

# EPRC

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## Preface

This report has been prepared by the European Policies Research Centre (EPRC) under the aegis of EoRPA (European Regional Policy Research Consortium), which is a grouping of national government authorities from countries across Europe. The Consortium provides sponsorship for EPRC to undertake regular monitoring and comparative analysis of the regional policies of European countries and the inter-relationships with EU Cohesion and Competition policies. Over the past year, EoRPA members have comprised the following partners:

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### **United Kingdom**

- Department for Business, Innovation and Skills, London
- The Scottish Government, Enterprise, Transport and Lifelong Learning Department, Glasgow

The research for this report was undertaken by EPRC in consultation with EoRPA partners. It involved a programme of desk research and fieldwork visits among national and regional authorities in

sponsoring countries during the first half of 2013. The EoRPA research programme is coordinated by Professor John Bachtler, Fiona Wishlade, Dr Sara Davies and Stefan Kah.

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For each of the above countries, a separate country report is available to EoRPA partners via the EoRPA website, providing fuller, country-specific information on the themes covered in this report.

EPRC staff would also be pleased to provide further, country-specific briefing material relating to the issues covered in this report on request from EoRPA partners, where this is available.

Many thanks are due to everyone who participated in the research. Thanks also to Dr Keith Clement, Lynn Ogilvie and Alyson Ross for editorial, coordination and secretