Birmingham and Liverpool, have been initiated by local authorities themselves.

3.2.3 In France, similar projects are becoming more common, partly in response to the 70% funding scheme offered by the Caisse des Depots et Consignations. An example of a project, a "cite artisanale", involving local authorities is the Centre d'Activites Artisanales et Industrielles de Saint-Chamond (Loire). Workshops are available at low rents for the first 21 months of occupancy, and common services are provided (secretarial and reception, computerised business systems) (Comite de Liaison des Comites de Bassin de l'Emploi, 1985). In the Departement du Nord, the General Council intends to build what they call "beehive workshops", small units to fill a gap in the market as available accommodation is generally too large to meet local requirements.

- 3.2.4 In Belgium, the Flemish regional government has financed "enterprise centres" in Kortrijk and Brugge, and the Walloon government, "small business centres" in Charleroi, Borinage, Liege and Sud Luxembourg.
- 3.2.5 In Germany, "business incubators" have been established in Cologne (where there are three), Hamburg, Stuttgart and West Berlin. Such "incubators" may be intended to support new businesses with good growth prospects, perhaps in high technology sectors, rather than businesses from amongst the full range including the less sophisticated and LEIs. Hannover, on the other hand, is setting up an artisans centre (or "craft court") which aims to help new businesses in traditional skills such as cabinet makers, locksmiths and leatherwork which have been declining in urban areas (Academy for State and Local Government, 1985).
- 3.2.6 In the Netherlands, much publicity has been given to the Hague Enterprise Centre, the core of the Philips Job Creation Project. (Economist Intelligence Unit 1984). The Hague municipality funded the conversion costs of the project, and are partners in the Foundation which manages the project and in the holding company which owns the building. The council subsequently employed the consultants involved, Job Creation Ltd (JCL), to develop a second Enterprise Centre. Other requests for JCL's assistance have led to similar projects in other countries, including Kassel in Germany. There are many other examples of workshop projects in the Netherlands, e.g., in Veendam, Groningen, Enschede and Amsterdam.
- 3.2.7 The significance of workspace projects for LEIs and SMEs is threefold. First, they provide a range of small units, previously difficult to find in most areas. Accommodation may even be as small as a desk or bench area in some cases. Second, the most successful and popular projects are generally those where the rents are cheap, but commercial. Businesses tend to prefer to pay for common services as they use them rather than as part of the rent. There is no evidence to suggest that the provision of common services makes a significant difference to ensuring a better footing for new businesses (Martinos, 1985). Third, an important factor is the ability to enter into short-term leases or licences which minimise the tenant's commitment to stay in the premises. This is referred to as "easy-in, easy-out" arrangements.
- 3.2.8 Local authorities may consider the funding and development of projects, perhaps making available redundant buildings in their ownership. Such buildings may be, e.g., schools in rundown city areas or even garages as in the case of Hyson Green Workshops (LEDIS A159). In some countries they may offer reduced rents and property tax concessions. They may also consider making land available for LEIs, at reduced rents or prices as allowed in, for example, Germany, the Netherlands and France. Examples may include providing land for agricultural smallholdings or for community groups to establish market gardening activities, as in the case of Breich Enterprise Action Group (LEDIS A3) thus helped by Lothian Regional Council.
- 3.2.9 Local authorities may also consider providing or financing workspace aimed specifically at LEIs. Two examples in Scotland and Govan Workspace (LEDIS A3) and Garnock Workspace (LEDIS A155),

supported as community businesses and located in areas of high unemployment. Also within Strathclyde Region are several New Enterprise Workshops, intended to provide workshops and technical facilities for people to develop "low technology" product ideas (LEDIS A142). Several workshops are provided for unemployed people to refresh or develop their skills, perhaps based on a hobby. The Centre Against Unemployment in Barnsley Enterprise Centre (LEDIS A99) provides such a facility and is similar to the "Work Centre" concept of Job Creation Ltd being implemented in Kassel (Economist Intelligence Unit 1984). Similar workshops are provided in Wallonia. Other workspace projects may be aimed at particular types of LEI, for example, the Newcastle Youth Enterprise Centre (LEDIS A195) and Haringey Co-operative Developments.

### 3.3

#### Finance

3.3.1 Many LEIs face serious problems in raising finance which can be more accentuated than is the case for the majority of SMEs. Their initiators may have little funds of their own, or from family and associates. This may be especially so if they are unemployed and/or receiving social benefit, and living in poor areas. They may be viewed by commercial sources of finance as lacking credibility because of their lack of a track record in business or because of prejudice. People from ethnic minorities, those with "alternative" motivations, young people and women may all find it more difficult than a "conventional" entrepreneur (white, male, aged 30 plus, with a straightforward orientation to profit) to convince bank managers or other prospective investors. Their proposals may appear particularly risky if they have no security to offer. They may also lack skills in putting together and presenting a convincing case for support. Thus, as the ECOSOC Committee (1984) noted, "the greatest financial need of LEIs.. is for small amounts of start-up and working capital" (p8). This has been confirmed in general, for example, by the LEI consultations (Centre for Employment Initiatives, 1984), and in particular, for example, for community businesses in Strathclyde (Waters, Hayton & McCreddie, 1983). Such finance can help the project to build up a track record to help convince financiers in the future.

3.3.2 Thus local authorities may consider ways of assisting, by aiding the preparation of business plans, providing loans on different terms from commercial lending (e.g., reduced rates or no interest, longer periods of repayment, no demands for security), giving loan guarantees or tax concessions, or by offering grants, e.g., for feasibility work or for equipment. The following are some illustrations of local authority approaches:

(i) The Regional Council of Provence-Alpes-Cote d'Azur offers repayable loans without interest, of up to 100,000 francs for manufacturing and up to 50,000 francs for other activities. Repayments do not start until the third year of the term of the loan.

(ii) Bremen (Laender) government offers loans to LEIs (defined according to the EEC description, Table I above). These are loans for up to 10 years (normally seven), interest free over

the first four years. Amongst German local rather regional authorities Dortmund has taken a lead in financing LEIs, and has ambitious plans to build on its existing programme.

(iii) Bradford City Council provides a battery of financial assistance: grants towards the establishment of co-operatives of up to £1,000; a Business Venture Fund, providing interest free loans of up to £5,000 for the purchase of capital equipment; a New Start Business Fund with grants of up to £1,000 to unemployed people setting up in business; and further grant schemes for research and development and for improvements to property (LEDIS A102).

(iv) Strathclyde Community Business (SCB) was set up in Spring 1984 by Strathclyde Regional Council to provide support, training and funds for community businesses. Types of finance that SCB provide include start-up grants of up to £500; consultancy grants; grants to cover legal fees, office equipment, etc - necessary expenditure at the start of a venture; salary grants to pay for key managerial staff in the early years of the business; and grants and loans for fixed and working capital (LEDIS A164).

(v) In the Netherlands, for example, in Rheden and Veendam there are "local intervention funds" to help unemployed people set up in business. Veendam offers low interest, term loans where business starters have insufficient funds but a sound business plan. In Enschede, some finance is available to bridge the gap between start-up and achieving a commercial standing. Eindhoven has operated an Employment Fund since the mid-1970s offering grants, interest subsidies and loan guarantees. It is also worth pointing out that Dutch local authorities are responsible for the payment of loans and temporary income support to unemployed people setting up in business, a scheme 90% funded by central government.

3.3.3 In parts of France there is great interest in mobilising local savings to finance LEIs and SMEs. Local authorities may contribute to local savings institutions and to Plate-Formes d'Initiative (Initiative Platforms). The latter are associations of local interests and individuals which provide low interest loans to new entrepreneurs, and take them under their wing to advise on their development. They are funded by subscriptions and subsidies. Fifteen had been established by May 1985, including five in Nord-Pas de Calais Region (Nord-Pas de Calais Regional Council 1985 b). The patronage of local councillors has been important to their credibility and success as has local authority finance to cover operating costs. Another example of local authority involvement is Carmaux Initiative (Tarn) which was the response to the closure of local mines with large redundancies. There was a desire to save a local company. Funds were raised by door-to-door subscription which raised 90,000 francs then donated to the company. The municipality bought the building, modernised it and let it to the company. 35 jobs were saved.

3.3.4 It should be stressed that powers available covering direct aid to enterprises vary significantly, e.g., from no power for provinces and communes in Italy to wide-ranging powers (barring equity investments) in France. In Britain even equity investments have been made by local authorities, but this is still a subject of juridicial consideration. Where powers are stronger, local

authorities may choose not to use them for fear of distorting competition by subsidising certain companies and not others. This is a notable concern in the Netherlands and Germany, for example. It was remarked upon by the ECOSOC Committee who stressed the "need to avoid indiscriminate support for "market-oriented" LEIs leading to unfair competition and resulting merely in job substitution or job loss in established firms" (p4).

- 3.3.5 It is also important to understand how the financial needs of LEIs may differ depending on the stage of their development. For example, co-operatives may find it difficult to finance any expansion plans; to allow equity shares to outsiders would compromise co-operative principles, and bank managers may be unwilling to extend loan commitments. Special funds may then be necessary provided by the local authority (such as the West Midlands County Council/Industrial Common Ownership Fund Revolving Loan Fund - LEDIS A67) or guarantees as in the case of Sheffield and Haringey councils in conjunction with the Co-operative Bank. Rescue operations are a special case and will be discussed separately below (see section 3.8).
- 3.3.6 The need to ensure that schemes of financial assistance are clear and easily understood is paramount. LEIs should be able to work out themselves whether or not they are eligible for support. The accumulation of measures by various public authorities including the EEC to finance SMEs and LEIs in most countries has led to considerable complexity, demanding skill in working out what applies to individual enterprises and making appropriate applications. In this, local authority staff may be able to give assistance in interpreting schemes and regulations, often more easily understood from within the government system. A further valuable skill to acquire is the ability to "package" finance from a number of different sources.
- 3.3.7 Mention should also be made of particular forms of LEI where the local authority is taking an active hand in setting them up in pursuit of particular policy objectives, eg, the integration of young or disabled people into the labour market. Examples include French local authorities which promote the form of "enterprises intermediaires" intended to provide practical work experience in a commercial setting for disadvantaged young people, with subsidies from the State covering a diminishing proportion of costs over time; Dutch authorities setting up "youth factories" to provide training in a commercial setting (as for example in Groningen - Petzold, 1984); and the efforts of Production Schools in Denmark to combine training and job creation (Petzold, 1984 a). Problems surround the issue of unfair competition with existing enterprises mentioned above, and the phasing of subsidies. It can be very difficult to achieve training objectives to help the young people and at the same time run a commercial business. Several projects of this kind failed in the Netherlands once government subsidy was withdrawn entirely.
- 3.3.8 If local authorities intend to take their desire to promote LEIs seriously, there are several further points they should consider:

(i) The decision to support LEIs may be an act of faith, in recognition, say, of the need to do something about the plight of unemployed people and in the belief that they can create work for themselves. Local authorities must be prepared to accept that



financial assistance for LEIs may necessitate grant finance and prove to be highly risky in terms of losses on loans and guarantees. There may also be political risks to be taken, as selective assistance for one form of enterprise, LEIs, will have some negative effects on the turnover and employment of other enterprises.

(ii) Local authorities should beware that longer periods of financial aid may lead, as with other forms of assistance, to LEIs becoming dependent on its continuation, however much in principle LEIs themselves do not wish this to happen.

(iii) It can be argued that criteria for the assessment of applications should not follow strictly conventional views of viability. For example, Pearce (1985) argues for the concept of "Maximum Feasible Viability" "which accepts a less-than-full commercial return (or even a monetary loss) where the enterprise is run efficiently and provides significant social and community benefits, e.g., in training young people or bringing redundant assets back into use.

(iv) Loans to LEIs should be monitored for three reasons: first, to establish if such assistance is indeed appropriate to the needs of LEIs; second, to ensure value for (public) money; and, third, to encourage LEIs to develop good management practice.

## 3.4

Raising Local Capabilities

- 3.4.1. More important than land and buildings and finance are the people who constitute Local Employment Initiatives. In many areas and with many disadvantaged groups there is a need to help local people raise their own capabilities, in a general sense to be able to take more control over their own lives. Community work, in a wide range of activities from youth clubs to local arts festivals, can make a major contribution in facing the problems of disadvantaged groups or in poor areas, where perhaps many people are unemployed, dependent on social assistance and feel alienated from society. Success in building local confidence and morale, and helping to bring forth community leadership, can help increase the number of people in due course who want to establish LEIs. Linked to community work is adult basic education, concerning literacy, numeracy and social skills. The level of such skills is very low in some areas, and many regions generally suffer from inadequate levels of educational qualification. This is a concern, for example, in the Nord-Pas de Calais region. Without first devoting efforts to community work and basic education, attempts to promote concepts of "enterprise" and "creating one's work" (self or co-operatively employed) may fail with little response from local people. Alternatively, while such attempts might generate a great deal of interest and expectation, this could be followed by disappointment if few people are successful.
- 3.4.2. Support has been available under the European Social Fund (ESF) for some years under the category referred to as "Mise a Niveau" for projects designed to provide preparatory or remedial training designed particularly to raise the level of basic skills. The Commission of the European Communities in their Communication, "Action to Combat Long Term Unemployment" (Com(84)484) remarked that the response by Member States has been "very uneven", and that projects which have been supported by the ESF have generally been "small local initiatives and few in number" (p11). In Germany, for example, adult basic education is lacking under national provision, but is increasingly being regarded by local authorities as necessary preparation for entry onto federal training programmes.
- 3.4.3. Bradford City Council in Yorkshire was cited by the Commission as a positive example of a local authority which has taken this matter seriously. The Council has an Unemployment Unit which has as its objectives the creation and retention of jobs, the encouragement of training and retraining, the alleviation of the social and economic costs of unemployment and the development of alternative forms of employment. To implement these objectives the Unit provides a wide range of services including centres for unemployed workers, wage subsidies, youth training and adult temporary work projects, and support for unemployed people who are thinking of setting up their own business (LEDIS A138). Recent projects in Bradford funded under the European Social Fund include two LEIs where vocational training for unemployed people is combined with business skills training, in the expectation that

some trainees will be able to run their own businesses after the period of training ends. These projects are HOPES (Holme Opportunities for Personal Education Scheme), based on a deprived council housing estate and providing training for 30 unemployed people in the making of sculptured candles, horticulture and the design and manufacture of children's clothes; and Bradford DATA, a new technology training project for disabled people. The latter has the objective of transforming itself into a commercial office services bureau.

- 3.4.4. Strathclyde Regional Council in Scotland is another authority which devotes considerable resources to raising local capabilities, again in part using the European Social Fund. They have a programme, "Training of Poorly Educated and Low Qualified Adults", in which fieldworkers visit community groups and ask them what training is needed. This is a radical change from past practice. Such groups may themselves run courses. Provision should be appropriate to needs, namely, that the courses are run, as far as possible, in a setting and at times convenient to the student and are relevant to likely job or training opportunities. Traditional forms of training may well not be suitable because they are perhaps related to qualifications and have fixed timetables. Also many of the potential trainees may resist strongly the thought of "going back to school", where they had been unsuccessful in passing exams. The project has a target of just under 4000 places, and has received a very enthusiastic response from the client group. Lothian Regional Council has also obtained ESF finance for a "Getting Going" course aimed at long-term unemployed people, residential training intended to help build confidence and renew work habits. Again this is viewed as a necessary stage before people in this unfortunate position could be encouraged to create work for themselves.
- 3.4.5. A further British example deserves attention because it is an attempt to bring together various departments of a local authority, the Department of the Environment, the Manpower Services Commission (central government's employment and training agency), the Inner London Education Authority the local Health Authority, and the local business community and voluntary organisations, in a co-ordinated effort to address the problem of long-term unemployment (London Borough of Hammersmith and Fulham 1985). This group has sought to establish a hierarchy of support, education, training and job creation services "which will allow the long-term unemployed to gradually re-enter the world of work at a pace and in a way most suited to their needs". Four measures are being taken: (i) an awareness campaign, involving 26 community and voluntary organisations, to provide information about support and schemes for unemployed people; (ii) greater integration and co-ordination of the existing network of support and counselling; (iii) business advice and training; (iv) vocational training including work experience and counselling; and (v) a trainee selection, recruitment and training service for local businesses, intended to discriminate in favour of unemployed people.
- 3.4.6. Examples in other countries include, in Veendam in the Netherlands, a project, "People Without Labour", which is designed to enable unemployed people gain experience in craft trades, on a voluntary basis, without loss of rights to social benefit. Groningen has a centre for unemployed people, intended to attract

both those in and out of work. Woluwe St. Lambert, in Belgium, has an unemployment meeting and information group, essentially designed to help its members find jobs.

3.4.7. In France, there are many related projects. One example is MADESC in Roubaix in Nord-Pas de Calais Region. It is concerned with promoting the overall development of a "quartier", a relatively poor area in the town with a high proportion of immigrants. It is attempting to draw together residents and the local school, promote leisure and sport amongst young people and give them job training and counselling, run a "job workshop" to help to identify the needs of unemployed people and local job opportunities, and to encourage cultural events. Adult basic education is provided locally by another organisation. While the project is funded largely by central government, both the Regional and Town Councils contribute.

3.4.8. The examples above concern largely the steps which may be necessary to restore individual morale and confidence and some sense of community cohesion. We must not forget that vocational training directly pertinent to particular LEIs also fits under the heading of raising local capabilities. In many places, traditional provision may be all that is needed, though the comment above stressing the importance of training being appropriate and available to potential clients is relevant here too.

3.4.9. There are several instances where local and other public authorities have become actively involved in designing training programmes which are intended to lead to the creation of permanent jobs in LEIs. The HOPES and Bradford DATA projects are examples of this. Another example is the Mons-Borinage Training and Redeployment Unit (Dupont, 1985) which has involved the intercommunal association (IDEA), the Province of Hainaut and the Walloon Regional Government, and has been part-funded as a Local Employment Initiative by the ESF. Its origins lay in a major closure of steel rolling mills at the end of 1982 with a loss of 750 jobs. A trade union initiative led to the development of an overall redeployment plan drawn up by the national employment office. This plan deliberately sought to involve all those organisations within the region which could make a positive contribution. The idea was to bring together all the workers who were interested in creating jobs for themselves and give them help in two stages. First, the ideas of 160 workers were assessed and further guidance given where necessary - including on alternative employment. Second, for projects worth pursuing, workers have been given vocational and business training specifically linked to their activity. A technical unit of four engineers and three economists has carried out feasibility studies for a number of these. There are also 24 vocational training staff.

### 3.5

#### Management Training, Advice and Expertise

3.5.1. Just as it is now widely accepted that conventional small businesses need training and advice in business management, the same case applies for Local Employment Initiatives. This was confirmed, for example, by the LEI Consultations carried out by

the Centre for Employment Initiatives (1984) and research by ESPACE Region (1985). The need for this training and advice may be particularly prominent given that many people involved in LEIs are likely to have no previous experience of running a business and have little idea of matters such as estimating costs, investigating a market, selling or book-keeping. They may have no concept-or a distorted one- of profit. Also, in areas previously or still dominated by large enterprises, the range of personal contacts many people have with others who are self-employed or employing others, and to whom they could turn for advice, may be very limited or non-existent.

3.5.2. In most countries it is now accepted that business advisory services are required to help more people set up in business and to help those established become more competitive and grow. Local offices are considered necessary: close to potential clients and the local business community, and capable of building up detailed knowledge of local markets. In some countries there is now a plethora of advisory services, some overlapping while others cater primarily for the needs of enterprises at different stages (e.g., concentrating on people thinking of setting up in business and helping them through the early period of establishment, or providing more technical help for businesses expanding or developing innovative products). Training in business management is a great need for many creators of LEIs. However, in some areas there is strong resistance to the idea of being "taught" how to run a business.

3.5.3. The network of Boutiques de Gestion (Management Shops) in France is the best example of a network of support services for LEIs in general. They were set up to meet the needs for advice for what were termed the "new entrepreneurs" (Le Marois and Ramage, 1984): unemployed people, workers with relatively low educational attainments, and a number of people wishing to put into practice alternative philosophies about work and business (Centre for Research on European Women, 1985). There are now 43 throughout France (and one in Belgium). Part of their job is also to stimulate local initiative and enterprise. Their activities include preliminary guidance and information, business advice and training, feasibility studies, research and a liaising role between LEIs and public agencies. Clients are charged according to their ability to pay, with initial advice provided free. The Boutiques de Gestion (BGs) have found it difficult to ask for payments which would make a significant contribution to covering costs because of the limited resources of most clients. It is a principle not to exclude anybody from support on financial grounds. Training preparatory to starting in business is an important element of the BG approach, and is partly funded by the State. Regional and local councils also contribute. For example, ESPACE Region has negotiated contracts with the Nord-Pas de Calais Regional Council and the Nord Departement General Council to provide business support services and studies. The Nord Departement pays ESPACE 4000 francs for each business started with their assistance.

3.5.4. Just as the needs for advice at different stages as businesses develop vary, so too can the needs of different kinds of LEI, depending on the objectives of the form of LEI and the target group of people to be helped. Co-operatives have a distinct philosophy and one which demands a new approach to work for most

people involved, including how to manage the enterprise in a co-operative, democratic manner. Recognition of this has led, for example, to the formation of over 40 local Co-operative Development Agencies in Britain and a regional network of support in France. Coventry Co-operative Development Agency (funded by West Midlands County Council) run a 10-week course, one day a week, on the basics of business and co-operation, with participants expected to do background work on their own business proposal. At the end of the course they should have a clear idea about whether or not they can work together and whether they possess the skills to run their co-operative as a commercial enterprise. (Centre for Employment Initiatives, 1985, p31)

- 3.5.5. The need to combine business advice with a community development and animation role to build solidarity and confidence where working with unemployed people in poor areas or with disadvantaged segments of the population such as women or ethnic minorities has led to the creation of business advisory and training services with a specific remit covering such areas or groups. There are a growing number of projects in Britain, for example, which are directed at stimulating enterprise and providing business advice at a very local level in areas of very high unemployment. Examples include the Greater Easterhouse Partnership in Glasgow, the Manor Employment Project in Sheffield (LEDIS A94), the Community Skills Project in Nottingham and the Walker Enterprise Project in Newcastle. Much of the work of Strathclyde Community Business (LEDIS 164) and its predecessor, the Local Enterprise Advisory Project (LEDIS All), in promoting community businesses has taken place in such contexts. The need for business advice for LEIs in Germany, where most have their roots in the "alternative" movement is being realised increasingly eg, by the Bremen Laender government (1985) in reviewing the initial period of their LEI Loan Scheme.
- 3.5.6. In many areas people wishing to set up some form of LEI have to rely on "conventional" sources of advice and training aimed at small businesses in general. It may be a concern that they may not find such sources sympathetic to their plans and objectives or have the time necessary to give the personal support that disadvantaged people often need in setting up in business.
- 3.5.7. Some "conventional" sources of advice and training, particularly in areas of high unemployment, have developed schemes of support for LEIs as part of their overall programme. Two examples of enterprise agencies in Britain are BASE (Bathgate Area Support for Enterprise - (LEDIS A135) near Edinburgh and ENTRUST (Tyne and Wear Enterprise Trust - LEDIS A56) in Newcastle. BASE, faced with high unemployment and the prospect of further redundancies to be made by the vehicle manufacturers, British Leyland, are seeking to encourage enterprise local people wherever it surfaces (Fass, 1985). They recognise that helping unemployed people may take up much of their time but it is necessary. They have set up a Community Business and Co-operative Development Fund and are considering setting up a programme to encourage entrepreneurship by local women. ENTRUST, established an European Social Fund pilot project in 1981, has a particular commitment to community businesses and co-operatives. It has built up considerable experience in business training, probably on a greater scale than any other local enterprise agency in Britain. Many unemployed people have benefited from these courses. Both BASE and ENTRUST

are funded in part by local authorities.

- 3.5.8. Finally, it may be possible and desirable to supplement the advisory and training services by introducing management or other business expertise. This could take a variety of forms. For example, Strathclyde Community Business (LEDIS A164) provides salary grants for key staff of community businesses, in recognition of the importance of obtaining experienced managers to put projects on to a viable footing. They also provide consultancy grants to help with particular needs, e.g., for market research or introducing an accounting system. Another form of support is help-in-kind, taking the form of technical expertise given as requested, drawing upon the goodwill of local companies, institutions and individuals. A recent report in England and Wales by a working party of local authority associations and the National Council for Voluntary Organisations (Working Party on Local Economic Initiatives, 1984) calls upon local authorities to make available the relevant skills of staff (e.g., architects, book-keepers) and council facilities (e.g., printing, use of equipment) to the voluntary sector in efforts to promote LEIs.

### 3.6

#### Technical assistance

- 3.6.1. Helping LEIs with regard to production technology is another form of support. This may concern, e.g., the development of new products, improving the design of existing products or advice on the organisation and control of production. This may be provided by drawing on the resources of local colleges and institutes of higher education, or by the creation of special projects specifically to assist small businesses and LEIs.
- 3.6.2. In Britain there are a number of projects supported by local authorities which have their origins in the work of the Lucas Aerospace Combined Shop Stewards Committee in the 1970s. This group developed an "alternative plan" for the company, intended to make serious proposals for alternative, socially useful products to counter factory closures and major redundancies. (Wainwright and Elliott, 1982). The Unit for the Development of Alternative Products at Coventry (Lanchester) Polytechnic was set up in 1981. Its purpose was to help and encourage the exploration of socially useful products for peaceful purposes and their technical and commercial evaluation, drawing in part on suggestions from the Shop Stewards Committee. Soon after the Unit was approached by the West Midlands County Council to expand its objectives to cover the provision of product planning, design and manufacturing advice to new enterprises and the building of a register of alternative product ideas which could be manufactured in the West Midlands. The County Council was seeking also to raise public awareness of the existence of alternative forms of work and socially useful production. Subsequently, the Unit has assisted a number of LEIs in addition to undertaking its own development work, and has strengthened its capability in market research. This has enabled a more effective service linking product development to commercial exploitation (Lowe, 1985). The Unit has been used as the model for similar initiatives in Sheffield (Sheffield Centre for Product Development and Technological Resources or SCEPTRE, LEDIS A133) and a number of London polytechnics. In London, Mike Cooley,

formerly of Lucas Aerospace, was appointed Technical Director the Greater London Enterprise Board (GLEB) (the development agency of the Greater London Council). GLEB has developed the concept of "Technology Networks" to facilitate the transfer of ideas from academic research to manufacturing firms and to identify opportunities for new product development. A major aim has been to work with local groups to identify local needs, for example, for home energy saving, and then to create a pool of ideas which could be brought into production using hitherto redundant local resources : people, buildings and technical facilities (LEDIS A62).

- 3.6.3. A related initiative is underway in Dortmund: the Trade Union Development Centre. An association is being set up involving the City Council, the trade unions and Hoesch AG, the major steel company. Its aims are, first, to support the vocational training and continuing education of workers (including the training of trainers); second, to support and advise projects involving socially useful and environmentally sound technology; and, third, to experiment with new kinds of work organisation and co-operation. In a pilot project engineers are working with redundant workers on a project concerning the recycling of domestic waste.

### 3.7.

#### Information

- 3.7.1. The subject of information useful to LEIs overlaps with previous headings, in that up-to-date and comprehensive information is vital to enterprises when searching for premises, finance and appropriate training or trying to carry out market research or find relevant sources of management and technical advice. Much of this information should be known to, and disseminated by, agencies promoting small businesses and LEIs, but there is a strong case for local authorities to fulfil a central role. This claim is based on the likely concern of most local authorities for all aspects of economic development and employment within their territories. To fulfil its planning function the local authority must have statistics on population and employment trends and be able to carry out more sophisticated analyses of the local economy and labour market. It needs information on the positive attributes of the area when trying to interest or convince businessmen to locate new investment there. If it has responsibility for helping people to find jobs (as, for example, in the case of the Careers Service for young people in Britain or the regional councils in Belgium) it must have close contacts with employers. And if it is serious in its attempts to promote economic development it must do its homework and develop a sound understanding of local industry and commerce.
- 3.7.2. The importance of a "single, local authority channel" for enquiries has been recognised in the Netherlands by, for example, Reeks (1983) and the Gelderland Technological Institute (1984). This is now commonplace in Britain.
- 3.7.3. LEIs may benefit from a number of local authority services in this field which are generally available, e.g., business directories and computerised registers, guides to sources of finance, and



commercial library services (searches of literature and business databases, etc). Local authorities may also run specific events or programmes in undertaking the role of "broker", bringing together large companies, investors, advisers, etc. and small business people. Examples include "Meet The Buyers" events held in Britain to give small businesses the opportunity to meet purchasing staff from large companies and investigate their requirements. In Nord-Pas de Calais there are regular Regional Opportunities Exchanges offering a meeting point for people with something to offer and something to find, be it finance, expertise or a product idea, and so on. (Nord-Pas de Calais 1985 b). On one-off occasions local authorities may themselves be able, because of their local and subject knowledge and the range of their contacts, to perform a similar role of brokerage.

- 3.7.4. A need may be felt, however, for specific action regarding LEIs. In London and the West Midlands, for example, directories of co-operatives have been published, intended particularly to draw their goods and services to the attention of potentially sympathetic customers and to promote inter-trading. London ICOM (Industrial Common Ownership Movement) has been funded by the Greater London Council to develop a computerised databank with this mind.
- 3.7.5. There is a further significant need of LEIs for information: information about what other people have been able to achieve. This is also invaluable in generating interest and in making the case for support for LEIs. Both LEDIS, the Local Economic Development Information Service, published by the Planning Exchange, and "Initiatives" magazine produced by the Centre for Employment Initiatives have been instrumental in doing this in the UK. The Planning Exchange partners EGLEI, the European Group on Local Employment Initiative, and CECOP (the European Federation of Workers Co-operatives) in developing ELISE, the European Local Information Service for Employment), to promote the exchange of information and experience on LEIs throughout Europe. ELISE is funded by the European Commission. The project handles enquiries, is developing a documentation centre, computerised databases on LEIs and support structures, and a diverse range of related activities. It operates as the centre of a decentralised network of corresponding organisations throughout the EEC.

### 3.8.

#### Rescue Operations

- 3.8.1. The subject of rescue operations is included here not because it is a form of support but because it is a form of LEI which has generated a great deal of political interest in local authorities in many countries, and gives rise to particular kinds of responses which were too specific to treat above. Where substantial numbers of redundancies are threatened many local people have looked to their elected representatives to do something to save the jobs.
- 3.8.2. There are many examples of lobbying by local authorities in attempts to persuade parent companies to reverse their decisions, and cases where studies have been carried out to establish alternative courses of action which might be taken by the parent company to maintain employment. In some cases, the option of

management - or worker - buy-out (where the local management or workforce takes over the business) has been pursued. Many co-operatives have been formed with the active encouragement of the local authority and/or trade unions.

- 3.8.3. Where rescue operations are planned, finance may be a particular problem. Potential investors may need much convincing if they are to believe that a "failed" enterprise can be "turned round" successfully, especially if the previous workforce remains. Here, a loan guarantee given by the local authority can secure private sector finance. By its contacts the local authority may be able to help find potential investors and also point to sources of public sector financial aid. There are many examples where local authorities have helped companies by buying their land and buildings, and even equipment, and leasing these assets back to the company, thus freeing capital for investment and other expenses. In some cases where the level of production has been reduced, local authorities have let surplus space to other businesses (as in Veendam).
- 3.8.4. 30% of communes covered by the Association des Maires de France (1983) survey stated that they intervened in the case of firms in difficulty. The most common forms of aid were those mentioned above: purchase and leaseback of buildings, and loan guarantees. Grants and loans were employed too, but interest rate concessions and support for vocational training were rarely provided. Other help took the form of advice, contributions towards the cost of rescue plans and marketing assistance. The French government encourages local authorities to intervene but suggests that they should enter into agreements which impose certain conditions on the enterprises receiving aid to ensure that remedial action is taken. This has been a major issue in parliamentary debate.
- 3.8.5. Support for training and management advice, may be essential in addition to finance to ensuring that the proposed rescue is successful. Take the situation, for example, where the workers take-over a branch plant: it is likely that the staff have little or no experience or expertise in sales marketing and product development as these functions were carried out previously elsewhere within the parent company.
- 3.8.6. There is a strong case for efforts to build an "early warning system" for signs of impending closures and redundancies, either to take action to fight the closure or to plan properly for accommodating the loss of jobs in helping workers into other jobs or self-employment or a management or worker buy-out. The chances of such advance notice are, however, greater where the local authority has won the confidence of the company, perhaps on the expectation that the authority is not likely to join any fight to stop the closure. But rather than taking the fight to the last round, the chances of success of alternative projects for employing the workforce will be greater if there is more time for planning and the risk of unemployment may be minimised. This is a clear lesson of experience in Britain.

## Helping to Create or Identify Market Opportunities for LEIs

### 3.9.

#### Public Purchasing and Contracting

- 3.9.1. Local authorities are very substantial consumers of goods and services and as such can offer markets of LEIs. The ECOSOC (1984) report recommended that local authorities should make known their procurement policies and try to promote similar practices in large local companies. In the Netherlands, the Gelderland Technological Institute (1984) has urged that orders and invitations should be given to local businesses wherever possible and that requirements should be publicised in advance. Barnsley Metropolitan Borough Council in Yorkshire pursues this policy and also aims to give preference and special assistance to local co-operatives.
- 3.9.2. Other British examples indicate a number of ways in which purchasing policy may be used positively in accordance with objectives of promoting small businesses and LEIs (LEDIS B26):
- (i) The Greater London Council (GLC) attempts to help firms aided by the Greater London Enterprise Board, co-operatives, new ventures and ethnic minority businesses in two ways. First, they may break down large contracts to enable small enterprises to tender. Second, they allow small contracts (under £1000) for special requirements to be placed with such businesses without competition, given acceptable quality and delivery dates.
  - (ii) The London Borough of Hackney has organised "Meet the Buyers" events to bring together council purchasing officers and local firms and introduced a direct mailing system to publicise tenders. Informally they explain to unsuccessful tenderers why they failed to win contracts.
  - (iii) The London Borough of Hammersmith and Fulham has set up a central purchasing unit and has publicised widely contact points and its broad purchasing requirements.
  - (iv) Glasgow District Council has adopted a purchasing policy which discriminates in favour of local firms. Where a Glasgow company submits an offer which is within 5% of the lowest tender price, the Glasgow company is given the opportunity of undertaking the work at the lowest price. It is also policy to break down large contracts, and to publicise contracts more widely (LEDIS A87).
- 3.9.3. The approaches of the GLC (which also has a preferential policy for printing contracts) and Glasgow District Council give rise to criticism from other local authorities that their policies could lead to the loss of jobs elsewhere, retaliation from other localities, and, in the end higher costs for all. There is no overt subsidy, however, in the Glasgow scheme and only very small sums are involved in the London case. It is worth pointing out

also that some local authorities may wish and be able to favour local companies by stipulating particular conditions on certain contacts, such as the use of local materials.

- 3.9.4. It has also been suggested that local authorities should consider ways of promoting LEIs in the field of social services. For example, the Council of Europe (1983 d) recommended that local authorities should encourage "new forms of co-operation, especially among young people and for specific services. This would in particular enable local authorities to employ young people, provide services and avoid increasing their normal staff, thus achieving a certain financial saving".
- 3.9.5. This suggestion enters delicate political ground about "privatisation", the process of turning public services over to private sector. This issue which will be addressed in the next chapter. The Commission of the European Communities (1983) also recommended the provision of social services by LEIs, though specifically "where centralised provision has been reduced or discontinued, or where it has not been expanded to meet new or growing needs" (p6).
- 3.9.6. The research by the Centre for Research on European Women (1984) on women and LEIs cited three examples of social services co-operatives in Italy. The main role of these co-operatives has been to supplement or integrate existing services or provide a service which did not exist before, for example, creches, nursery schools, and assistance for disabled people. The local authority, however, decides what services are to be provided and remains in charge of overall planning, organisation and supervision. In Padua too, the town hall is supporting co-operatives to run certain services, including the management of public open space and the cultivation of marginal land.
- 3.9.7. In Scotland recently there has been considerable interest in the concept of "community contracting". This is defined by Andrews (1985) in a feasibility study for central government (the Scottish Office) as:

"an agency agreement between a public authority and a community group whereby the latter is contracted to take on full management responsibility for the delivery of an existing public service in a small neighbourhood".

The report gives examples of instances in housing management, social services, road maintenance and community centres. However, it concluded that there were a number of considerable difficulties which militated against the introduction of a pilot programme to promote the concept of "community contracting", including the high risk thought to be involved in entrusting such tasks to community groups, the need for specialist support training, and lukewarm support and or, indeed, opposition from many quarters. This opposition reflected fears about privatisation, possible reductions in wages and poorer working conditions, lower standards of service, and a reluctance by local councillors to devolve responsibility to community groups.

Local Business Development

- 3.10.1. Local authorities may also help to create market opportunities by encouraging collaboration between local enterprises in marketing or in helping to identify gaps for products or services which could provide work for local people.
- 3.10.2. Let us take, first, group, or co-operative, marketing. This is defined by Durowse (1985) as occurring "where several self-employed individuals or companies come together to share some or all of their marketing and distribution activities" (p2). This could relate to businesses in a particular area or sector or both. Forms of group marketing include the Italian consorzi, over 79,000 such groups involved in housing, agricultural products, consumer durables, clothing, etc; and agricultural marketing co-operatives in France and Britain. There are many possibilities for co-operative action by small local enterprises to expand their markets, e.g., where by collaborating they can devote greater amounts to trade promotion and, it is hoped, in a more effective way. Examples in England where local authorities have been involved in such projects include the efforts by the West Midlands County Council to encourage joint export marketing by the foundry industry, and the "Taste of Somerset" campaign to promote local food and drink such as Cheddar Cheese, cider and many other traditional foods.
- 3.10.3. Developing such initiatives can, however, be difficult and time-consuming, especially where it is necessary to break down a general reluctance of small enterprise to collaborate because of their common desire to remain fully autonomous and possible mistrust of other enterprises (Economists Advisory Group, 1983). The spirit of collaboration is, however, potentially greater amongst producer co-operatives than conventional small businesses.
- 3.10.4. Local authorities may also help local enterprises by mounting sales exhibitions, either in the area or by taking the exhibitions to the buyers, e.g., taking crafts or fashion fairs to the main commercial centres. Mounting export promotions is a stage further. Such promotion may be run specifically for LEIs, as in the case of the London Co-operative Trade Fair sponsored by the Greater London Enterprise Board (GLEB) in 1984-85. As well as aiming to create new market opportunities, GLEB intended the Trade Fair to raise the profile and improve the image of co-operatives in the eyes of public and private sector buyers. Sales agencies and outlets for the products and services of LEIs are other possible options, as is a "quality mark", e.g., for craft products. (For a review of marketing issues relating to co-operatives in the U.K., see Co-operative Advisory Group (1984)).
- 3.10.5. Steps may be taken to identify market opportunities for local enterprises. Local authorities may wish to encourage larger local companies to consider what opportunities exist for local suppliers in competition with imported products. Such an approach raises the same set of criticisms as preferential purchasing policy (para. 3.9.3. above), but can lead to economic benefits where the local suppliers can give a better service at a better price. The results of such exercises, however, may be difficult to implement. For example, in 1982 Somerset County Council undertook a brief

study to identify possibilities for such "import substitution" and also other opportunities which might exist where the larger employers experienced dissatisfaction with existing suppliers on grounds of price, quality or service. The ideas which emerged were either very specialised, or involve limited quantities of output, or required substantial investment to produce. There was little for local small enterprises to follow up.

- 3.10.6. It may be possible to obtain product ideas from large companies. Veendam set up an action programme to investigate whether such local companies had researched but not implemented particular projects, which could then be released for exploitation by other businesses. This is a complex subject, as large companies drop proposals for a wide range of reasons and are likely to be reluctant to give away technology unless they can see substantial benefits for themselves. The local authority itself may be the source of business opportunities, for example, in providing computer software or in waste recycling. Again, this may be a politically contentious issue, being viewed by some people as "privatisation".
- 3.10.7. The subject of tourism is a good and common example of local business development, drawing together the strands of group marketing and identification of market opportunities. There are gains from promoting tourist attractions and accommodation in an area as a whole. Local tourism marketing studies can point to gaps in the market for particular activities, types of accommodation, etc.

### Creating a Favourable Climate for the Successful Development of LEIs

#### 3.11

#### Promoting an "Enterprising" Culture

- 3.11.1. A common complaint in many regions of Europe, particularly those once or still dominated by large enterprises and heavy industry, is that a "spirit of enterprise" is lacking. The view is that not enough people are prepared or able to create work for themselves and others. This may be explained by looking at the past history of the area in which there has never been a tradition of self-employment: where people have for generations worked in a major industry and have had little or no contact with people running their own business. This is a concern, for example, in Nord-Pas de Calais. There, in addition, it is argued that the paternalistic attitudes of management in the once Catholic, privately-owned and now nationalised major industries have bred amongst local people a syndrome of dependency on others rather than self-reliance. It is also said that the management of these companies are not very enterprising and are averse to taking risks.
- 3.11.2. One countervailing step to be taken in this region is ODACE (Operation de Detection et d'Accompagnement des Createurs d'Enterprises - operations for identifying and supporting the founders of new businesses). This was initiated by ANCE, the National Agency for the Creation of Enterprise, through the

Regional Mission for the Creation of Enterprise (jointly funded by the Regional Council). It involved a number of local authorities. Its objective was to publicise the option of self-employment, by means primarily of campaign to raise awareness amongst a wide public. Large posters on buses and roadsides were used along with leaflets, advertisements and publicity on local radio, incorporating the message, "Got a business idea? Come and meet us to talk it over". All local business agencies were involved in the preparation of the campaign and in the follow-up of enquiries. Job-seekers, professional and white-collar workers in large local companies and young people and students were selected as targets for special promotions. Elected representatives in local authorities were regarded as key people in the campaign. It was considered particularly important to gain their support in attempting to influence the local climate of opinion (Nor-Pas de Calais Regional Council, 1985 b).

- 3.11.3. There are strong similarities between ODACE and the "Make Your Own Job" campaigns run on four occasions by Project North East (LEDIS A32) for local authorities in the North East of England. The first campaign was mounted in 1981 in Washington New Town. It involved the distribution of leaflets to all households in the town advertising the campaign and offering advice to people thinking of starting in business. An exhibition was mounted at a local library and a guide to starting in business was published. Business counselling was provided by a number of local agencies. The following year a tape-slide presentation about setting up in business was prepared and a mobile promotional and advice centre the "Business Bus", was also introduced (Project North East, 1984). Project North East has learnt from these experiences in developing a new and prominent role in promoting youth enterprise both in Newcastle and nationally.
- 3.11.4. The use of visual techniques can have much greater influence than written material. This has led another project aimed at women to produce a video to promote the idea that more women can and should make work for themselves. This project is in the Brucke Valley, Alsace. Similarly, in Britain videos have been made to promote the ideas of workers co-operatives and community businesses.
- 3.11.5. The terms "spirit of enterprise" or "enterprising culture" may be interpreted in different ways by people of different ideologies. To some the concepts smack of the highly competitive world of US capitalism, while to others they are related more to people taking more control over their lives, becoming more self-reliant, individually and collectively.
- 3.11.6. It is in this latter sense that most of the initiatives in Britain have taken place. There has been a great expansion of interest in youth enterprise (McCreadie, ed., 1985 a) with many initiatives, e.g., to introduce business management experience into projects at school, to introduce the option of creating one's own work when discussing future career plans, and to assist young people set up in business. Examples include "Young Enterprise" and "Mini-Co" programmes in schools, the work of members of the "Education for Enterprise Network" (LEDIS A101) in sensitising youth workers and careers advisers, and business support projects such as Into Business in Liverpool (LEDIS A177), Jobstart in Bristol (LEDIS A121) and Project North East's Youth Enterprise Centre in Newcastle (LEDIS A196). These support projects have received, in

part, funding by local authorities. This subject was recognised in the ECOSOC (1984) Opinion on LEIs:

"Attitudes to future employment are often established whilst young people are still at school. In this context, there should be more discussion of the potential for involvement in a wide range of self-sustaining employment including local community-based activities within the school curriculum in order to encourage youth participation and to facilitate a transition towards such forms of youth employment after completion of basic education" (p10).

- 3.11.7. A recent initiative in France was that taken in Lievin in Nord-Pas de Calais following redundancies in the steel and motor vehicle industries (Garandeau, 1985). The intercommunal economic development committee decided that they could not wait for outside help and that the way forward was to mobilise the energies and ideas of the young and unemployed. They sought to interest final year lycee students in self-employment, arguing that it is an option for everyone. In one scheme, 20 of students of metal work underwent basic training in business and spent time on group projects prior to making a presentation to a panel of local business people. Other students also received training, took part in a business exercise and met local small businessmen. It is said that "everything has changed" at the school since the experiment. Students now stay at school on Wednesday afternoons to work on their business projects; the class in industrial design and the metal-working workshop are developing prototypes; secretarial students type business letters; and local people are regularly quizzed by young market researchers. It is hoped that some students may wish to proceed with their project on leaving school, but there are two main obstacles: national service and their lack of experience. It is encouraging to note, however, from British experience that many young people are succeeding in business with the help of youth enterprise projects, against the prior expectation of many adults.
- 3.11.8. It remains to say, first, that local authorities can play a significant role in promoting LEIs - and enterprise generally by unemployed people and disadvantaged groups - by recognising and publicising these efforts. This giving of credibility and legitimacy may help in breaking down the barriers existing in the negative attitudes of influential local people and organisations such as banks and chambers of commerce. Funding and other problems faced by LEIs may thus diminish.
- 3.11.9. Second, efforts to promote an "enterprise culture" will often take a long time to bear fruit. They must be planned in conjunction with other measures to remove constraints on enterprise, notably by challenging attitudes within the educational system which value academic qualifications far more highly than encouraging initiative. They must also be backed up by support for those who decide to create small businesses and LEIs.
- 3.11.10. Third, projects to stimulate enterprise in poor areas must recognise that the potential for new business development in the area is likely to be constrained by the limited purchasing power of local residents and limited opportunities to develop businesses to serve outside markets. It may also prove difficult to involve local people. The targets set for such projects, therefore, must



be realistic, and complementary steps may be necessary to increase local incomes, e.g. by extending temporary employment schemes and by running campaigns to increase the uptake of social assistance.

### 3.12.

#### Animation

- 3.12.1. Particularly where conditions are difficult, because, for example, unemployment is high and the confidence and morale of local people is low, it may be necessary to animate interest and activity. There is a role for people engaged in this kind of work, a mixture community and economic development. Their tasks are to generate interest and commitment amongst individuals, groups and the community as a whole, to help bring forth business and project ideas and to show what can be done. This role is very much linked to the needs discussed above for raising local capabilities and providing business advice. People involved in this work as "development agents" require a particular blend of community development and entrepreneurial skills.
- 3.12.2. Their tasks may be reviewed as a series of stages working with the community through: (i) defining local problems and opportunities; (ii) generating ideas in response to these, and sifting through these to identify those for action; (iii) formulating proposals and seeking funding. The approach should seek to help community organisations build their own capabilities.
- 3.12.3. This concept of "animation" is central to theme of "developpement local" in France. Fieldworkers are employed by local authorities to carry out this work, sometimes in conjunction with Boutiques de Gestion. Experience in Nord-Pas de Calais, where the Regional Council funds a Local Development programme, suggests that it can take a long time to put projects together and to attract funding from other sources. In the end, strong commitment and political will are crucial to the success of projects. Perhaps the best known example of this approach in Europe is the Foundation Rurale de Wallonie (1984 b) in Belgium which has worked closely with communes in trying to identify and launch new job-creating projects. It employs over 30 "development agents" (Sottiaux, 1983). In Scotland, the Local Enterprise Advisory Project (LEDIS All) was crucial to the development of community businesses. Much of its time was spent animating community groups. There efforts were successful: many businesses have been formed and community groups are now developing their own ideas sometimes with the help of community workers employed by the Regional Council. LEAP has evolved into Strathclyde Community Business (LEDIS Al64) and a redefined role more concerned with technical assistance, training and finance than with fieldwork.

### 3.13.

#### Administrative Arrangements

- 3.13.1. Local authorities can also help to create the "climate" for the successful development of LEIs by minimising the way in which they may hinder LEIs, in the execution of their statutory

responsibilities (e.g., in land use planning and licensing) and in the way they deal with enquiries, applications for funding and so on. Such points were made, for example, during LEI Consultations in France and the Netherlands (Centre for Employment Initiatives, 1984). People in many areas see the local authority in a negative light, there to stop them being enterprising rather than to assist them. Others are simply scared of dealing with large bureaucracies. Local authorities can tackle these problems by making it easier for people to approach them, for example, through a single office dealing with employment and economic development matters (as mentioned above) and by simplifying and explaining administrative procedures.

- 3.13.2. Improvements have occurred in recent years in many authorities as increasing attention has been paid to the problems of small businesses. Nationally this has found expression in policies of "deregulation", the removal of administrative obstacles and rules, in countries such as Germany, the Netherlands and Britain. Locally, in many areas there is much more evidence of readiness to overturn past policies, e.g., in land use planning, to help projects get off the ground. Also, by showing the way local authorities may be able to influence in a more favourable direction the approach of other public bodies and large organisations to small businesses and LEIs, notably in some countries, the local or regional offices of central government departments.

## Chapter 4

### ISSUES: PROVIDING SUPPORT FOR LEIs

#### 4.1

##### Introduction

- 4.1.1. There are a number of issues which concern how local authorities might set about promoting LEIs and how effective they can be in this. These relate to the choice of appropriate means of providing support for LEIs, the potentially adverse differences in attitudes between local authorities and LEIs, the wider implications for local authority organisation, management and staffing, and the need to evaluate and monitor support given. These issues are treated in the following sections.

#### 4.2.

##### How Should Local Authorities Provide Support for LEIs?

- 4.2.1. Assuming that the local authority has accepted the case for intervening in support of LEIs, how should support be provided? The answer depends on a multitude of factors largely relating to local circumstances and politics. Much should depend on how the needs and opportunities of LEIs are defined, and on the social and economic objectives of the council. A case should be made for provision separate to support for small business, which would be strengthened if the council has particular objectives relating to the need to create jobs for disadvantaged people, or an ideological preference for co-operative forms of working.
- 4.2.2. Whether or not the support should be provided directly by the local authority, indirectly by a specially-created agency or an existing agency, or through a partnership of various organisations, depends on a wide range of factors. Taking the issue of direct versus indirect support first, these include:

(i) The overall strategy and objectives of the local authority. For example, as suggested above, the authority may wish to increase job opportunities for particular groups (young people, women, ethnic minorities, disabled people) or for residents of particular areas. Their needs may be significantly different to those of conventional small businesses and may require special attention from an agency charged with tasks of animation and business advice.

(ii) The powers, resources and capabilities of the local authority. It may be felt necessary to create a separate agency because the local authority lacks the power and appropriate staff to assist LEIs directly.

(iii) The existence and functions of other agencies. It is important that local authority activities should be complementary to those of other organisations and that duplication of service - and confusion of potential clients - should be avoided. There may be gaps in existing support, for example, because existing business advisory services are only available at a regional level

but are required locally, physically close to potential clients and local markets; or because existing services favour innovative, high-growth companies rather than LEIs. There may be a preference for joining forces with other tiers of government, as in France, requiring the formation of separate agency.

(iv) The local authority may have a negative image in the eyes of local people. The creation of a separate agency may encourage more people to apply for assistance.

(v) The exigencies for speed of action and flexibility in dealing with commercial enquiries may also favour the creation of separate agency which has a single purpose and can avoid many of the inevitable conflicts of objectives inherent in the nature of local authorities. It may also find it easier to take decisions to withdraw funding or act to collect debts than a local authority worried about political repercussions.

(vi) A separate agency may be a more effective means to draw on the resources of other organisations, including private companies. This is the case of local enterprise agencies in Britain which have attracted considerable amounts of private sector resources in the form of finance, manpower and equipment. It may also make it easier to attract staff with commercial backgrounds who might otherwise be deterred by the thought of working in a government bureaucracy.

(vii) There may be a strong political desire seen to be heading a scheme to promote LEIs. Alternatively, there may be a preference to devolve responsibilities to other organisations including community groups. (This is one of a number of attitudinal issues taken up in the next section, 4.3.)

(viii) The cost of a separate structure may not be justified, especially if what is being provided is limited in expenditure. This was the decision of the Bremen government regarding its loan programme for LEIs.

4.2.3. If the view is that the local authority should not provide assistance directly itself, it then may have to choose whether or not to establish a new agency in addition to existing services. It should first consider the objectives of any existing agencies; these may, or may not, conflict with the objectives of promoting LEIs and their staff may, or may not, be sympathetic. It is more than a question of objectives and attitudes, for, as explained in sections 3.4 and 3.12 above. Successful promotion of LEIs may demand extra resources devoted to community development, animation and more intensive business support, requiring a different balance of skills. Examples of agencies which have been able to pursue successfully both the promotion of small businesses and LEIs include the Boutiques de Gestion and a few local enterprise agencies in Britain such as ENTRUST and BASE (mentioned above, para 3.5.7). Only certain functions might be given to a separate agency, such as business advice and training alone, to avoid some of the possible internal conflicts that might arise, for example, where the agency is both expected to be a "friend" of the LEI and its landlord or financier.

4.2.4. The issue of accountability of separate agencies matters to many politicians. They wish to ensure that these agencies operate in

accordance with their own objectives and generally in the "community interest", and that the funds they receive are well spent. Adequate levels of accountability may be achieved, e.g., by contractual arrangements, by requiring regular yearly and half-yearly reports, and by having elected representatives on the agency board. This, for example, is the model of ESPACE Region Boutique de Gestion in Nord-Pas de Calais (Nord-Pas de Calais Regional Council, 1985 a). There is also the issue of the funding of separate agencies, for local authorities may wish to avoid entering into open-ended commitments. It is increasingly recognised, however, that support services for LEIs cannot be fully remunerated by charges from clients and that continuing subsidies for these are justified. Security of funding is important, to avoid wasting precious time in seeking funds rather than helping clients. This is a problem faced by many British enterprise agencies, in contrast to ESPACE which has signed a contract with the Regional Council for the duration of the Regional Plan to 1988. In the latter situation authorities will still wish, however, to monitor performance to ensure value for money in meeting the objectives of support.

- 4.2.5. It may be that as a further option the local authority may choose to enter into a looser form of partnership with other organisations, itself providing some of the forms of support needed by LEIs, such as workshop accommodation or management training. It may fall to the local authority to fulfil the principal co-ordinating role. Experience has shown consistently the value of an integrated approach, where there is a range of forms of support, such as animation, business advice and training, premises and finance, is especially successful. Each element appears to complement and reinforce the contribution of the others.

#### 4.3.

##### Negative Attitudes of Local Authorities towards Local Employment Initiatives

- 4.3.1. A large number of local authorities, especially in France and Britain are very positive in their attitudes towards Local Employment Initiatives. Typically, either they are located in areas of high unemployment, recognise the particular problems of disadvantaged groups, or for philosophical reasons wish to promote new forms of work, especially co-operatives. However, it is clear that many other local authorities do not warmly embrace the concept of LEIs.
- 4.3.2. There are a number of reasons why this may be the case. First, economic development priorities may be very prominent, e.g., with resources concentrated on the promotion of innovation and high technology industry. Local authorities may feel that support for LEIs would take resources away from other activities. They may feel that employment in LEIs is only very small and that the social objectives of LEIs do not constitute a case for special treatment. In the Netherlands, for example, a sharp division between what is "economic" and what is "social" is very apparent.
- 4.3.3. Second, there may be conflicts reflecting political views. This may be because the initiators of LEIs come from the "alternative

movement" which challenges the status quo, as in Germany, or from a different party, as in Italy. Even where there is political sympathy between politicians and LEIs, there may still be ideological differences. This may occur where politicians from trade union backgrounds oppose LEIs because they believe that the LEIs are likely to reverse gains made by unions in achieving better wages and working conditions. Alternatively, politicians who favour the interests of employers may oppose support for LEIs on the grounds that such support would lead to unfair competition.

- 4.3.4. It is interesting to see that ECOSOC (1984) noted that the problem extends to officers of local authorities too:

"When public authorities are approached by those who wish to establish LEIs, local bureaucrats must be sensitive, have time to listen and be prepared to understand as well as offer unbiased advice, ...irrespective of political views".

Also, as the Centre for Employment Initiatives (1985) has pointed out, "ideologically many groups have difficulty in coming to terms with official bureaucratic and administrative procedures" (p59).

- 4.3.5. Part of the hostility shown by LEIs and community groups to government arises from previous relationships. Even central governments have accepted publicly why this should be so. For example, the Department of the Environment (1977) in England and Wales remarked upon:

"...the insensitivity and remoteness of government, the failure to recognise, let alone tolerate, different values; the uncertainty, fear and anger and the deep-seated and growing alienation from government of many residents of the inner city areas" (p204).

- 4.3.6. Third, local politicians and officers may not be prepared to trust the competence of LEIs and community groups, because, for example, they have no track record or be thought to lack credibility. They may dislike groups which are demanding of their time. They may also have a bureaucratic aversion to taking risks.

- 4.3.7. Fourth, some initiatives, where they involve social services or where they are "grass-roots" efforts to support LEIs, may be regarded as challenges to the local authority role, particularly by those politicians or officers who adopt a paternalistic approach. As mentioned in section 3.9 above, however, where LEIs are intended to provide services which could be provided by the public sector, there is a fear that national government may use such a precedent to support plans for privatisation of public services.

#### 4.4

##### Action Required to Counter Negative Attitudes

- 4.4.1. Several steps are required to deal with these negative attitudes towards the promotion of LEIs if more local authorities are to make a greater contribution to promoting LEIs. First, there is a need to explain the value of LEIs, even if in many areas their

contribution to job creation is very limited. The added benefits accrue from LEIs addressing social as well as economic objectives, in the form of contributing to community self-reliance, and countering the alienation, frustration and anomie of the long term and young unemployed and of other disadvantaged people by integrating and involving them in productive activity.

- 4.4.2. Second, there is a need for formal and informal channels to improve communication and understanding between local authorities, community groups and LEIs. This would not necessarily bring about a consensus, but would facilitate bargaining and bring conflict out into the open.
- 4.4.3. Third, the promotion of LEIs demands an approach which emphasises working with the community, not working on their behalf. The latter view reflects a traditional view of representative democracy. This may make new demands on councillors unaccustomed to this style, and on officers who must devote time and be patient in their day-to-day dealings with community groups and LEIs. This may give rise to specific training requirements. At the same time, councillors and officers should avoid "taking over" any projects assisted and exploiting them for political gain. The likely outcome of this behaviour is a loss of commitment from the initiators of the project.
- 4.4.4. It follows that councillors and officers should be prepared to devolve responsibility, to release direct control to LEIs and community groups. This could be the case where, for example, it is desirable to give such a group the responsibility for managing a workspace project. This has the advantage of enabling the group to build up its experience, expertise and track record, perhaps leading to other responsibilities. This has been the successful, overall philosophy of the London Borough of Hammersmith and Fulham (Allan, Fenton and Flockhart, 1985) in seeking to develop the capabilities of local voluntary organisations in the field of employment.
- 4.4.5. At issue in the example above are whether or not the local authority is prepared to have faith in community groups and take a risk on their future performance, and whether or not professional staff within the authority are prepared to accept that non-professionally trained people can develop or manage such a project. Also at issue is the accountability of the group to the public, which the local authority must ensure. However, community groups may be more accountable to local people who can see directly how the money is spent than individual officers and councillors, less directly involved, are to the wider electorate.
- 4.4.6. Thus the promotion of LEIs requires local authorities to be enterprising and prepared to take risks - as does the promotion of local economic development as a whole. It also calls for corporate working, involving all those departments of the local authority which have a positive contribution to make. These could be planning, economic development, social services, education, housing, architects and surveying, depending on the initiative concerned and support required. Finally, the local authority must have the political will to support LEIs.

## 4.5

Implications for Local Authority Organisation, And Staffing

- 4.5.1. The promotion of economic development as a whole demands a series of responses from the local authority regarding its organisation, management and staffing (Johnstone, 1985). These demands may be reinforced if there is a policy to promote LEIs. Traditional, bureaucratic styles of working need to be adapted if local authorities are to succeed in their economic and employment objectives.

\* Organisational structure

- 4.5.2. In the first place, the local authority should attempt to devise an organisational structure appropriate to its overall strategy. Typically, what are necessary are the following:

(i) a central economic development unit as a contact point for enquiries and for project work, with

(ii) short lines of communication to councillors and senior officials;

(iii) an executive committee of elected representatives capable of meeting quickly to take decisions; and

(iv) an arrangement to facilitate inter-departmental working at officer level.

The latter point is particularly important if all the relevant parts of the local authority are to make an effective and co-ordinated contribution to promoting economic development and LEIs. If there is a separate agency set up to assist LEIs it is important that it remains close to the central unit and councillors because there is a danger that its efforts may become marginal to the mainstream of local authority activity. It would thereby lose effectiveness and the ability to influence what happens elsewhere in the council. For example, a co-operative development agency may only succeed in helping client co-ops obtain orders from the council where the agency is close to councillors and purchasing officers and can persuade them to invite tenders from co-operatives.

## \* Recruitment and training of staff

- 4.5.3. Secondly, the local authority must consider carefully which staff to appoint to the central unit or to the separate agency, and also the training requirements to existing staff, be they directly or indirectly employed in economic development and LEIs work. The tasks demand particular blends of private and public sector skills for economic development as a whole, and of business and community development skills for the development of LEIs. These combinations are rarely found in individuals when they apply for such jobs. Certain attributes are essential, for example, an entrepreneurial outlook, willingness to use initiative, and the ability to mix well with a wide range of people. An understanding of how to get things done within government systems is also important. For economic development work a business background



may be a particular advantage, but for LEI work this is likely to be less so at the stage of community development and animation. Time and again in local initiatives, one of the main factors explaining success, if not the most important factor, is the people running the project.

- 4.5.4. Therefore, there is a great need for the training of staff involved, both new and existing. The Council of Europe (1983 a) reflected on its survey of local authorities and economic development that "too many" local and regional authorities complained of "a lack of necessary staff, adequately trained for the new tasks" (p39). This conclusion was re-emphasised by the CEDEFOP programme and conference on "Vocational Training and Regional Development" (Gizard and Bernard, 1985; Steedman, 1985).
- 4.5.5. The term "development agent" is frequently used to refer to many of those people engaged in local economic development and LEI work. The term can encompass a range of occupations including vocational trainers, business advisers and community "animateurs". They have in common the need noted above for a blend of business and community development skills. Finance toward the cost of training development agents is available currently (1986 Guidelines, no. 4.10) under the European Social Fund, but only to limited categories : those working in the absolute priority areas or elsewhere if they are employed to assist migrant workers, women or the disabled (Official Journal of the European Communities, No. L133/29, 22 May 1985).
- 4.5.6. Action has been taken in England and Wales with the development of a pilot programme for training Economic Development Officers (EDOs) by the Local Government Training Board, part-funded by central government through the Manpower Services Commission. Given that EDOs bring to their posts a range of existing skills but not the full range, a modular approach has been adopted. During 1985, short courses have been provided in marketing, financial appraisal, negotiating, business counselling, property development, policy evaluation, presentational skills and working in groups. Further courses will be developed in 1985, and teaching materials will be made available for wider use. The Local Government Training Board is also launching a campaign to encourage local authorities to consider more widely their approach to economic development and countering unemployment. It recognises that training of EDOs is only one necessary step to ensuring that local authorities play an effective role in promoting economic development and LEIs. Other staff need training too, e.g., local authority accountants may not be familiar with techniques of financial appraisal incorporating social costs and benefits, and community and youth workers need to know more about what is involved in setting up businesses.
- 4.5.7. The need for training, as well as technical assistance, has also been recognised in France, where the decentralisation of powers to local and regional authorities has made great demands on existing resources. The Council of Europe (1983 b) survey confirmed that many towns and smaller authorities were "not yet sure how to use their powers", complaining that they had insufficient staff, especially with the necessary skills. Training provision is being developed by ADEP (Agence Nationale pour le Développement de l'Éducation Permanente - the National Agency for the Development of Continuing Education), described in Gizard (ed., 1984).

\* Technical assistance and information

- 4.5.8. The need for technical assistance and information for local authorities has also been recognised by ANCE, the National Agency for the Creation of Enterprise, in setting up CREATEL (CLub de Reflexion Economique et d'Appui Technique aux Elus Locales - Club for Economic Reflection and Technical Assistance for Local Councillors). It was felt that local authorities lacked the information network and assistance available to other organisations, for example, Chambers of Commerce. Its services to member authorities, on payment of an annual subscription, include CREASCOPIE, a data base of local economic initiatives; a programme to assist communes develop their own economic development strategy; technical assistance, e.g., in research development opportunities; and training of staff. Boutiques de Gestion have also been given specifically the task by the national government of working with local authorities to raise their awareness and contribute to the development of their activities, e.g., by participating on committees and working parties. (Comite de Liaison des Boutiques de Gestion, 1985). Staff of the Regional Council in Nord-Pas de Calais who work in the field of "developpement local" have also been assigned a similar function.
- 4.5.9. In all countries there is a need which is noted increasingly for practical information on ways of promoting economic development and LEIs. This is a task undertaken by CREATEL in France for its members, and by the Planning Exchange and the Centre for Employment Initiatives in Britain, mentioned in para. 3.7.5 above. On an European level this need has been recognised by the European Commission in funding ELISE, the European network for the exchange of information on LEIs. Its existence has pointed out gaps in information networks in particular countries, eg, in Germany, and the need for comparative background information on the institutional and other contexts in each country to facilitate more effective international exchange of experience.
- 4.5.10. Another need is for publications which give practical guidance on how to carry out particular activities. The Association of District Councils (1985) in England and Wales has produced a number of valuable "Best Practice Papers", and a similar approach is being taken by the National Association of Local Authorities in Denmark.

4.6.

Evaluation and Monitoring of Support for LEIs

- 4.6.1. There has been little mention in this report of evaluation and monitoring of local authority promotion of LEIs, e.g., in substantiating claims made by local authorities for the success of their activities. This is partly because relatively few evaluations have been carried out and even fewer have been published. It is also partly because LEIs are such a heterogeneous grouping and because many of the schemes of assistance are very recent in origin. However, several comments are necessary.

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- 4.6.2. First, the process of monitoring and review of policies essential to exercising effective managerial control in implementing projects, and facilitates learning which may lead to changes in policy, from minor adjustments or substantial revisions through to complete withdrawal of unsuccessful schemes. Information gained from monitoring is required in justifying - or criticising - the authority's activities and expenditure, and may be essential in persuading others of the case for supporting LEIs. It may be necessary to carry out specific research to prove or disprove this case, for example, by looking at the "displacement" effects of subsidised LEIs, i.e., the jobs lost in other enterprises.
- 4.6.3. Monitoring and review concern questions such as "How effective are policies to assist LEIs in meeting their objectives?" "Are those people who are supposed to benefit those who actually do?" "Should policy targets be more clearly defined?" "What would have happened otherwise, had the local authority not intervened?" "Is support for LEIs proving to be value for (public) money?" Monitoring activities may be resisted by councillors and officers who do not want to question closely the outcomes of previous decisions or the relevance of their ideological assumptions, or because they have a strong bias for action rather than reflection. Monitoring can be difficult also if the objectives of policy were not stated clearly initially and if sources of information are patchy.
- 4.6.4. Additional efforts are likely to be required to evaluate their social objectives. Assessment against strictly monetary criteria is inappropriate where LEIs bring less tangible social benefits in the forms of the improving the integration of disadvantaged people into the labour market, contributing to economic and community development in the longer term, and leading to savings in other public costs, in health and policing for example. Particularly

where redundant people and facilities are involved, the net cost to the public purse is likely to be modest as recognised by the Commission of the European Communities (1983) in its Communication on LEIs. A major saving exists where social transfers need no longer be paid to people who have found work in LEIs. Strathclyde Community Business (Pearce, 1985) provides an example of the thinking here: Govan Workspace (LEDIS A5) took over a disused school which was costing Strathclyde Regional Council £30,000 a year to maintain and save from vandalism and it contributed no rate income (property tax). After refurbishment by this community business, the council obtains rate income of £30,000 each year, while contributing £30,000 as a grant towards running and development costs. Other benefits accrue to the national government through unemployment and social benefit payments no longer paid and income tax paid by those people now in work, employed by the project; and to the locality through the number of jobs created, the improved appearance of the building and more money being spent in local shops.

- 4.6.5. A final point remains: where local authorities request monitoring information from LEIs it is important that their requirements are clearly explained along with the case arguing the value to the LEI itself. For example, the production of quarterly management accounts is likely to be as useful to the LEI as to the local authority as for the former it should be an essential management tool. This need is recognised by the Working Party on Local Economic Initiatives (1984) in looking at the relationship between local authorities and voluntary organisations involved in employment projects. Some such organisations were found to be "exceptionally defensive about and hostile to any form of scrutiny of their work" (p25). This reaction may be true of some LEIs where, through the pressures of maintaining commercial operations to survive, they may be failing to meet their social objectives.

## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATIONS

5

#### Introduction

- 5.1.1 This report has remarked upon the very considerable response by local authorities in the last six years in attempting to counter unemployment. They have engaged in wealth of initiatives and the extent of their involvement continues to grow. The main emphasis has been placed on the promotion of local economic development generally, with an implicit assumption being made that unemployed and other disadvantaged people would benefit from any general improvement in the economy. Relatively few local authorities have devoted much attention to trying to ensure that such people do benefit directly from what investment and growth does take place. Notable are those authorities which specifically have adopted policies to promote Local Employment Initiatives, for they recognise that there are alternative ways to create work and that many disadvantaged people can do that for themselves with some support.
- 5.1.2 On the other hand, there are still a large number of local authorities which have not come to terms with current economic circumstances, and do not fully appreciate what the promotion of economic development and LEIs entails for them if they are to be serious about helping to create jobs. This is remarked upon by Nassmacher (1985) regarding many authorities in Germany and the Fondation Rurale de Wallonie (1984) regarding rural communes in Belgium. It is true also of many local authorities in Britain, even though such a large proportion of the total is involved to some degree. Some authorities continue to resist the case for intervention beyond a traditional role of providing infrastructure and public services, but their numbers are fewer as perceptions have changed about the likely duration of unemployment as a social problem.
- 5.1.3 Chapter 3 highlighted the wide range of possible actions available to, and being undertaken by, local authorities. Some may relate to support for Small and Medium-sized Enterprises (SMEs) and Local Employment Initiatives (LEIs) with no distinction made between the two categories, or to LEIs as a whole, or to specific kinds of LEI such as co-operatives, community business or ethnic minority enterprise. The next section of the conclusions makes comments and recommendations upon a range of possible actions by local authorities and is followed by a statement of the main organisational issues. The chapter concludes with a series of recommendations for national governments and the EEC. It is inevitable that these conclusions are very general, but readers can take more specific points from the previous chapter relevant to their own particular situations.
- 5.1.4 It is important to remember that particular local authorities may

be too small to undertake some of the following activities and that other bodies may be better placed to act. However, it is possible to generalise broadly about what local authorities should consider, allowing for variations in available powers and resources.

## 5.2

### Specific Actions by Local Authorities

- 5.2.1 Chapter 3 set out a framework for ways of promoting LEIs, covering means of facilitating the establishment and growth of LEIs, of increasing their markets and of "creating the climate" for LEIs in the future. Local authorities should consider the following points if they are to make a significant contribution to promoting LEIs. This list is taken in the order adopted previously and set out in Table II (following para. 3.1.6).
- 5.2.2 Land and Buildings. Given the need of SMEs and LEIs for small, inexpensive premises and the reluctance of the private sector to provide such accommodation, local authorities should consider steps to make a range of small workshops available for sale or on flexible leasing terms. Typically this may include providing finance, or a financial guarantee, towards project costs. Local authorities should also, wherever possible, be prepared to make available redundant buildings or surplus land to LEIs on appropriate terms.
- 5.2.3 Finance. As many LEIs suffer difficulties in obtaining start-up finance, because, for example, they lack their own capital, security, and a "track record" in business, local authorities should consider providing financial assistance, in the form of grants, loans on preferential terms, loan guarantees, or tax concessions. Even established LEIs may experience difficulty as they expand, as, for example, in the case of worker co-operatives hampered by limited equity capital. Loan guarantees are perhaps the most attractive option as they require the bank or other financier to make a commercial judgement on the applicant's likely prospects of viability. By bearing all or part of the risk the local authority allows loans applications to proceed which would not otherwise have been accepted. However, banks may tend to exploit the local authority's scheme by expecting the authority to guarantee loans where previously they would have accepted the risk themselves. Grants may have more appeal to some authorities because of their relative simplicity to administer. Grants may be used selectively and to fund specific items, such as equipment or market research. Subsidies, however, give rise to concerns about government financing of unfair competition and to limits on local authority powers of intervention. Assistance with the preparation of business plans is one of the best ways of helping fledgling businesses with little cost to the public authority.
- 5.2.4 Local authorities should also consider the option of purchase and lease-back of property where the wish to help firms in difficulty. This can improve the company's cash reserves and help it to re-establish itself, perhaps as a management or worker buy-out. Should the company subsequently fail, the local authority retains the assets involved. Special financial requirements also exist where LEIs are established by local authorities directly or in accordance with local authority policies. This may arise in the

training and integration of young or disabled people where trading projects are set up to provide training in a commercial environment. Local authorities should recognise that a diminishing level of subsidy may be required over a longer period, say, three to five years, to ease likely conflict within the LEI of economic versus social objectives. In the examples above this could involve a diminution of the quality of training in order to make a profit. Criteria for funding in these cases, therefore, should incorporate social as well as economic factors.

- 5.2.5 Raising local capabilities. Local authorities should acknowledge that efforts to raise local capabilities, through adult basic education, community development and vocational training may be a pre-requisite if policies to promote LEIs are to succeed. Otherwise there may be a great gap between the aspirations of a project to promote LEIs and the interest and capability of local people to respond. Possibilities may exist whereby people can be trained vocationally with an option of self or co-operative employment at the end of the training period.
- 5.2.6 Management advice, training and expertise. Local authorities should ensure that appropriate business advice, training and expertise are available to LEIs. This is likely to be the task for an existing agency or a newly created agency with LEIs specifically as its clients. The latter may be necessary as people setting up LEIs may need more "hand-holding" than those in "conventional" small businesses. As with SMEs in general, LEIs have particular needs for assistance and training in marketing, book-keeping and financial control, especially where those people involved have no previous business experience. Where an agency is charged with this task, there should be no expectation that it will be able to pay for itself after an initial period. It would not be able to assist the typically wide variety of clients, often unemployed, if it had to charge a commercial rate for its services.
- 5.2.7 Training courses can also play a valuable role, but in some areas there is strong resistance to the idea of being "taught" to run a business. Grants for consultancy or placement of managerial staff may be particularly useful for some LEIs, short of particular forms of expertise. Occasions may arise when the local authority itself may have some expertise to offer, when trying to help a community group get a building project off the ground, providing the services of, say, an architect and quantity surveyor.
- 5.2.8 Technical assistance is a related area where the local authority may be able to provide help-in-kind or to set-up a structure specifically to give advice on innovation and production matters or to develop socially-useful products which could be produced by LEIs.
- 5.2.9 Information. Local authorities are well placed to gather information on aspects of the local economy and labour market, an important task if they are to develop a sound understanding of what can be done locally to promote economic development and LEIs. In some countries, e.g., Italy, there is a great need to develop better information on these matters. Specific data can be very useful to LEIs, e.g., about the availability of sites and premises, financial assistance, suppliers and market opportunities.

- 5.2.10 Purchasing and contracting. Local authorities, given their substantial purchasing power, should consider whether LEIs should be helped to compete for local authority work, for example, by being given opportunities to tender for smaller supply contracts or information on general purchasing requirements. "Preferential treatment of LEIs may be considered, but is likely to lead to protests from other areas and businesses about unfair competition". Authorities may wish to think about giving contracts to LEIs in the field of public services where state provision has been reduced, discontinued or has failed to keep up with growing needs. This subject is, however, politically contentious.
- 5.2.11 Local business development. Local authorities may choose to work with LEIs to develop ways of expanding their markets through collaboration (group marketing in domestic or export markets), sales promotions (through e.g., exhibitions, sales agents and business directories) or identifying new business opportunities. It can be difficult to obtain - and maintain - commitment from participating businesses, but often the potential exists for significant commercial gains, as shown by many agricultural co-operatives, for example.
- 5.2.12 Promoting an "enterprising" culture. Just as it was recognised above (para. 5.2.6) with regard to raising local capabilities, it is necessary to appreciate that efforts, e.g., through promotional campaigns and work in schools, may have to be made to promote an "enterprising" culture, to help shift attitudes away from assumptions of always being an employee - or unemployed - towards acceptance that consideration of ways of creating one's own work must figure as an option. This is particularly true in areas of declining traditional industry, once totally dominated by a narrow industrial structure and large enterprises.
- Such promotional activities should be seen as a long term commitment, and should be accompanied by other measures to assist those people stimulated to think about setting up in business in the shorter term.
- 5.2.13 Animation. Similarly there may be a need to animate activity : to generate local interest and commitment by individuals, groups and the community as a whole, to help develop project and business ideas and to demonstrate what can be done. Such efforts also can take a long time to bear fruit.
- 5.2.14 Local authority as a hindrance. Local authorities should not fail to recognise that they can hinder as well as help LEIs. For example, officials can place unnecessary obstacles in the path of LEIs by the inflexible application of regulations. Councillors may be unwilling to support community groups in developing ideas for LEIs because they do not trust their competence and hold a very different view of what the authority should be doing to help create jobs, such as develop a science park. Support for LEIs and for technological innovation need not be mutually exclusive activities, but when resources are very limited, politicians must choose priorities.



## 5.3

Strategy, Organisation and Staffing

- 5.3.1 A number of common themes emerge regarding the possible approaches which local authorities might adopt regarding their strategy, organisation and staffing for promoting economic development in general and LEIs in particular.

## \* Strategy

- 5.3.2 Local authorities should do their utmost to develop a strategy. This involves not producing some weighty planning document, but rather working out a clear sense of what the local authority wants to achieve and how it intends to do this. This must be based on a thorough assessment of the needs and opportunities facing the area and what resources are available to it. Political decisions can then be made about what the objectives and thus priorities for action should be, including whether or not LEIs should feature prominently.

- 5.3.3. The most important factor affecting whether or not a particular strategy will be successful is commitment by both elected representatives and officials. If the key actors have the will and are prepared to be enterprising what may to others appear to be unsurmountable obstacles - such as a lack of powers or resources - can be turned into a challenge with an imaginative outcome.

- 5.3.4 In devising a strategy it is important to see how the various forms of support link together and can reinforce each other. For example, mounting an "enterprise" promotional campaign will generate demand for workshops and start-up advice and finance. Enterprises subsequently launched can benefit from trade fairs and further advice about marketing and managing expansion, and may grow to a stage where they need to move to bigger premises and take on new staff who require vocational training.

- 5.3.5 The strategy should also recognise the role of other authorities and agencies and seek to complement, not duplicate, these. It may be the task for the local authority to act as co-ordinator of all these various bodies, or perhaps some inter-authority association covering a larger area. The strategy should also incorporate monitoring and review of policies, to help improve future actions and withdraw from unsuccessful ones. Such monitoring is relatively rarely practised by local authorities but makes sound management sense.

## \* Organisation

- 5.3.6 The strategy chosen has direct implications for how the local authority is organised to implement it. For example, it may be considered that LEIs should be promoted strongly and that a very localised approach is best, so that the chosen structure is a central support unit with fieldworkers operating at a neighbourhood or village level.

- 5.3.7 Certain points seem essential if local authorities are to take their economic development and LEIs work seriously. First, there

should be a central unit to deal with most information enquiries and have responsibility overall for policy and project work. Staff should be closely in contact with councillors who should be able to convene meetings at short notice as necessary. Some form of inter-departmental working should be introduced to try to ensure that there is co-operative working and understanding between members of different professions.

5.3.8 A separate agency to support LEIs may be considered. It could combine an animation role with business advice and training and other forms of assistance. It would have the advantage of a specific remit and should be provided with adequate resources to allow it to fulfil a suitably supportive role given the needs for intensive advice that many LEIs have. Alternatively, an existing agency could fulfil the same function if it is sympathetic to the concept of LEIs.

5.3.9 Local authorities should be fully aware of sources of funding for LEIs and support agencies, not only from national governments but also from the EEC. Many, particularly in Britain, have made extensive use of the provisions of the European Social Fund to finance not only vocational training but also services and technical advice concerned with job creation. The European Regional Development Fund is less used although Article 15 of the Fund is potentially a source of finance for measures to provide support services for LEIs as well as SMEs. This regulation favours measures to increase the efficiency of enterprises by facilitating access to consultancy on management and organisational matters. Article 15 also provides for the establishment and operation of local and regional research organisation to promote indigenous development. This provision reflects the point made earlier about the need for greater information and analysis of local and regional economies to guide policy. Article 24 offers part-financing of studies (normally 50% of costs), which could comprise, e.g., a feasibility study for setting up an LEI support agency.

5.3.10 The assistance from the ERDF is available only in nationally-designated regional policy areas designated. Councils in rural areas with "Less Favoured Area" status may be able to attract funds for a LEI support agency under the recent Structures Regulation (797/85) of the European Agricultural Guidance and Guarantee Fund (EAGGF) which concerns the stimulation of non-agricultural activity in these areas. Such measures are presently undefined, but LEI proposals might be included under the provisions of Article 18 (Specific Regional Measures).

\* Staffing

5.3.11 Local economic development and LEIs work demands a new blend of skills rarely found in one person, a blend of public and private sector expertise and experience. Local authorities must acknowledge how crucial it is to appoint the right quality of staff to this work, people who are entrepreneurial, self-starting and personable and who understand business methods, the needs of local people and how to achieve success when working within the public sector. Their training, to fill the gaps in their skills and experience, must be regarded as an investment and take high priority when planning budgets. As mentioned in para 5.3.9 above, limited funding is available from the European Social Fund for the

training of development agents.

#### 5.4 Central Governments, Local Authorities and LEIs

5.4.1 A number of points can be made generally about the links between central governments and local authorities which relate to the latter's efforts to promote LEIs.

5.4.2 First, it is still necessary in some countries (notably, Italy, the Netherlands, Eire and the U.K.) for central governments to reconsider the powers and resources available to local authorities. This study agreed with the Council of Europe (1983 a) view that central governments should recognise the essential and complementary role of local and regional authorities, and strengthen their powers where necessary to allow them general competence in economic development. This conclusion was also shared by the ECOSOC (1984) Committee, particularly as it saw a key role for local authorities in assisting LEIs.

5.4.3 Second, central governments should accept the need to ensure adequate finance for local authorities engaging in economic development and LEIs work. Again this is a conclusion common to the Council of Europe (1983 a) report and a view shared by a very large number of local authorities. Many feel that even where special funds have been made available, as under the Urban Programme in England and Wales, they have lost resources overall because of central government controls affecting other areas of expenditure.

5.4.4 Third, central governments should consider the case for more active support of LEIs, and look in particular at the positive example of France. What deserves particular attention in a number of countries is how funds available for training purposes and temporary employment schemes can be used to help training people to create permanent jobs for themselves over a period and on a diminishing scale of subsidy. In Britain, for example, this idea has been opposed on several occasions by employers' groups on the grounds that it would result in unfair competition.

5.4.5 Fourth, central governments should also recognise the need to help local authorities develop their abilities to intervene effectively. They may provide or fund appropriate training for economic development staff and development agents (as in France and England and Wales), make technical assistance available, stimulate the exchange of information between practitioners, policy-makers and researchers (a lack, for example, in Germany), and commission a series of practice-oriented research projects. So much of what is happening is novel and developing quickly that there is an urgent need for these activities.

#### 5.5 The EEC, Local Authorities and LEIs

5.5.1 The remit of this study concerned local authority activities in promoting LEIs, in the context of their overall economic development work, and also the relationships between central governments and local authorities. It was not part of the brief, therefore, to look at the role of the EEC, although policy

recommendations were requested. Efforts were made during the course of the research to find out how local authorities were using EEC funds, but there was little evidence of use or much knowledge in many areas. In Belgium, for example, central government treats both ERDF and ESF funds as compensation for committed expenditure.

- 5.5.2 Therefore, the first recommendation is that the EEC should not only continue to promote the availability of funds but should seek also to persuade central governments to be more informative about how they themselves use EEC monies. This promotion, however, must be presented in a form that it is understandable, and perhaps illustrates the content by means of illustrative or worked examples. Efforts should be made to ensure that the process of applying for assistance is not overly time-consuming. Changes in the Commission's own interpretation of the European Social Fund Guidelines have had this effect.
- 5.5.3 Second, the EEC should further review the access to funding instruments by small enterprises including LEIs. Concern has been expressed by local authorities that EEC funds are insufficiently available to small enterprises. The ECOSOC (1984) Committee corroborated this and urged that aid should allow for "the different forms that LEIs take and the particular need for decentralised decision-making, flexible guidelines and speedy processes" (p7). They also recommended that, "the most sensible basis for supporting huge numbers of LEIs would be to operate through intermediary agencies and local authorities with direct links to the appropriate Community authorities and funds" (p9). Many local authorities would welcome the opportunity to act in this capacity. They may wish to explore potential for funding support of LEIs under Article 15 of the 1984 European Regional Development fund Regulation and the new EAGGF Structures Directive, mentioned above (5.3.9-10).
- 5.5.4 Third, although more local authorities are showing an interest in, and a commitment to LEIs, there remains a need to promote the concept of LEIs, particularly the social and economic benefits which they can offer. Many authorities have yet to grasp the potential significance of LEIs. The promotional work of the Commission has been valuable in this respect and should be continued.
- 5.5.5 Fourth, the training needs of economic development staff and development agents have been stressed consistently in this report. Research (e.g., by the Policy Studies Institute, London - as yet unpublished) has indicated the considerable scale of these needs, and it is a conclusion agreed by many practitioners. Funds for the training of "development agents" have only limited availability under the current Guidelines of the European Social Fund. These are restricted to absolute priority regions (Greece, Eire, Northern Ireland, Mezzogiorno, French overseas departements) and for work with migrant workers, women and the disabled. There is a need to make funds for the training of development agents more widely available. This point was accepted by the Council of Ministers in October 1983 (Official Journal of the European Communities, No. L289/38). Development agents employed by local authorities should have equal priority, such is the scale of this need for training and the potential for local authorities to assist LEIs. Currently, public sector employees are excluded from

training or re-training provisions.

- 5.5.6 This research project has confirmed the need for greater exchange of information and experience about LEIs internationally. This was also a firm conclusion of the LEIs conference in Barnsley run as part of this project. Therefore, the creation of the ELISE project was particularly necessary. To facilitate such exchange of experience and information, background papers should be commissioned to explore the context of LEIs work in individual countries and the roles, responsibilities and powers of all the various organisations with a part to play. Such material should be widely available to all those people involved in international visits and meetings regarding LEIs. Local authorities may also welcome the publication of a regular, brief newsletter of LEIs and local economic development in general.
- 5.5.7 Local authorities would further welcome details of LEI or related projects funded under the European Social Fund, in order to learn about the approaches of other organisations and to keep up-to-date with some of the latest innovations. At present the information available is limited, not easily accessible and not in a format directly relevant to practitioners. What is required is a series of very brief summaries of projects assisted by the Fund, perhaps made available via ELISE.
- 5.5.8 There is also a need, from a practitioner's viewpoint, for further research and evaluation on support structures for LEIs, including a review of such work undertaken to date by or for local authorities. Reviews intended to provide syntheses and practical guidance on aspects of promoting LEIs, such as business advice, workshop development, running "enterprise" campaigns and schemes of financial assistance; and would also prove useful, as would advice on evaluation and monitoring.



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## APPENDICES

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## PROFILE : BELGIUM

### Introduction

Decentralisation of government functions in recent years in Belgium has brought about a situation where there are three Regions (Flanders, Wallonia and Brussels) and three Communities (Flemish, French and German - speaking). Below the regional level there are Provinces and Communes. The process of decentralisation is still continuing, e.g., as central government staff are transferred to the other authorities.

National government is responsible for all spheres not expressly delegated to the Linguistic Communities.

There is no clear definition of authority between the Communities and Regions.

### Linguistic Communities

The Communities are concerned with "cultural" issues : the media, education, continuing education and vocational training, recreation and tourism, vocational refresher courses, and social policy. These are defined by the Law of 21 July 1971, and are funded directly by block allocations from the national government.

### Regions

The Regions are responsible for matters such as land development, environmental policy, countryside renewal, nature conservation housing policy, energy policy, and employment and economic policies (excluding certain sectors reserved by the national government, e.g., steel and textiles). They are also funded directly by block allocation from the national government. They are responsible for the organisation of communes.

Under employment policy, Regions have responsibility for job placement, and the implementation of national temporary work schemes (e.g. Cadres Specialux Temporaires).

### Provinces

Provinces are subordinate to the Regions but have a certain autonomy. There are nine in total, varying in size from 220,000 to 2.2m people. Provincial councillors comprise part of the Belgian senate. The Governor of the Province has two roles: to execute decisions of the Provincial Council and to represent national and regional government.

They have responsibility for matters of "provincial interest", not defined but under the supervision of the State. They may also be required to act as agents of the State. Their major responsibility is for technical education.

They are also involved in economic development, e.g., with offices responsible for research, information and promotion.

### Communes

There are 589 communes, with a minimum size now of over 3,000 people, following mergers of communes in 1976.

The legal basis for intervention by Communes is to be found in Article 31 of the Constitution which allows discretion to act with regard to "exclusively communal interests". There is no definition of this term; the concept is indeterminate though not boundless. It is considered that Communes have freedom to act where the law or decrees have not entrusted responsibilities to other levels of government or agencies. Communal interests include land use planning and building control, and promotion of tourism.

Communes may also be required to act as agents of the State.

In 1978, 42% of communal revenue came from taxes and charges, the rest coming from the State as global allocations (32%) or earmarked grants (26%). Most tax revenue is in the form of additions to taxes levied by the State on property and personal income. Communes are free in principle to establish new taxes, but must be agreed by the State.

Many communes have faced great financial difficulties because, on the one hand, the economic crisis has limited revenue and, on the other hand, the amalgamation of communes, while leading to some economies of scale, has raised expectations about minimum standards of services and facilities. The five larger towns have experienced greatest difficulties. Increasingly Communes have had to resort to loans from the Credit Communal de Belge.

Communes may buy, sell or let property, rehabilitate buildings for workshops, etc., provide grants for small and medium-sized enterprises and for job creation, and financial support for local groups; and give exemptions, partial or total, from the local business tax (taxe professionnelle).

### Intercommunal Associations

The formation of intercommunal associations was introduced in the revision of the Constitution in 1921 and developed by the Law of 1 March 1922. This allowed Communes to act where they identified common interests, e.g., in electricity, gas and water supply, planning and development of industrial areas, and provision of social facilities.

The intercommunal associations are significant actors in local economic development. For example, IDEA (Intercommunale de Developpement Economique et d'Amenagement du Territoire du Centre et du Borinage), established in 1957, has played a major role in promoting its area to attract new investment and developed a very large industrial area.

Intercommunal associations may provide loans and other aids. 15 year loans funded by the Credit Communal de Belgique may be available for capital investment.

As communes, intercommunal associations are subject to government supervision.

## DENMARK

### Introduction

There are two tiers of local authority in Denmark : County and Komune (municipality). In principle it is assumed that tasks should be undertaken by the municipalities where they are competent to undertake them. Most of their powers are statutory, although they do possess a general competence, within limits, to provide other services in the interest of local inhabitants.

There is no statutory limitation on their ability to raise local taxes. They have flexibility in setting their own priorities, but what local authorities do is closely integrated into regional and national planning. The Ministry of the Interior is responsible for supervising borrowing, guarantees and land dealing by local authorities.

### Komune (municipalities)

There are 276 Komune; 3 have over 150,000 inhabitants whereas two-thirds have between 3,000 and 10,000. Amongst their functions they run comprehensive schools (for children aged 7-16), provide local roads, plan health and social services jointly with the Counties, and under land-use planning, they produce drafts for the Regional Plan, Municipal Plans within the structure of the Regional Plan, and local plans. A number run bus stations and goods centres as non-profit making co-operatives.

### Counties

There are 14 Counties. They provide services beyond the capabilities of individual municipalities, including secondary education (for 16-19 year olds), hospitals, social assistance and some adult education. A number have set up vocational training organisations. They have responsibility for regional planning. Each County has a Committee for Economic Affairs.

(n.b. Copenhagen and Fredeiksberg have status as both Komune and County):

### Finance

About 90% of expenditure is spent on mandatory services. In 1980, 39% revenue of municipalities came from local sources, 49% block allocation from central government and 12% general subsidies, the latter provided by the government to assist local authorities with weaker resources.

Local revenue is derived from the municipal tax (13-27% of taxable income), the county tax (6-7% of municipal income) and the property tax (1.6-5.7% of the value of land, assessed annually; 1% of the value of buildings, assessed annually).

### Economic development activities

Traditionally, local authorities have provided infrastructure and planned for industrial areas. Authorities may provide premises, but not at subsidised rates. Under the Regional Development Act, authorities in some areas are allowed to develop workspace projects aimed at helping new businesses. In other areas, they have taken the initiative to secure private sector finance for such projects. Similarly, authorities are forbidden from giving grants, loans and guarantees. This reflects the legislative principle that local authorities may only spend money to the benefit of individuals in accordance with existing legislation, which happens not to cover these activities. Authorities are also forbidden from undertaking private sector activities.

Local authorities are very much involved in providing jobs and other assistance for young and long term unemployed people. Law 488 prescribes that Counties and municipalities should set up Per Capita Funds to tackle youth unemployment. In 1985 the rate was 130 kroner per inhabitant, though many authorities spend more than this level.

Four principal measures have been adopted under this scheme:-

- (i) wage subsidies to private companies recruiting young people who have been out of work for at least three months;
- (ii) initiating, or granting subsidies for, training and vocational guidance, including combined training and production programmes for young people aged 16 to 19 who are not motivated to follow a conventional training course and who lack work experience;
- (iii) establishing additional apprenticeships and training places (generally within local authorities and the health service); and
- (iv) initiating job creation projects. Under the 1983 Job Creation Act, local authorities are empowered to co-operate with private undertakings in production for sale. The activities must be of social value and involve new products.

The Law of Job Offers is designed to help long term unemployed people. After being out of work for 12 months they can demand a job of seven months' duration from the local authorities. The scheme is intended to help unemployed people become more competitive in the labour market and make them eligible once more to receive unemployment benefit at the end of the job. At this point they may also apply for a one and half to two year educational grant if they can find a place in the educational system, or for an "initiator grant" should they wish to start a business. The latter is available over three and a half years and amounts to 50% of the maximum daily cash benefit rate.

Over 100 municipalities have business advisers and a larger number have business councils involving local business and workers interests. There a number of entrepreneurial training programmes, 40% funded by central government through the Council of Technology. Courses are run in business and technical schools to introduce young people to the basics of running a business. Counties are running vocational training courses for women and immigrants, and funding technological information centres. A number of product development centres have been financed jointly by Counties, municipalities and the Ministry of Education, to provide workshops and technical advice for inventors, innovators and established companies. Several authorities are experimenting with the introduction of new technology, which perhaps may be funded by the government's technological development programme.



## IRELAND

### Introduction

While local authorities currently do not have a very significant involvement in local economic development in Ireland, given their limited powers and resources, central government does depend on them to some extent in this area. In budgetary planning the practice has been to determine in advance the total size of the various programmes to be undertaken by local authorities and the amount to be spent on the different services. This takes place in the context of national policy objectives, current local authority programmes, and the needs for additional expenditure in particular areas or services.

### Economic development activities

Local authority activities have been confined largely to the purchase and development of land and the provision of "starter" workshops for new businesses. Section 77 (2) of the Local Government (Planning and Development) Act 1963 gives local authorities powers to provide sites for the establishment or relocation of industries and tourist businesses, and ancillary services.

County Councils are responsible for vocational education, though AnCo, the Industrial Training Authority is responsible for training unemployed and redundant workers, the initial training of apprentices and up-dating the existing skills of workers sponsored by their firms.

Each County Council (excluding Dublin) has a County Development Team (comprising chief officers) and a County Development Officer. The latter has primarily a liaison role with local business.

Local authorities do not have the power to offer financial assistance to industry and commerce, with the exception of tourism.

### Finance

Property tax is levied on valuation of industrial and commercial premises. This is supplemented by grants from central government. The principal component of this is the "domestic" element, equal to the amount that would be levied if the rate poundage (the tax rate payable on the basis of the value of each property) set by the local authority were applied to residential property. In 1983, central government payments to local authorities accounted for 62% of their total current expenditure.

PROFILE : FRANCE

Introduction - Recent Reforms

There are three tiers of territorial government in France: Communes, Departements and Regional Councils. It is important to realise that there is no subordinate relationships between the tiers; each body is independent of the other. The Law of 7 January 1983 on the Division of Competences conferred on Regions, Departements and Communes, concurrently with the State, responsibility for physical, economic, social health, cultural and scientific administration and development in their areas as well as protection and improvement of the environment. It also defined means of support for the newly transferred functions. This legislation is part of a series of decentralisation reforms implemented by the Government, both in devolving powers to territorial governments and a dispersal of responsibilities to local and regional representatives of the State. (The latter is referred to as "deconcentration"). The title of Prefect, together with the supervisory functions over Communes and Departements was removed by the Law of 2 March 1983, the post being given instead the title of Commissioner of the Republic (Commissaire de la Republique) with responsibility for heading the local services of the State and co-ordinating their activities between themselves and with the activities of the territorial authorities.

The essential object of the Decentralisation Law was "in effect to substitute the a priori control of the representative of the State over the deliberations of the Municipal Council and the decrees and decisions of the Mayor with, a posteriori, the financial and budgetary control of the Chambre Regionale des Comptes" (Association des Maires de France, 1983).

The exercise of powers is subject to the interpretation of administrative courts: the Council of State (Conseil d'Etat) can determine whether a service is legally in the local interest.

It is also important to note that local authorities are represented directly in the Senate, the second house of Parliament.

The concept of the "unitary state" is central to understanding the French system, in which territorial authorities can be regarded as branches of the State. The State has an inherent responsibility to provide or regulate the public services necessary for the welfare of the community. At a local level, therefore, this is what the French approach emphasises rather than the execution of statutory services. There is a right to establish new services as new needs arise.

Communes

There are 36,433 of which 98% have populations of less than 10,000. Each has an elected council headed by a mayor (maire). They have complete competence to undertake matters of local interest or concern that are not entrusted by law to another body. The Commune is generally recognised as the controller of land use, with responsibilities for town planning and local infrastructure.

The large number of small Communes has considerable political symbolism: a tradition stretching back to the parishes of the Middle Ages, a manifestation of the dearly-held tenet of individualism, and a vehicle for widespread participation in government. Efforts to promote mergers between Communes have rarely succeeded.

Communes have been encouraged to form economic development committees at the level of local labour markets (Comites de Bassin d'Emploi - CBEs), involving employers and workers, to stimulate the creation of enterprises and jobs.

Functions within the competence of Communes but which are beyond the resources and capabilities of Communes, or which can be provided more cheaply over a larger geographical area, have been carried out by intercommunal syndicates (SIVOMs) or, more commonly, by Departements, at the request of Communes. The situation may also arise where Departements wish to use Communes as agents in the provision of their own services. There is a general tendency for Departements to have responsibility to the communes and to share financial burdens. Departements and Communes may set up between them a public body called a departmental agency (Agence Departementale) charged with providing local authorities and joint bodies with technical, legal or financial help.

#### Departements

There are 95 Departements, based on an aggregation of Communes and sub-divided into 3075 cantons. Each has an elected council (Conseil General) headed by a President. As with Communes they have complete competence to undertake matters of local interest or concern that are not entrusted to another body. The Departement tends to assure responsibilities where there is a community of interest between districts particularly concerning the management of physical resources. As well as a wide range of planning, co-ordinating and advisory functions, Departements are responsible for roadworks, providing and maintaining school and college buildings, and providing social assistance, preventative medicine and health and social services for children and young people.

#### Region

There are 22 regional councils, to be directly elected for the first time from Spring 1986. Regional councillors are currently elected by the Commune and Departement. Each Regional Council (Conseil Regional) is headed by a President. Its main responsibilities lie in investment planning, economic development and vocational training. They may also be active in the fields of arts and culture, recreation and leisure, environmental protection, and the preservation of heritage.

The Regional Councils have a central role in producing Regional

Plans within the framework of the National Plan, currently the Ninth, 1984-88. These involve complex consultations between interested parties and are intended to provide yardsticks for national and regional programmes. There is a Planning Contract (Contrat de Plan Etat/Region) which sets out programme agreements and financial commitments over the period of the Plan.

### Finance

Local income, excluding investment income, formed 55.4% of total income in 1980, 35% in the form of direct taxes and 20% from other local sources. In 1981, the sources of direct tax income to Communes and Departements were:-

- land tax on built-up property (foncier bati) 17.4%
- land tax on non-built-up property (foncier non-bati) 5.7%
- residence tax (taxe d'habitation) 24.5%
- business tax (taxe professionnelle) 52.3%

The business tax is based on the rentable value of the premises used and 20% of wages paid or 12.5% of business revenue. Maximum rates are fixed by the government in relation to the national average. 70% of these taxes go to the Communes.

Regions will be free to fix the level of their resources after the direct elections take place in 1986. Until then they are limited in general to expenditure of 150 francs per inhabitant. Sources include additions to the four direct taxes listed above and vehicle licensing duty. There is no distinction between current and capital expenditure.

There is a system of block grants from central government (dotation globale de fonctionnement), based on allocations under the system existing up to 1979 and assessments of taxation levied by Communes and their taxable capacities. A general development grant is now provided for expenditure to be made at the discretion of authorities, allocated by a formula which incorporates criteria of need. Regions and Departements may devote grants for projects to Communes and joint bodies.

Additional aid may be available for programmes negotiated with the State in accordance with national priorities, covering for example, aid for the creation of Local Employment Initiatives (see circulars No. 10 of 23 February 1984 and No. 11 of 12 February 1985).

Loans are available from certain public bodies, notably the Caisse des Depots et Consignations (CDC). The CDC has become increasingly involved in funding economic development projects, e.g., the construction of speculative factories and workshop complexes. There is a specific programme of support of managed workspace projects, 70% funded by the CDC. It also provides finance for economic development studies.

Distribution of functions and powers relating  
to economic development

Economic development - general

Article 59 of the Law of 2 March 1982 allows Communes, Departments and Regions to "intervene in economic and social matters where local development is at issue or where the protection of the economic and social interests of the population so required, by means of direct or indirect aids, with the exception of capital share premiums", and subject to not violating the freedoms of commerce and industry, the principle of equality of citizens before the law, and planning regulations. Article 5 of the same legislation makes it clear that the State retains general competence in the conduct of social and economic policy : the activities of the Regional Council must therefore be coherent with State policy.

Decree 82.808 of 22 September 1982 defined "direct aids" as regional assistance subsidies (provided on behalf of the State), interest rate subsidies, and loans and advances at favourable rates. Levels of assistance and eligible areas are regulated in accordance with national priorities for regional development. Communes may top up assistance given by the Region up to the maximum level stipulated. Regions have a general competence to guarantee loans; departments and communes may establish an intercommunal system for guaranteeing short term loans or a local guarantee fund to cover individual investors in a single company.

Possibilities for indirect aid are extensive, covering the provision of land and buildings for sale or lease, promotion of local products, common business services, business advice, development of new technology, purchase and lease-back of assets, etc. Authorities may contribute finance to promotional bodies and local or regional financial institutions. The decree 82.809 of 22 September 1982 allows authorities in certain areas to offer reduced rents or sale prices on industrial property.

In rural areas, Communes are allowed to provide services needed by the local population, given the loss or absence of private provision. The most common examples are grocers, cafes and butchers.

Each tier of government has discretion to exempt businesses from the local business tax ("taxe professionnelle") for up to five years. Exemptions from the property tax for up to three years may also be given.

Communes pay 50% of the cost of local employment offices run by the Agence Nationale pour l'Emploi (ANPE).

Roads and Transport

- Communes plan, build and maintain local municipal and rural roads. They make local passenger transport plans and provide passenger transport services.

- Departements have the responsibility for roads, other than the national or communal networks. They co-ordinate roadworks and maintenance between authorities. They provide for non-urban passenger transport.

- Regions share in the financing of major road development and make regional transport plans after consultation with communes and departments.

### Education and training

Education remains a centralised service under the Ministry for Education. The roles of the territorial authorities relate to the planning, provision and maintenance of educational facilities (Communes : pre-school and primary level; Departements : colleges, i.e., non-selective secondary schools; Regions : lycees, i.e., higher secondary schools, and special schools). Communes, Departements and Regions may organise complementary educational, sports and cultural activities on educational premises within normal opening hours. Communes have the right to use these premises out of academic opening hours.

Communes and Departements may provide vocational training, particularly where there is a gap between needs and existing provision. Regions have a responsibility for ensuring appropriate provision of vocational training and apprenticeship opportunities, according to an annual programme. Their activities may also include technical education at secondary and further education levels, financing special departments and technological institutes and financing retraining of those in work.

### Tourism

There is extensive scope for involvement in tourism promotion and development. Many Communes are very active. Regional Councils may play a major role : e.g., in Nord-Pas de Calais, the Region is developing a Regional Nature Park and leisure areas, promoting canal and boat tourism, supporting "gites ruraux" and other forms of lodging, renovating seaside resorts, and promoting tourism in the region in general.

### Development Companies

Communes, Departments or Regions may promote local "mixed economy" companies (Societes d 'Economic Mixtes Locales - SEMs) for development or construction work, to provide public industrial or commercial services or for any other activity of general interest. Such companies are extensively used in housebuilding and urban renewal.

## FEDERAL REPUBLIC OF GERMANY

Introduction

There are three constitutional levels of government in Germany : Federal, regional (Land) and local (Kreise and Gemeinde). The Federal Government has a limited role, administering a narrow range of functions (e.g., defence, foreign affairs, telecommunications) and making very general legislation which is interpreted and defined by the Laender governments. Some activities such as urban renewal are regarded as joint responsibilities between Federal and Laender governments.

The autonomy of the local authorities, Landkreise (county level) and Gemeinde (commune/municipality) is embodied in the Constitution (Grundgesetz); local self-government is regarded as an expression of civic freedom. In general there is commitment to the "subsidiary principle" which states that "tasks should be undertaken at the lower rather than the higher level where the lower level is competent to undertake them; and that the higher level should defend and support the lower level to ensure that it has sufficient means to undertake. (Norton, 1985 b, para.50)

Laender

There are 11 regional governments - Laender - including three city-states. They range in population from 700,000 (Bremen) to 17m (North Rhine Westphalia). They are represented in the Bundesrat, the upper chamber of the national parliament.

They are responsible for all government powers unless otherwise stipulated by the Constitution. They share responsibility with the Federal Government for regional and industrial policies but not for overall macroeconomic policy and employment policy.

They have responsibility for supervising the activities of the Landkreise and Gemeinden and can regulate these. For example, in Schleswig-Holstein, the Interior and Economics Ministers issued a joint declaration forbidding the local authorities from providing direct financial assistance to local industry and commerce. Laender may assign tasks to local authorities (such as in health and social services) and may use local administrations to implement Laender policies. Thus, local bureaucracies may be local representatives of the Land as well as the executive arm of the local authority. Landkreise may be given the task of supervising Gemeinden.

Kreise

There are 237 Landkreise, of size mainly 100,000 to 500,000; and 87 Kreisfreie Staedte, all-purpose urban authorities.

Their functions are generally those beyond the abilities of Gemeinden, such as road construction, higher schools and technical colleges. They have the major responsibility for social services and social assistance payments, including aid for long term unemployed people.

#### Gemeinden

There are 2250 Gemeinden, 1041 Gemeindeverbaende (associations of communes incorporating 6,248 Gemeinden). Article 28 of the Constitution guarantess them the right to regulate all affairs of the local community within the limits set by law. They have the power to issue regulations, where there are no over-riding Federal or Laender laws. Amongst other things, they have responsibility for land-use planning, folk-high schools and other institutions for continuing education.

#### Economic development activities

Local economic development activities are mainly undertaken by Kreise. These include the provision of sites and, more recently, premises (with discretion allowed in negotiating rents, sale prices and service charges), rent and tax concessions, loan guarantees, subsidies for capital equipment, and technical assistance for small businesses. Low interest loans are usually provided through municipal savings banks (Stadtische Sparkassen) which are not directly under local authority control. Kreise and Gemeinden are involved in the administration of Federal employment offices. Gemeinden undertake tourism promotion.

#### Finance

Kreise and Gemeinden have the right to their own sources of revenue and a substantial degree of autonomy over their own budget. However, during the recession decreasing revenue from the business tax and additional expenditure on social assistance have necessitated cutbacks in investment and staffing; as in Dortmund.

The Association of German Cities and Towns (Stadtetag) estimated in 1984 the following distribution of revenue sources:-

Land Taxes (Grundsteuer)	12.5%
Business Tax (Gewerbesteuer)	40.8%
Share of income tax	44.2%
Other	2.5%
	<hr/>
	100

Grants from Laender governments averaged 23%. These are allocated according to local needs.



The Business Tax is based on the operating profit, capital and total wage bill of local companies and, in practice, is paid only by larger enterprises. There is a minimum level below which small companies do not pay. 40% of the tax yield goes to the Land.

GREECEIntroduction

The structure of local government in Greece is undergoing substantial reforms, as central government decentralises powers and responsibilities. At present there is a single tier of local authority, comprising Boroughs (demos) and Communes (Koinotita). In addition, these local authorities, along with other local organisations, elect Prefecture Councils (Nomarhiako Symvoulío). These fulfil a largely advisory function, regarding the responsibilities of the Prefect (central government's local official) government departments and public agencies. It can make decisions regarding the operating and investment budgets of the Prefecture.

This process of decentralisation was brought about by laws 1270/1982 and 1416/1984. Other reforms include the abolition of many central government controls over local authorities and the setting up of a Local Government Bank. The Prefecture Councils are regarded as an interim device, pending the creation of second and third tiers of territorial, directly elected government.

Boroughs and Communes

There are 264 Boroughs and 5774 Communes. They have responsibility, for example, for local roads, water supply, sewers and refuse collection. They have responsibility for land-use planning, but this is a shared responsibility with central government. The local authorities tend to promote relatively minor alterations to approved plans, while central government is more concerned with general issues. Development control is largely carried out by central government. Local development plans are carried out by consultants for central government. They are mainly advisory plans and cover most Prefectures and larger towns.

Local authorities have no formal responsibility for education but some are involved in vocational training and social/cultural activities.

Finance

The revenue of local authorities largely comes from taxes and levies collected by the Public Funds and apportioned to local authorities on the basis of population (e.g., taxes on inheritance, fixed property, beer consumption and imported goods). Local authorities, under Law 1326/83, Article 17, also receive 15% of motor vehicle tax. Other income derives from charges, a 2% sales tax on certain goods and services, and income from municipal property and enterprises. Local authorities have very limited powers to levy taxes, and only in special circumstances such as tourist resorts.

Funding for capital projects is provided by the Public Investment Programme, to which local authorities submit bids. This Programme is sub-divided into several sectoral components and a regional component. The share of the latter element has expanded substantially in recent years, and is now allocated to Prefecture Councils. This allocation has been spent mainly on small infrastructure projects but could include investment in individual enterprises and finance for feasibility and other studies. Central government also provides grants for public works to local authorities in areas of high unemployment.

#### Economic Development Activities

Local authority action to encourage economic development must respect central government regional policy and not work against the national plan. Central government is responsible for labour market intervention, industrial and regional policy, the construction of industrial estates and the operation of controls over industrial development. Generally in this field, central government lays down guidelines, allocates funds and supervises their use.

Under the new code of 1980, local authorities are allowed to engage in "profit-making entrepreneurial activity" and to carry out feasibility studies. Since 1982, several central government ministries have been encouraging local authorities, voluntary organisations and individuals to set up various forms of municipal, co-operative and mixed enterprises. Funds have been made available through government-controlled banks, such as the Agricultural Bank of Greece and the Deposits and Loans Fund, and various other organisations. Finance may also be provided under regional development assistance where a "productive" activity is involved (Law 1262/1982).

Over 100 "youth communities" have been established. These are developing projects for agricultural, service and cultural co-operatives.

PROFILE : ITALYIntroduction

There are three tiers of territorial government in Italy: Communes, Provinces and Regions. As in France, each tier has equal status in the Constitution. However, the powers of Provinces and Communes fall within the legislative jurisdiction of Regional Councils.

Article 115 of the Constitution states that the Regions are "autonomous entities with their own powers and functions according to the principles determined in the Constitution". They may issue legislation (standards or rules) for various matters, provided that there is no conflict with the interests of the State or other regions. These matters include:

- vocational training, training of artisans and educational assistance
- town planning
- tourist trade and hotel industry
- regional road network
- public works of regional interest
- crafts agriculture, and extractive industries.

The State retains full responsibility for industrial policy.

Regions normally exercise their administrative functions by delegating them to the Provinces, Communes, or other local bodies, or by making use of their offices.

Exclusively local powers, where defined by national law, are within the jurisdiction of the Provinces, Communes or other local bodies. There is no general competence to act beyond defined functions.

The study of local government activities in Italy, particularly with regard to economic development and LEIs, is hampered by a relative lack of documentation, and by what Punter (1981) describes as a situation where: "In Italy a study of what actually happens is more useful than a study of its legislation and structure, since many policies and programmes have never been implemented or have been used so as to have effects unrelated to those intended".

Special Regions

Separatist movements in Sardinia and Sicily and international difficulties in border areas (Valle d'Aosta, Trentino - Alto Adige and Friuli - Guilia) led to the creation of special regions with "particular forms and conditions of autonomy". Within constitutional norms these regions may legislate unhindered and to the exclusion of national legislation. They have greater powers with regard to economic matters (industry, commerce, credit, mining), education (elementary and secondary) and finance (levying taxes).

Finance

The Regions receive only between 6 and 10% of their income

directly, from taxes and rents on public property, regional concessions and road traffic. The Communes too only receive 10% of their revenue directly. The state may provide earmarked grants, e.g., for education and public works, but most funds come in the form of a global allocation.

Regions may obtain loans of up to 20% of their direct income and also issue bonds.

There are some recently introduced powers of taxation of manufactured goods.

### Regions

There are 20 Regions, with an average population of 2.8m.

They produce Regional Development Plans which must be co-ordinated with national medium term budgets. They have a responsibility for town planning, which has incorporated since 1980 the power to designate industrial areas. There is a Regional Law in Piedmont (No.33) to encourage collaboration between industry and public authorities in the re-use of derelict sites by small businesses. They also help to relocate small businesses. They promote crafts and primary industries (agriculture, quarrying, forestry and fishing).

Their involvement in vocational training is extensive. Under Act No. 285 of 1977, which introduced provisions to tackle youth unemployment, regions were required to set up commissions to gather all available information on employment possibilities and training requirements, to prepare an annual programme of vocational training activities and to provide incentives for the establishment of co-operatives. The Act also covered temporary employment projects of community benefit. Provinces and Communes were authorised to submit action plans for community projects to the regions. Some authorities, especially in the South, were unable to carry out their plans or find enough work to occupy the young people.

New legislation was introduced in 1983 concerning decentralisation of the job placement service, the establishment of regional employment agencies, greater involvement of labour and management and the creation of labour market "observatories". The observatory set up in the Marches Region has the remit of developing a general picture of the workings of the labour market, to improve information available to help match the demand and supply of labour and carry out forecasting. Regions were also required to organise on-the-job training for 15 to 19 year olds for up to 24 months in agriculture, crafts, industry, commerce, tourism and other services.

There are examples of direct aid provided by Regions, e.g., Piedmont introduced a soft loan scheme for small and medium-sized industrial companies in 1979 in response to the national government Decree 902 (1976).

Regions may set up separate agencies with economic development remits. For example, in the Marches Region, there is a regional financial holding company, established under Law 42 of 21 November 1974. Its tasks are to support small and medium-sized enterprise

through the provision of technical aid, encouraging the setting up of consortia, leasing and pilot schemes. A regional technical support agency is also being set up to provide market and company information, promote awareness of new technology and train entrepreneurs and managers.

### Comprensori

Comprensori are sub-regional organisations charged with the preparation of socio-economic and land-use plans, incorporating a programme for public expenditure. In the region of Piedmont there are 15 comprensori. That for Turin has as its key priorities a major new road to improve access to certain areas of the city and the restructuring of the railway network.

### Provinces

There are 95 Provinces, with an average population of 600,000. Their role, if any, in economic development and employment matters is very much related to the activities of the Region. In the past, although they were directly elected, they lacked autonomy, finance and prestige, with much local power being rested in the Prefect, the representative of central government.

There is draft legislation (March 1985) concerning new responsibilities in development planning. Provinces would be expected to collect and co-ordinate proposals from Communes and harmonise these within the framework of a regional plan. There is also current legislation proposing the creation of metropolitan provinces for the big cities.

### Communes

There are 8,088 Communes, with an average population of 7,000. They vary greatly in size, the largest being Rome with 2.8m people. Many lack the resources and scale to provide anything but very basic services. Their role, if any, in economic development and employment matters is also very much related to the activities of the Region; they have no power to develop their own policies in this field. Some Communes try to help co-operatives, especially those employing disabled people (e.g., under regional legislation affecting Taranto and Vicenza).

## NETHERLANDS

Introduction

There are three levels of constitutional government: national, provincial and municipal. Each has its own responsibilities and undertakes joint tasks. Under the Constitution (Articles 153 and 194) individual administrative units are free to act in the interests of their area within policies and standards set by the higher authorities. This scope includes matters concerning the local economy, but, as in other activities, is subject to financial control and supervision by the higher authorities.

Central government is exclusively concerned with matters such as macroeconomics policies, defence, foreign affairs and justice. It sets overall priorities in other policy areas and norms relating to the quantity and quality of service provision. Provinces interpret these priorities and norms at a regional level and Municipalities have the task of implementation.

Provinces

There are 11 Provinces, with an average population of about 500,000. They have the major responsibility for planning services, such as education and social services. In recent years they have been given increased freedom to pursue their own regional economic development policies. They produce regional economic development programmes and co-ordinate the activities of Municipalities. Central government expects periodic reports reviewing constraints, development opportunities and suggesting policy measures.

Municipalities

There are 749 Municipalities of which 17 have over 100,000 population and many less than 5000. They must act in accordance with the uniform rules set by the Municipalities Act regarding organisation and powers (including the ability to raise revenue). The 1984 Financial Relationship Act (Financiele Verhoudingwet) governs general payments from the Municipalities Fund to equalise the allocation of resources between authorities and to allow them "maximum freedom" of policy.

Typically many Municipalities have Departments of Economic Affairs and of Social Affairs. The former is concerned with promoting economic development; the latter with, in part, social assistance, adult education and help for unemployed people. Such departments are headed by elected Eldermen supported by professional staff.

### Economic development activities

Traditionally the main activity has been the supply of industrial land, at less than market value depending on the circumstances. The provision of newly built and converted industrial premises has become more common, as has a range of support for small businesses and the introduction of new technology. Grants may be given in exceptional circumstances, as in the case of businesses forced to relocate because of redevelopment. Loans and loan guarantees may be given as a last resort where applicants have failed to obtain bank or central government funding but have a sound business plan. Tax exemption may be given, but this is subject to state supervision and explicit authorisation.

Municipalities are responsible for the administration (and 10% of the funding) of the Self Employed State Group Regulation where loans or temporary income support are given to unemployed people starting in business or to self-employed people in difficulty. For support to be granted, it is necessary to establish that there are sufficient market opportunities. Local authorities are expected to seek advice on the viability of submitted business plans from the Regional Small Business Centre.

Municipalities have scope to develop policies to assist long term unemployed people and ethnic minorities.

### Finance

90% of the funding of Municipalities comes from central government, of which two-thirds is in the form of specific grants, such as for education, health and roads. Local revenue comes from fees and charges (e.g., for refuse collection) and from local taxes, primarily on property. The local property tax is assessed on the market value of land and premises and is payable by both the owner and the user. The introduction of a new tax or a change to an existing one requires the approval of central government.

Additional funds are provided by central government in accordance with its priorities, for example, for training, job placement and job creation schemes in areas of high unemployment and amongst ethnic minorities. Funds are available under the "Big Cities Bottlenecks" programme for urban renewal and economic development. Each of the big cities (Amsterdam, Rotterdam, The Hague, Utrecht) produces economic development programmes which facilitate multi-year expenditure planning under the overall scheme. A smaller experimental programme is operated, providing funds, for example, for innovative workspace projects. 14 Municipalities also benefit from the "Urban Renewal Areas Business Support Framework Scheme" which also includes finance for workspace projects and aid for companies adversely affected by urban renewal.



## UNITED KINGDOM

Introduction

Unlike in most other Member States local authorities in Britain lack a general legal competence, without restriction, to act in the interests of the local population. Their main responsibilities are for the provision of services defined by legislation. These statutory responsibilities do not include economic development. There is, however, a limited, general competence available to local authorities in England and Wales under Section 137 of the Local Government Act 1972 and correspondingly in Scotland under Section 83 of the Local Government (Scotland) Act 1973. Local authorities have the power to undertake and spend up to the product of a two pence rate on activities which are "in the interest of their area or any part of it or all or some of its inhabitants". (This "product of a two pence rate" is a sum derived from the local property tax - rates - levied on the assessed rateable value of property in the local authority's area). Local authorities in Northern Ireland have a similar power, limited to the product of a half-pence rate. Their range of responsibilities is very narrow; there central government has responsibility for major services such as education and housing.

Central government exercises control over local authorities in a number of ways, including legislation, circulars and guidelines, and limits on current and capital expenditure. In recent years, there has been a number of reasons for conflict between local authorities, notably regarding financial controls and the abolition of metropolitan councils. The role of local authorities in economic development has been the subject of some controversy, with an abortive attempt being made in 1982 by central government to reduce the capacity of local authorities to intervene. Some possibilities for intervention remain uncertain in legal interpretation, such as the taking of equity shareholdings in individual enterprises.

Structure of Local Government

The structure of local government varies between England and Wales, Scotland and Northern Ireland, as is described below. In England and Wales there are two components, one for metropolitan areas and one for non-metropolitan areas. The former has two tiers, Metropolitan County (of which there are 6) and Metropolitan District Councils, plus in London the Greater London Council and London Borough Councils (33). The County level is to be abolished as from 31 March 1986. In non-metropolitan ("shire") areas, there are three tiers, County (47) District (333) and Parish (or Town) Councils, of which the first two are the principal service providers. Parish Councils cover very small areas and provide services at their discretion up to the limit of a two pence rate (as above), such as street lighting in villages.

On mainland Scotland, there are two tiers, Region (9) and District Councils (53), while there are three all-purpose Islands Councils (Orkney, Shetland and Western Isles). There is a tier equivalent to Parish Councils, that of Community Councils. Their existence depends on local demand, their function is largely advisory and they have no revenue-raising power of their own. In Northern Ireland, there is a single tier of District Councils.

#### Division of Responsibilities

Economic development activities may be carried out by any of the above councils, at their discretion in the interests of their inhabitants. Most other services, however, are the domain of a single tier. Education is a function of Metropolitan District Councils, the Inner London Education Authority (covering a number of inner London Boroughs), Shire County Councils and Regional and Islands Councils in Scotland. In Northern Ireland, education is a central government responsibility. The education function covers primary and secondary education (to 16-18), colleges of further education, polytechnics, community education (young people and adults) and the Careers Service (job counselling and placement for young people).

The responsibility for social services is similarly distributed, except in London where all Borough Councils have this function. Strategic and transport planning is carried out by the upper tier; local planning and development control by the lower tier. Housing is the principal function of District Councils.

#### Finance

The principal form of local revenue to local authority is the local property tax, "rates". Domestic, commercial and industrial properties have assessed rateable values against which a "rate poundage" or "rate in the £" is charged each year. The rating authority is the District Council; it collects rates on behalf of the other tiers. Fees and charges are a minor source of income.

The largest source of local authority revenue is that provided by central government in the form of Rate Support Grant. It has two components, a Domestic Rate Relief Grant (a direct subsidy to ratepayers) and a Block Grant which is intended to allow every authority within each category to provide a standard level of service for the same or similar rate poundage. This Block Grant is allocated each year according to a statistical formula, and is the subject of much debate and controversy. Superimposed on this system in England and Wales is a set of individual expenditure targets. The entitlement to Block Grant is reduced by the imposition of grant penalties incurred for spending above targets. The ability to spend has been curtailed further by the introduction in the Rates Act 1984 of the power for central government to fix the rate of "overspending" individual authorities (referred to as "ratecapping"). Tight controls are also exercised in Scotland.

Capital expenditure is controlled by central government by a system introduced by the Local Government Planning and Land Act 1980. An annual limit is set on expenditure, regardless of how this spending is to be financed. There are special allocations for projects of national or regional significance. Comparable controls exist in Scotland embodied in the Local Government (Miscellaneous Provisions) Act. Any capital finance provided by the EEC (such as under the European Regional Development Fund) results in the loan allocation from central government being reduced by an equal amount.

In addition, central government offers a number of incentives in the form of schemes relating to national priorities, such as the Urban Programme and Derelict Land Grants.

#### Economic Development Activities

Local authority involvement in economic development derives primarily from legislation covering land, planning and education, with the Section 137 provision, mentioned above, allowing scope for the exercise of some discretion. Certain inner city local authorities have additional powers under the Inner Urban Areas Act 1978, and a few others (e.g., Tyne and Wear Metropolitan County Council) have their own powers achieved through Local Acts of Parliament. The latter, however, are to expire at 31 March 1986.

Sections 2 and 3 of the Local Authorities (Land) Act 1963, as amended by Section 44 of the Local Government (Miscellaneous Provisions) Act 1982, give local authorities power to erect buildings, carry out work on land and to give loans (of up to 90% value of the land) at commercial rates of interest. These activities may be carried out by local authorities directly or in partnership with other organisations and private companies. Similar powers are available for Scottish local authorities under the Local Government Development and Finance (Scotland) Act 1964, as amended by the Local Government and Planning (Scotland) Act 1982.

The Town and Country Planning Acts (England and Wales: 1971; Scotland 1972) gives local authorities the power to acquire, sell or lease land for industrial or commercial development and to build "advance" (speculative) factories. The Local Government Act 1972 allows rent subsidies on council land and premises.

Vocational training powers are derived from the Education Act 1944, the Employment and Training Act 1973 and the Local Government (Miscellaneous Provisions) Act 1982. The last Act exempted local authority expenditure on training and temporary employment schemes run in conjunction with the Manpower Services Commission (central government's agency for labour market intervention) from inclusion under the Section 137 expenditure limit.

The use of Section 137 of the Local Government Act 1972 (Section 83 of 1973 Act in Scotland), mentioned in the opening paragraphs, was clarified by the Local Government (Miscellaneous Provisions) Act 1982 (and the Local Government and Planning (Scotland) Act 1982) in explicitly permitting the giving of financial assistance, by loans, guarantees or grants, to persons carrying on a commercial or industrial enterprise. Grants may be given towards the payment of rates, but rate concessions are not allowed. It should be noted that local authorities are not allowed to trade in competition with the private sector, although they are permitted to sell goods and services to other local authorities and public bodies.

Further provisions of the 1972 Act allow local authorities to promote their area to attract investment and provide relevant information about the locality (Section 142, and Section 90 of the 1973 Act in Scotland), and to establish separate agencies under Section 111 (Section 69 of the 1973 Act in Scotland) which allows activities "calculated to facilitate or conducive to the discharge of any of their functions".

As mentioned above, additional powers are available to certain local authorities with "special social needs" under the Urban Programme, administered by the Department of the Environment in England and Wales. Its objective is to regenerate inner city areas. There are three tiers of assistance: 9 Partnership Authorities (covering 13 Borough/District Councils) 24 Programme Authorities, and 16 Designated Districts. Such authorities may provide Industrial and Commercial Improvement Areas, start-up grants for worker co-operatives, and, in the case of Partnership Authorities, loans towards cost of site clearance, grants towards rental costs in taking on new leases and grant towards interest payments on loans for land and buildings.

Designated local authorities may make bids for both capital and revenue funding. The Department of the Environment will pay 75% costs of approved programmes. Funding may be provided to voluntary organisations if the local authorities meets its 25% share. The Urban Programme is supplemented by the Urban Development Grant scheme which covers 75% of local authority contributions to private sector development projects.

The situation in Scotland differs in that economic projects covered by the Urban Programme in England and Wales are largely the responsibility of the Scottish Development Agency. However, designated local authorities may provide Industrial and Commercial Improvement Areas and grants for co-operatives. Some finance has also been made available towards the costs of establishing community businesses.

Also relevant to inner city areas is Section 11 of the 1966 Local Government Act whereby the Home Office may provide 75% costs of approved projects to support ethnic minorities.

Financial assistance for local authorities in rural areas in England and Wales is available through the Development Commission, the rural development agency funded by the Department of the Environment. Support includes 50% funding of workspace projects and contributions towards the costs of Rural Development Programmes in designated "Rural Development Areas".

Tourism promotion and development are covered by the Local Government Act 1972 and Local Government (Scotland) Act 1973. Section 4 of the Development of Tourism Act 1969 allows the giving grants to District Councils for the development of tourism schemes. This is administered by the English and Wales Tourist Boards. In Scotland, the Local Government and Planning (Scotland) Act 1982 restricts the promotion of tourism within Britain to District Councils, provides for the establishment of Area Tourist Boards (usually covering several Districts) and limits the role of Regional Councils to making financial contributions to tourism projects.



APPENDIX B

European Commission  
International Union of Local Authorities  
Barnsley Metropolitan County Council

The Role of Local Authorities  
in Promoting Local Employment Initiatives

..  
(with particular reference to areas of  
declining traditional industry)

Report of Conference  
held in Barnsley, 17th - 19th April 1985

Prepared by Derrick Johnstone, The Planning Exchange

and rapporteurs

Peter Aitken, The Planning Exchange

Roy Ashton, Newcastle City Council

John McCreadie, The Planning Exchange

John Woodside, Barnsley Metropolitan Borough Council

## Introduction

1. Throughout Europe, local authorities are reconsidering their role in promoting local economic development, as a response to historically high levels of unemployment. Many authorities are engaging in what for them are new activities which focus on what can be done to create jobs and wealth by harnessing local resources, especially the skills, energy and enterprise of local people. The expectation that unemployment will persist as a major problem has encouraged many local authorities to think more widely than before about what actions they should take and what initiatives they should support.
2. Directorate General V of the European Commission has sponsored a research project on the role of "Local Authorities in Promoting Local Employment Initiatives" (with particular reference to areas of declining traditional industry). It is being undertaken by the Planning Exchange, Glasgow. Part of the project has involved the running of an international conference on this theme, co-sponsored by the International Union of Local Authorities. This took place in Barnsley, South Yorkshire on 17th - 19th April 1985, following the initiative of, and with the support of, Barnsley Metropolitan Borough Council. The City Councils of Bradford and Sheffield also participated in the planning and administration of the conference, organising visits to a number of Local Employment Initiatives.
3. The conference was intended to explore the potential contribution of "Local Employment Initiatives" within overall efforts being made by local authorities to promote economic development. While the conference tended, because of its location, to concentrate on the British experience, very valuable contributions were made by delegates from other countries : Denmark, France, Germany, The Netherlands and Spain.
4. The conference concentrated on "Local Employment Initiatives" as described by the European Commission : initiatives which seek to provide viable, permanent jobs through a diverse range of activities and forms of organisation, of which a conventional small business is but one. LEIs are considered particularly relevant to the needs of people in areas of high unemployment or amongst groups badly placed in the labour market. It is likely that many of those involved have no previous experience of business management and little capital to



invest. Thus it is argued that there is a need for special forms of support for LEIs.

5. The conference was designed, first, to illustrate, by case-study visits, some of the activities being pursued by Barnsley, Bradford and Sheffield Councils to promote LEIs; and second, to encourage discussion of key issues. A lecture was also given by John Pearce on Strathclyde Community Business, a pioneering venture in promoting community - based employment initiatives.
6. The opening paper produced by the Planning Exchange set out a framework of options open to local authorities for the promotion of LEIs. These include : (i) influencing the supply of factors necessary to enable the establishment and growth of LEIs (ie, the supply of land and buildings, finance, training, business advice, information); (ii) helping to create new market opportunities for LEIs (eg, through public purchasing and common promotion of local goods and services); and (iii) helping to "create the climate" for the successful development of LEIs, eg, by encouraging the idea of creating work for oneself and others, and by reducing administrative barriers to doing so.
7. The key issues identified for discussion were:
  - (i) what contribution can LEIs make as part of a local authority's strategy?
  - (ii) what role should the local authority play and how should it provide support for LEIs?
  - (iii) are special arrangements needed for financing LEIs, and, if so, what form should they take?
  - (iv) what forms of training and advice are needed by LEIs?
  - (v) what conflicts exist in the ways in which local authorities and LEIs interact?
8. The text that follows is based on notes taken during the conference. These notes have not been approved as yet with delegates and speakers.

## Case Study Visits

### 1. Barnsley Enterprise Centre

Barnsley Enterprise Centre is the physical manifestation of the integrated approach of Barnsley MBC to dealing with the problem of high unemployment, and the prospects of job losses in the coal industry. Housed under one roof are the offices of the Council's Employment Division, Seedbed Workshops (subsidised accommodation for new businesses), business and co-operative advisory services, an Information Technology Centre (for training school-leavers in computer and electronics skills), a Microsystems Centre (for training and advice in the use of business computers), the base for a youth training agency, and a Centre Against Unemployment (which comprises a cafe, recreational facilities, welfare rights advice and a workshop where people can pursue hobbies and do-it-yourself activities, perhaps under instruction developing an interest into a skill).

### 2. Sheffield Employment Department

The response by Sheffield City Council has been to establish an Employment Department, with an emphasis very much today on new products and new technology. Their new "Technology Campus" project was illustrated. This will incorporate flexible workspace, a business development centre, product development workshops, and services for high technology industry.

Support and encouragement are given to unemployed people. It is Council policy to divert resources to help deprived areas and disadvantaged groups. The Council tends to wait to be approached by local people whose proposals will then be assessed with a view to funding or other assistance. An example was given of a new project in Chapeltown, where local people were refurbishing a children's home to create a community centre, and setting up training and employment projects.

Delegates visited the Sheffield Information Technology Centre, and the Women's Technology Training Centre, the latter set up to train unqualified, inexperienced women wishing to return to work in micro-electronics and computing, with funding from the European Social Fund.

### 3. Bradford Unemployment Unit

Bradford City Council established in 1982, within its Education Department, an Unemployment Unit charged with the tasks of encouraging training and retraining to meet the needs of a changing labour market and alleviating the social and economic consequences of unemployment. It has recognised the need to go further, to develop alternative forms of employment including community - based initiatives.

Two Local Employment Initiatives were visited. HOPES (Home Opportunities for Personal Education Scheme) is based on a council housing estate with high unemployment. Groups of adult unemployed people are being trained in horticulture, the making of children's clothes, and candle making, with a component of business skills. It is intended that these activities will trade commercially. Funding comes in part (£18,000) from the European Social Fund.

The second LEI was Recycling Enterprises, where unemployed people are trained in the production of fibre plant pots, using a low technology recycling process. They are also trained in the skills of running their own business. It is expected that between four and eight people will be helped in creating their own jobs. The product is considered to have good market prospects. Conference delegates also learnt about Bradford Microfirms where Recycling Enterprises is based. This is one of the best known and longest established "managed workspace" projects in Britain.

Lecture - Strathclyde Community Business

John Pearce, Head of Strathclyde Community Business (SCB) described SCB as an organisation set up by Strathclyde Regional Council in 1984 to promote, develop and finance community businesses within the region. Community businesses are defined as having the following characteristics:

- trading organisations, with social as well as commercial objectives
- owned and controlled by the local community
- ultimately financially self-supporting
- acting as a focus for local development
- profits are re-invested to the benefit of the community
- having a concern to create more jobs where possible.

The origins of what has now become a community business "movement" in Scotland are to be found in the late 1970s when community leaders and activists in areas of high unemployment began to ask what their communities could do for themselves to create work. There are now at least 1000 people gaining at least part of their income from community business activities.

SCB provides financial advice and assistance in the form of grants and loans earmarked to particular needs of the enterprise, especially in the early stages of development. It has development teams to help people formulate their ideas and launch projects, and runs training tailored to the needs of individual businesses (ESF - supported), and promotes widely the concepts of community business.

John Pearce considers that such businesses are helping people which other enterprise creation schemes are failing to reach. Typically, it takes much longer for community businesses to become established : it takes time to learn the necessary skills and develop confidence and capabilities and to break down the barrier of business "mystique". Management of community businesses can be an "enormously difficult" task and it has proved a problem to merge community development and business skills.

## B.6

Any assessment of community businesses should take into account benefits to the community : services provided that would not otherwise be there, people employed who would otherwise find it very difficult to obtain a job, etc. There should be a social audit as well as a financial audit. Savings to public authorities should be considered fully : in the case of Govan Workspace, a community business which provides workshops for local businesses, each year rate income and savings on repair and maintenance of what had been a redundant council building more than offset the single grant given to the project by the Regional Council.

Panel Session - Experience of LEIs in Participating Countries1. J. Adelman - Bremen State Government (FRG)

Bremen has set up a DM 1.2m programme to help unemployed people create their own work. Assistance takes the form of long term (10 year) loans, with the first three years free of repayments and interest. 20 projects have been supported in the past year, and 80 jobs created. The main problem has been how to assess the viability of proposals made by unemployed people who have no track record in business.

2. R.A.M. Meijer (VNG) - LEIs in the Netherlands

Most local authorities in the Netherlands believe that they can make a contribution to economic development. There is, however, a strong division between economic and social activities. There are conflicts with central government, over, eg, finance and who should provide support for entrepreneurs. Much is being learnt from a wide range of initiatives : over 500 at the last count.

3. J. Blanch (FEMP) - LEIs in Spain

Local authorities in Spain have become involved with LEIs recently. Many still do not accept any responsibility, regarding the promotion of LEIs as a task for central government. Attitudes are changing, however, partly because of the active encouragement of the national government. The need to base initiatives on proper studies of local needs and potential was stressed. An example cited of an LEI was that of a factory being built to make tomato puree, financed by local donations.

4. R. Madsen (Aalborg) - LEIs in Denmark

The Danish government has introduced a new programme to promote high technology industry. The Danish local authority associations are trying to encourage local authorities to become involved in efforts to move away from traditional industries, and are seeking to disseminate good practices in local authority work. Unemployed people are now to be given the option of training for high technology industry. There are doubts if adequate resources will be available to meet the demands generated by the new programme.

5. A. McDonagh - Nord Pas-de-Calais Region

Towns in the Nord Pas-de-Calais Region are dominated by single industries. Most people have worked for large companies, not small businesses. Traditionally, therefore, there has been a low level of new business formation. Thus, there is a limited number of LEIs to support. However, the political climate is favourable, and local authorities are taking an increasing interest in the local economy.

6. R. Ashton - Newcastle City Council

Four points were stressed from the Newcastle experience:-

(i) The complexity of funding sources demands ingenuity in putting together packages to finance LEIs. There are inherent uncertainties, such as in the delay before hearing the outcome of applications to the European Social Fund.

(ii) Support for LEIs has been viewed as a political issue by the opposition to the party in power.

(iii) Support for LEIs has involved a change of direction away from a "traditional approach" to local economic development, demanding a shift in attitudes.

(iv) "Social entrepreneurs", leading initiatives, are often the key to their success - people that can cajole, persuade, inspire, and, not least, have the credibility and salesmanship to attract funds.

7. R. Ashton - Views of ECOSOC Committee

Roy Ashton drafted the Opinion on LEIs produced by the ECOSOC Committee. He mentioned three of its main concerns:-

(i) The need to agree a definition of what is meant by an LEI. Editor's note: The problem of definition recurred also during this conference, with many delegates assuming a much broader definition than that put forward by the European Commission.

(ii) The impact of LEIs was considered marginal in employment terms, but important to the groups and areas involved in retaining and improving skills, in developing confidence, self-reliance and community morale, and in assisting integration into the labour market.

(iii) The competitive impact of LEIs - (for further details, see report of Discussion Group D)

## 8. Open Discussion

Discussion focused largely on the contribution LEIs can make to alleviating unemployment and particularly to their cost-effectiveness. It was agreed that measurement was very complex and fraught with statistical difficulties. The likelihood of jobs being lost in other enterprises as a result of support of LEIs is a current issue, especially in the Netherlands. It was argued that if LEIs concentrated on localised markets and sought specialised market niches, perhaps based on local resources, then such displacement effects would be minimal.

There were also arguments for "social" considerations to be treated on a par with "economic" performance, and for the acceptance of a "third way", continuously subsidised LEIs trading in accordance with social objectives, not a private company and not a social service either.



REPORTS OF DISCUSSION GROUPS

A. ORGANISATION FOR THE PROMOTION OF LEIs

Chairman : Mr. S. Singelsma (IULA)

Rapporteur : Mr. J. Woodside (Barnsley MBC)

The discussion group concentrated on 3 main issues:

1. Whether local authorities should be involved directly or indirectly in the promotion of LEIs.
2. The question of democratic accountability where local authorities are not directly involved.
3. The skills required of development agents and training needs.

1. Direct or Indirect Involvement of Local Authorities

A number of different approaches were described by delegates ranging from the direct approaches adopted by Sheffield and Barnsley (although the latter has an Enterprise Centre which is physically separate from the Town Hall and is perceived as being separate by the public) to the indirect approach of Strathclyde Community Business (separate agency from the local authority), Craigavon in Northern Ireland (a separate local enterprise company), and Nord Pas-de-Calais where a small staff and the need to avoid offending the "communes" within their province has obliged them to set up independent structures.

Other approaches included the "intervening" role played by Bradford Council who see themselves as catalysts in the development of LEIs and the "client-oriented" approach of Leiden in the Netherlands where different approaches are adopted for different client groups.

The constraints imposed by central government were stressed by representations of Germany and Northern Ireland although the latter indicated that an EEC directive had brought about a changed in central government attitude. Representatives from Spain stressed the need for central government support for local authorities who have the necessary grass-roots knowledge.

It was concluded that no single model is appropriate but the following factors will influence the type of approach adopted:

1. industrial structure (mono-industry areas will tend to require direct approaches)
2. the type of initiative
3. political attitudes
4. the size of the area
5. the skills available within the local authority

2. Democratic Accountability

The need for accountability was agreed in view of the "community" nature of the LEIs under discussion. Some Authorities considered that the need for democratic accountability dictated that LEIs should be directly run by local authorities who should recruit officers capable of promoting LEIs and restructure their organisation to cater for this. Others quoted examples (Hull and West Yorkshire) where separate structures can be made democratically accountable.

3. Skills and Training

The need for a combination of community development and business advice skills was identified as a key issue. It was suggested that such a combination is rarely found but that the burgeoning field of worker co-operatives was spawning some such skills. Spanish representatives pointed out that academic institutions in Catalonia have courses which develop such skills.

B. "FINANCE FOR LEIs"

Chairman : David Kennedy (Bradford MBC)

Rapporteur : John McCreadie (The Planning Exchange)

Conclusions

1. Grant support is essential at the pre-launch stage and in the early stages of trading/activity. Loan support may become more appropriate as initiatives develop, although viability may not be achieved for some considerable time. Local authorities may wish to consider loan guarantees, low interest loans or interest relief grants in support of LEIs.
2. Awarding funds on an annual basis led to insecurity and placed LEIs under immediate pressure to "succeed". 3 or 4 year funding would be more appropriate, taking into account the time needed to develop skills and confidence and to establish business operations, given that many people participating in LEIs lack skills and were unemployed.
3. Local authorities should develop programmes to take LEIs through various support funds to ensure continuity of support. For example, in Britain this could involve linking originally using the European Social Fund, then the Community Programme (Manpower Services Commission) and then the Urban Programme (Department of the Environment).
4. Many activities undertaken by LEIs were socially useful but would never be commercially viable/profitable. They would need a continuing subsidy. The local authority should take into account the benefit of the activity to the community when awarding support.
5. "Traditional" financial advisors do not understand the nature and objectives of LEIs. Staff responsible for encouraging the formation of LEIs may be too close to the projects to give independent advice.
6. The private sector is providing some support in Britain mainly through the Social and Community Affairs budgets of very large companies. Access to normal sources of finance (banks, etc.) was limited, mainly because the private sector was unaware of, or unsympathetic to, the aims and objectives of LEIs.

7. Local authorities in Britain could insist that companies requiring planning permission for a major development should be required to support local employment projects. This idea has been used by one authority which persuaded a company developing a hypermarket to build a youth training centre as part of the development.
  
8. Local authorities are major spenders in their local economy. Some mechanism could be found to ensure that LEIs could successfully compete for local authority contracts. Several U.K. local authorities were actively looking at ways in which to discriminate in favour of LEIs.

C. TRAINING AND ADVICE FOR LEIs

Chairman : H. Martinos (L.B. Hammersmith & Fulham)

Rapporteur : P. Aitken (The Planning Exchange)

Conclusions and Comments

1. In many areas there will be a need for basic education, including literacy, organisational and social skills, as a pre-requisite to the establishment of LEIs. Within LEIs, there are likely to be vocational training requirements, best met by learning on-the job, with specific training provision tailored to the needs of the individual or group.
2. Given the low skill base of many people involved in LEIs, and the time likely to pass before the project reaches a secure commercial footing, financial assistance for training should be available for more than twelve months.
3. An interesting initiative in Saarbrücken was cited where a collection was made from local residents, industry and commerce to fund local initiatives, leading to the setting up of co-operatives by young people.
4. Discussion centred on a new community-based project in Chapelton in Sheffield. One element of this project is a horticultural scheme, designed as an LEI. Training in horticultural skills is being provided, but there is an urgent need for an input of marketing skills. The project supervisor has found that he has not the time both to arrange the training and to secure buyers for the produce.
5. The particular training needs of "social entrepreneurs", blending commerce and community development were raised. It was noted that it is important that trainers themselves should fully appreciate the context and objectives of LEIs.

D. ATTITUDES TOWARDS LEIs

Chairman : M. Wedgeworth (Barnsley M.B.C.)

Rapporteur : R. Ashton (Newcastle C.C.)

1. The discussion groups did not find this a particularly easy topic to deal with, which is perhaps understandable.
2. Throughout the discussions the issue of definition of LEIs came up a number of times. However, we managed to avoid spending too much time discussing it but I make this point simply to emphasise that this is a vexed issue.
3. It was generally felt that attitudes towards LEIs are changing for the better but there is still a number of important concerns. It is interesting to note that some of the concerns which were expressed at the seminar were also expressed when the Economic and Social Committee prepared its own recent Opinion. The main concerns are:
  - (i) The issue of competition generally concerns employers. There is a feeling that encouragement of LEIs involves public subsidy and this is unfair when the private sector throughout Europe is faced with difficult trading conditions. The point is made that in this sense any jobs created by LEIs will simply be displaced jobs in the private sector.
  - (ii) The Trades Union movement has a very suspicious attitude towards LEIs. The Trades Union movement has fought for many decades to enhance standards of pay, working conditions and health and safety standards, etc. There is a feeling on their part that very small marginal enterprises will put the clock back, particularly if a large element of "sweat equity" is involved.
  - (iii) There is some concern on the part of the public sector which is increasingly pressed in terms of expenditure and privatisation that in some cases LEIs will be used to replace traditional public sector services.

4. During the discussion representatives of different countries recounted their own experience. The emphasis clearly varies from one country to another, for example in Holland there appears to be a greater concentration on high technology related initiatives.
5. Another common feature which emerged was the difficulties that some Central Governments have in really understanding the LEI movement, possibly because the distance between Central Governments and a grass roots movement is so vast.
6. However, there was a feeling that the current groundswell of interest in LEIs could not be denied, even if there is an inclination to do so and it was for this reason that attitudes were changing. In any event, in the face of 15 million people without jobs throughout Europe any potentially promising new avenue has to be supported.
7. There seemed to be general agreement that LEIs alone could not provide the answer to mass unemployment. In job creation terms the effect will be only marginal and even so may only attract those who are the most enterprising. However, it was agreed that LEIs could not be judged purely in job terms, given that social and community benefits were often an essential feature of LEIs.
8. This led to a discussion about a particular project in Bradford which had strong community and social welfare elements.
9. In conclusion it was felt that it was difficult to generalise about LEIs. Clearly some projects were more sensible than others and many would fail whilst others succeeded. There was clearly a need for experimentation and for a continued exchange of information and especially so that the most promising new developments could be identified.

Points made during the final plenary session

1. It was suggested that central governments could be persuaded to provide funds to promote the spread of good practice in LEIs.
2. A need was identified for more background information on different national situations, covering labour market policies, regional policies, etc.
3. There was a call to the EEC to use local authorities more in the delivery of EEC programmes.
4. Delegates agreed on the desirability of further opportunities for international exchange of information and experience on Local Employment Initiatives.



Copies of the background paper, in English or in French, are available, price £3.00 including postage throughout Europe, from:

Publications

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APPENDIX C

ANNOTATED BIBLIOGRAPHY

1. Overviews of Local Government Systems.
2. Central : Local Relations
3. Local Government Systems -  
Country by Country
4. Promotion of Economic Development and LEIs -  
European Context.
5. Local Authorities, Economic Development  
and LEIs - Country by Country

Meny, Yves

Ref. No. F5

La Reforme des Collectivites Locales en Europe (Notes et Etudes Documentaire Number 4755).

La Documentation Francaise, 29/31 Quai Voltaire, 75340 Paris Cedex 07

This collection of papers attempts to explain the different experiences of local government reform in nine European countries (Great Britain, Federal Republic of Germany, Italy, Spain, Belgium, Netherlands, Norway, Sweden, and Denmark), in their efforts to ensure local democracy and the efficient provision of services.

Anglo-German Foundation for the Study of Industrial Society Ref. No. D5678

Local Government In Britain And Germany.

University of Birmingham, Institute of Local Government Studies, J.G.Saith Building, P.O.Box 363, Birmingham, B15 2TT. 1985 ISBN: 0704407558 pp.123 £7.50

A collection of papers presented at a meeting of British and German councillors, local authority officials and academics to discuss the structure of and problems facing local government in both countries. The papers address the problems of revitalising the local economy and the difficulties of coping with restrictions on public expenditure.

HN 5

Punter, Lesley

Ref. No. D305

The Inner City and Local Government in Western Europe

College of Estate Management, Centre for Advanced Land Use Studies, Whiteknights, Reading RG6 2AW 1981

Report of a study which had two main objectives: 1. to establish how local government in some Western European cities has identified an inner city problem and modified or used existing government structures to respond to that problem; 2. to evaluate existing forms of local administration which have been used or recommended to deal with the renewal of inner urban areas. The report concludes that although there is a wide variety of mechanisms devised for encouraging the co-operation and co-ordinating of a mix of central and local government agencies and other public and private sector levels, none of these has succeeded in being effective, achieving the desired distributive results, ensuring local accountability, taking account of the financial restraints of most local administrations.

OUWBEE

Conseil National des Economies Regionales et de la Productivite. Ref. No. F4

Un Livre Blanc : Les Regions Europeenes dans La Crise, Developpement Local et Ouverture sur le Monde. IN Inter-Regions, No 48, November 1983.

CNERF, 219 Boulevard Saint-Germain, 75007 Paris, Nov 1983

This issue of 'Inter-Regions', specially prepared for a conference, contains a review, 'Panorama of Local Structures in Europe' which looks at the powers and responsibilities of local authorities in Belgium, Federal Republic of Germany, Netherlands, England, Spain and Switzerland. It covers the different levels of government, local and regional institutions, the distribution of competences and relations between local authorities and central government.

Council of Europe

Ref. No. D4491

Local And Regional Authorities And The Challenge Of Unemployment (Standing Conference Of Local And Regional Authorities Of Europe, Studies And Text Series No. 1)

Council of Europe, Strasbourg 1984 pp.46

A resolution adopted by the 18th session of the Standing Conference. It calls on regional and local authorities to become aware of their essential role in the economic and social development of their municipalities and regions. Recommendations are made as to how such policies might be formulated at local level. In addition recommendations are made for action by central governments and European and international institutions.

KORRCW

Council of Europe

Ref. No. D4492

Report On The Local And Regional Authorities And The Challenge Of Unemployment. (Explanatory Memorandum Presented By Rapporteur, Mr. J.A. M. Reijnen) (CPL (18) 9)

Council of Europe, Strasbourg Oct 1983 pp.68

Paper presented to the 18th session of the Standing Conference of Local and Regional Authorities of Europe (September 1983). It provides background information to support the resolution adopted at the 18th session (PE Ref. D.4491). It covers the powers of local authorities with regard to employment, the importance of a financial commitment to a policy of job creation, co-ordination and consultation between government and local and regional authorities, and the provision of information and advice services.

KORRCW

Rowat, Donald C.

Ref. No. D2973

International Handbook On Local Government Reorganisation. Contemporary Developments.

Aldwych Press, London. 1980 ISBN: 0661720083

A compendium of 45 essays on recent reorganisations of local government around the world. The book deals with structure and institutions rather than politics. Included are comparative analyses of trends.

HN

Social Science Research Council &amp; Jones, George

Ref. No. D1734

New Approaches To The Study Of Central-Local Government Relationships.

Gower Publishing Co. Ltd., Aldershot. 1982 ISBN: 0566003325 pp.200 £16.45

In 1978 the SSRC set up a Panel of Central-Local Government Relationships to develop a programme of research. This collection of essays contains some of the papers commissioned by the Panel together with some written independently and submitted to the Panel. The essays are: Grant characteristics and Central-Local Relations; Professionalism in Central-Local Relations; Political Parties and C-L Relations; the English Local Authority Associations; Policy Planning Systems; Implementation, C-L Relations and the Personal Social Services; Why Should C-L Relations in Scotland be Different from those in England?; The Network of Consultative Government, in Wales; Social and Political Theory and The Issues in C-L Relations; measuring Decentralisation; C-L Relations in Sweden; and Centre-Periphery Relations in France.

HNABHEs

Kearsley, Geoffrey W. &amp; Srivastava, S.R.

Ref. No. D1853

The Spatial Evolution Of Glasgow's Asian Community, IN Scottish Geographical Magazine, Volume 70, 1974, pp110-124.

1974

The distribution of Asians in Glasgow is described and mapped. The results of a survey are used to examine detailed patterns of residential mobility and to provide an explanation of these. It is found that, while Asians appear to be diffusing throughout the city, in reality they are endeavouring to cluster in self-segregated concentrations.

EIBRO



Young, Ken

Ref. No. D2962

National Interests And Local Government: (Joint Studies In Public Policy No. 7).

Heinemann, London 1982 ISBN: 0429839489 17.50

The relationship between central and local government in Britain has attracted considerable attention in recent years: the basic issue addressed in this book being how far the legitimate pursuit of national domestic interests, as perceived by the government of the day, be squared with the maintenance of a pluralistic structure of local government? The contributors to this book discuss the legal and financial setting of central-local relations and the particular issues which arise in the fields of housing, education, economic development and health care. Their common concern is with the need to secure proper national priorities without excessive centralisation.

KHS

Ailsa, Malcolm S.

Ref. No. E2032

Who Controls Job Creation?, IN Initiatives, May 1983, pp17-23.

May 1983

With estimates of total unemployment varying between official figures of 3.2m and unofficial figures of 4m. and with the weekly figures of continuing plant closures and job losses persisting, many local authorities are turning to, if not being forced to, consider more comprehensive programmes of local economic development in an attempt to tackle these problems. The author considers the scope for local authority action by assessing the powers available to local authorities under various Acts of Parliament, the resources which are available to them and the constraints which are placed by central government on their ability to spend the resources legally available through the Block Grant System, the annual Rate Support Grant Settlement and various expenditure targets and penalties. This review is however limited to the powers available to English and Welsh authorities.

Serial

Cordle, Peter

Ref. No. D5539

Employment and Industrial Development: Local authority initiatives

Chartered Institute of Public Finance and Accountancy, 3 Robert Street, London WC2N 6RH 1985 pp.85

This booklet is one of the CIPFA Trainees Information Service Occasional Papers series, concerned with subjects not included in the main IIS volumes. It describes a range of local authority initiatives relating to economic development and designed to encourage investment and employment. Local authority measures are set out within the wider national economic context, followed by a description of the financial framework before specific initiatives used to further economic development and assist industry in England and Wales are considered.

HNARKL

Gontcharoff, Georges & Milano, Serge.

Ref. No. F2

La Décentralisation - 1 Nouveaux Pouvoirs Nouveaux Enjeux.

Adels, 27 rue du Faubourg Saint-Antoine, 75011 Paris & Syros, 6 rue Montmartre,  
75001 Paris. Oct 1983 ISBN: 2901968813

This is an analysis of the process of decentralisation of French government, looking in particular at the new international structure, the economic development powers of local authorities, the changed role of the representative of the State (previously Prefect, now Commissioner of the Republic) and the altered nature of State supervision of local authorities.

Verduin, Paul. H.

Ref. No. D4342

Small Business Incubation. Successful Models from Abroad

Council for International Urban Liaison, 1120 G Street, N.W., Suite 300,  
Washington DC 20005 1984 pp.52

A review of various initiatives and policies aimed at stimulating the growth of small businesses. Examples are taken from countries throughout the world and include science parks and local enterprise agencies. Attention is given to Japan's network of public and private support, the European Community's initiatives at regional, national and international levels, and state-level projects in Canada and Australia.

UHCNé

La Fondation Rurale de Wallonie.

Ref. No. F6

Gestion et Politique Economiques.

Foundation Rurale de Wallonie, 140 rue des Reporter, 6700 Arlon. 1984

This booklet considers the powers and possible activities of rural communes in Belgium to encourage more to become involved. It stresses, in particular, the value of developing a local strategy based on 'management by objectives'. It considers the roles of other organisations involved in local development. An appendix lists briefly a number of specific examples of actions by communes.

Bekemans, Leance

Ref. No. D2999

Local Employment Initiatives (New Patterns in Employment No.6)

European Centre for Work and Society, Maastricht, 1983 ISBN: 9023220250

In February 1983, the European Centre for Work and Society held a seminar on 'Local Initiatives for Employment Creation' in Nice. This was the final seminar in a series which the Centre organised on recently completed and current projects of research and development promoted by the Commission of the EEC. The papers prepared for the seminar have been grouped in this publication under two main themes: (i) principles and practices; structures and their financing for local employment initiatives; and (ii) technical support.

KORC

Centre for Employment Initiatives

Ref. No. D4102

Local Employment Initiatives. Report on a Series of Local Consultations held in European Countries 1982-83 (Study No.82/7).

Commission of the European Communities, DG V/A/1, 200 Rue de la Loi, Brussels, Belgium 1984 pp.96

In addition to traditional forms of small scale enterprises and co-operative societies, the emergence of a number of innovative forms of locally-based community enterprise is indicated, especially in areas suffering high levels of unemployment. While the number of the jobs created may be small compared to the numbers being lost through industrial decline, local employment initiatives are making a significant response in individual and community terms to the challenge of unemployment.

Characteristically many initiatives have social as well as economic objectives and this has implications for present arrangements for the provision of credit facilities, subsidies, training grants, education and training. Recommendations are made on the ways in which national policies and programmes and EEC financial instruments might be adapted to help local employment initiatives.

KORCJRS

Centre for Employment Initiatives

Ref. No. D5043

Local Employment Initiatives: A Manual of Intermediary and Support Organisations. Main Report (Study No. 83/24)

Commission of the European Communities, 8 Storey's Gate, London SW1P 3AT 1985 pp.90

Identifies the main characteristics of intermediary bodies in support of local employment initiatives (LEIs) and delineates five stages in the development of LEIs, at each of which a supporting body may be called on to provide a specific kind of information or assistance. The process of setting up an intermediary and support structure is described and a number of case studies of different types of support bodies in Europe are presented.

KORCJRS

Commission of the European Communities

Ref. No. 04693

New Types Of Employment Initiatives Especially As Relating To Women.

Office for Official Publications of the European Communities, 5 Rue de Commerce,  
Luxembourg L-2985 1984 ISBN: 9282550966 £5.60

The main aim of this study was to see how organisations involving collective self-management, such as co-operatives and collectives, have helped both to create jobs and to integrate women into the labour market. To assess the impact of these organisations, 400 questionnaires were sent to selected groups in several member states, concentrating on France, Italy and the U.K. From the cases studied it is clear that co-operatives/collectives can and have created jobs for women. The flexibility of working arrangements and hours, child-care facilities and a collective rather than hierarchical structure were the main reasons for women choosing to work in this way.

VMAREE

Centre for Research on European Women

Ref. No. 05173

Local Employment Initiatives. An Evaluation of Support Agencies (Study No. 83/2)

Commission of the European Communities, DG V/A/1, 200 Rue de la Loi, Brussels,  
Belgium 1985 pp.355

This study examines the setting up, functioning and role of support organisations in the EEC. The research was carried out through questionnaires, visits and telephone interviews. The Report includes a number of case studies: Islington Co-operative Development Agency; Lambeth Co-operative Development Agency; Wandsworth Enterprise Development Agency; British Steel Corporation (Industry) Ltd; Derwentside Industrial Development Agency and BSC Industry Consett Workshops; Job Creation Ltd; various organisations in London, and a number of initiatives in Belgium, Italy, France and the Netherlands.

VHCKGU

Commission of the European Communities

Ref. No. 04877

Community Action to Combat Unemployment: The Contribution of Local Employment Initiatives [COM (83) 662 final]

Office for Official Publications of the European Communities, 5 Rue de Commerce,  
Luxembourg L-2985 Nov 1983

This document analyses the main characteristics of local employment initiatives (LEIs); evaluates the actual, and potential, contribution of LEIs to the achievement of overall employment policy objectives; identifies the needs of the people and enterprises involved and the key factors which determine their successful establishment and survival; assesses the impact of existing policies and provisions; and proposes guidelines for future policies to encourage the development of LEIs, together with lines of action at Community level.

KORCJRS

Commission of the European Communities

Ref. No. D4381

Action to Combat Long Term Unemployment. Commission Communication to the Council and The Standing Employment Committee. COM (84) 484 Final

Commission of the European Communities, DG V/A/1, 200 Rue de la Loi, Brussels, Belgium Sep 1984 pp.40

The report begins with an analysis of the scale and nature of the problem: rapidly rising numbers, statistical difficulties in measuring it and the characteristics of the long term unemployed. It is noted that the measures adopted so far have been somewhat piecemeal, lacking overall consistency. An effective response requires both individual and co-operative actions by all the agencies involved. This document sets out the proposed actions to be taken by national governments, social partners and the Community.

KOR

Economists Advisory Group

Ref. No. D3047

Co-operative Marketing And Joint Trading For Small Firms.

Economists Advisory Group, 1 New Bond Street, London W1Y 9PE 1983 ISBN: 0946776008 pp.240 £15.00

This report, prepared for the London Enterprise Agency and the National Westminster Bank, presents the results of a survey of the incidence of co-operative marketing and joint trading in the U.K. and compares it with the experience in other European countries. It investigates how small firms can work together in groups to market their products or services more effectively. The study begins by defining, and assessing the economics of, co-operative marketing. A survey is made of its incidence in agriculture, in the co-operative movement, in cottage and craft industries, and in a range of industrial and service sectors. Attention is given to the concept of 'federated marketing'. An assessment is made of government and other types of assistance available in the UK.

KPARUH

IUTEP Ltd

Ref. No. D6511

Labour Market Actions: Local Government Initiatives (Study No 82/35).

Commission of the European Communities, DG V/A/1, 200 Rue de la Loi, Brussels, Belgium 1983 pp.36

Outlines ways in which local authorities and the European Commission might co-operate to alleviate the effects of unemployment by taking action in the labour market.

KORCHN

Johnson, Nevil &amp; Cochrane, Allan

Ref. No. C2177

Economic Policy-Making By Local Authorities In Britain And Western Germany.

Allen and Unwin, London 1981 f15.00

Local authorities in Britain are increasingly engaged in trying to help local industry and to improve employment prospects. Based on the results of case studies carried out in selected local authorities in England and in the Federal Republic of Germany, the authors provide a detailed comparative analysis of how local authorities are facing up to this new challenge. The book considers the powers and resources available to local authorities for these purposes and examines how the authorities are organised for this kind of economic activity. The authors show that, despite different political and administrative methods, local authorities both in Britain and West Germany see their economic role in very similar terms, their main objective being to contribute what they can to the maintenance and improvement of local economic opportunities.

USVH

Organisation for Economic Co-operation and Development

Ref. No. D6436

ILES: A Challenge to Public Employment Services [OECD Local Initiatives for Employment Creation Notebook No.4]

Organisation for Economic Co-operation and Development, 2 Rue Andre Pascal, 75775, Paris 1985 pp.90

Papers presented at a seminar on local initiatives for employment creation held in Nuremberg in 1984. The purpose of the seminar was to examine the role played by employment services in local economic development through the creation of new activities. The first part compares European with North American experience and examines future prospects. The second provides examples of innovative experiences in Canada, Nordic countries and OECD countries. Finally detailed case studies are given covering: community businesses in Scotland (W.Roe); closure of Landskrona shipyard in Sweden; the training and redeployment unit of the Rolling Mills of Jemeppe; training and business creation in the Pyrenees; and the Shannon Development Project in Ireland.

KORCDQ

Verduin, Paul, H.

Ref. No. D4342

Small Business Incubation. Successful Models from Abroad

Council for International Urban Liaison, 1120 G Street, N.W., Suite 300, Washington DC 20005 1984 pp.52

A review of various initiatives and policies aimed at stimulating the growth of small businesses. Examples are taken from countries throughout the world and include science parks and local enterprise agencies. Attention is given to Japan's network of public and private support, the European Community's initiatives at regional, national and international levels, and state-level projects in Canada and Australia.

UHCNS

Plowden, Stephen

Ref. No. D5861

Transport Reform: Changing The Rules.

Policy Studies Institute, 100 Park Village East, London, NW1 3SL. May 1985  
 ISBN: 0853742588 pp.249 f6.50

Analyses the present costs and failings of the transport system before giving a detailed description of suggested changes to improve and rationalise personal travel, including the ways in which land-use and locational policy can be used to facilitate a more economic pattern of travel. Travellers reactions to these suggested reforms are predicted. Another chapter deals similarly with the system of freight transport with proposed changes. The remaining chapters review the structure of governmental responsibilities, particularly relationships between central and local government. The appendix contains a detailed critique of the present method for appraising major road investment. (The COBA method)  
 SXPs

Scottish Development Department

Ref. No. D5919

Community Contracting: A Feasibility Study For A Pilot Programme In Scotland.

Scottish Office Library, Publications Sales, New St Andrew's House, Edinburgh  
 EH1 3TG May 1985 pp.18 f3.00

The idea behind community contracting is that local community based groups should take over, as contractors, responsibility for managing and running particular public sector services in their area. This study reviews experience to date with community contracting in Scotland and elsewhere, reports on issues raised in discussions with public agencies and community groups and describes possible projects which are examined in detail. The report concludes that an experimental pilot programme of community contracting projects, which had been envisaged by SDD, would run a high risk of failure. After considering the findings of the report, SDD has decided not to go ahead with its original idea of setting up this programme in the immediate future.

HWXRR

Association of District Councils

Ref. No. D5040

Economic Development By District Councils. Economic Development Initiatives And Innovations. (Best Practice Paper 6 - Revised)

Association of District Councils, 9 Buckingham Gate, London SW15 6LE Jan 1985  
 pp.26

Presents the results and analysis of a survey of the economic development activities of district councils in England and Wales. These activities include promotion and information services; general support through involvement in training workshops, enterprise trusts etc; grants, loans and guarantees; the provision premises and sites; and the use of section 137 funds. The survey also examined expenditure on economic development.

HNARKL

Johnstone, Derrick

Ref. No. D5821

Effective Economic Development - a discussion of Local Authority Organisation, Management and Training. (Occasional Paper; 19).

Planning Exchange, 186 Bath Street, Glasgow G2 4HG. Jun 1985 pp.30 £4.00

Not enough attention is paid to the effectiveness of local authorities in their efforts to promote economic development. In considering the effectiveness of local authority measures, there are 8 key areas. Local authorities need 1) a strategic view of their role and activities, related closely to local needs and opportunities; 2) an appropriate organisational framework; 3) positive attitudes to economic development; 4) skills training; 5) to maximise resources; 6) the ability to work with other organisations; 7) to promote their activities; 8) to monitor and review performance. [Price: £3.00 to PE Members].

HNA8KL

London Borough of Hammersmith and Fulham, Unemployment and Economic Development Group.

Ref. No. D6435

The Long-Term Unemployed: a joint strategy for the support, training and provision of employment opportunities for long-term unemployed adults.

London Borough of Hammersmith and Fulham, Unemployment and Economic Development Group. Town Hall, Hammersmith W6 8JH. Aug 1985 ISBN: 0905246063 pp.124

The research findings for this report show that the growth of long-term unemployment in Hammersmith and Fulham is above the national and Greater London averages. The joint strategy is based on three specific objectives: 1) to improve the employability of the long-term unemployed, 2) to improve the opportunities for the long-term unemployed to set up their own enterprises, and 3) to improve the rate of employment of the unemployed by companies in the Borough. The scale of long-term unemployment and the problems it creates are assessed and the work encompasses a detailed analysis of trends in the structure of the economy and labour market, at national, regional and local levels, accompanied by statistical tables.

FHU

McCreadie, John

Ref. No. D5208

Young People: The Self Employment Option. A Series of Papers on the Problems and Potential of Encouraging Young People to consider Self Employment. (Occasional Paper 16)

Planning Exchange, 186 Bath Street, Glasgow G2 4HG. Mar 1985 pp.46 £5.50

The idea of encouraging entrepreneurship as a means of creating jobs and wealth has been accepted by central government, the private sector and to some extent local government. At the same time there has been growing concern that certain sections of the workforce have been particularly disadvantaged, eg women, ethnic minorities and young people. This report is based on papers presented at two seminars which dealt with the potential of self employment as an option for young people. The initiatives covered include: Youth Enterprise Scheme; ASSET Young Enterprise Fund; Instant Muscle; Livewire; Co-operative Enterprise Centre; Education for Enterprise Network; Jobstart; and Youth Business Initiative. [Note: Price to PE Members £3.85, including postage].

UHCEGJ



McCreadie, John

Ref. No. D6055

Enterprise Agencies and Local Economic Development. A Series of papers on the role a local enterprise agency can play in creating new business and employment. (Occasional Paper No. 17)

Planning Exchange, 186 Bath Street, Glasgow G2 4HG. Aug 1985 pp.52 £4.50

The enterprise agency (or enterprise trust) is a well established model for promoting small businesses and the emphasis now is on consolidating existing services and developing new ones such as property management and development. The papers are: Scottish Business in the Community; The Role of EAs in Local Economic Development (P. Mansley: SDA); Developing Counselling and Advisory Services (G. Paterson: Glasgow Opportunities); Property Promotion, Management and Development (D. Martyn: ASSET); Innovation and Technology Promotion (R. Turnbull: Glenrothes Enterprise Trust); Enterprise Development and Training (M. Fass: Rathgate Area Support for Enterprise); and the future role of EAs (D. Johnstone: Planning Exchange). Includes a list of enterprise trusts in Scotland.

VMCKGU

Planning Exchange

Ref. No. D3407

Support Needs of Community Businesses in Strathclyde

Community Business Scotland, 266 Clyde Street, Glasgow G1 4JH Oct 1983 pp.20

A report by the Planning Exchange to Community Business Scotland. Twenty-five initiatives were selected and interviews were carried out to establish what support services were required in terms of finance, information and advice, training, premises etc

VM

National Council for Voluntary Organisations/Local Authorities

Working Party

Ref. No. D4488

Joint Action - the way forward: community involvement in local economic development.

Bedford Square Press/NCVO 26 Bedford Square, London WC1B 3HU. 1984 ISBN: 0719911338 pp.43 £2.50

Many local authorities and voluntary organisations are now devoting considerable effort to activities aimed at generating employment and training opportunities in response to local economic conditions. This report of a working party set up jointly by three local authority associations and the National Council for Voluntary Organisations attempts to document the role of community-based employment initiatives in local strategies to alleviate the effects of unemployment. It details a range of initiatives, identifies examples of successful collaboration between local authorities and voluntary organisations, and makes a number of recommendations to develop a more effective partnership for future action.

KORCJRS

Young, Ken &amp; Mason, Charlie

Ref. No. D1707Urban Economic Development. New Roles And Relationships.

Macmillan, London 1983 ISBN: 0333325559

The papers focus on the public private sector relationship, labour market policy, the specific problems of the inner city, implementation and evaluation, and a comparative review of the American and German Experience. The editors argue that the local authority role in urban economic regeneration has been ambiguous in a number of respects; in particular it has yet to be established that policies can serve welfare needs as well as those of the market, that there is a genuine commitment to action which is more than symbolic and that local economic policy has the potential to reverse the tide of urban de-industrialisation.

HNABKLs

Cordle, Peter

Ref. No. D5539Employment and Industrial Development: Local authority initiatives

Chartered Institute of Public Finance and Accountancy, 3 Robert Street, London WC2N 6RH 1985 pp.85

This booklet is one of the CIPFA Trainees Information Service Occasional Papers series, concerned with subjects not included in the main IIS volumes. It describes a range of local authority initiatives relating to economic development and designed to encourage investment and employment. Local authority measures are set out within the wider national economic context, followed by a description of the financial framework before specific initiatives used to further economic development and assist industry in England and Wales are considered.

HNABKL

Rezunex, Roger &amp; Pietri, Jacques

Ref. No. F1Les Communes et L'Emploi.

Les Editions Ouvrieres, 12 avenue Souer-Rosalie, T5621 Paris Cedex 13. Nov 1982 ISBN: 2708223038

This book asks the question : what can communes do to promote employment and economic development? It was written in the context of the 1982 Law of Decentralisation which gave new powers to communes. It briefly traces the history of intervention by communes and looks at seven up-to-date case studies. It discusses means of promotion and central government measures, and explores a number of issues concerning the role and strategy of communes.

Muret, Jean-Pierre, Neuschwander, Claude, & Sibille, Hugues, Ref. No. F3

L'Economie et les Emplois

Syros, 6 rue Montmartre, 75001 Paris. 1983 ISBN: 2901968775

This book is intended to provide information, examples and methodology to assist local elected representatives assess their potential contribution in promoting economic development. It looks at the various roles communes can play in the local economy; measures to assist firms in difficulty, to help in the creation of new activities and the expansion of existing ones; and the definition of local strategies.



European Communities — Commission

**Programme of Research and Actions on the Development of the Labour Market**

**The role of local authorities in promoting local employment initiatives — Main report**

By Derrick Johnstone — The Planning Exchange, Glasgow

*Document*

Luxembourg: Office for Official Publications of the European Communities

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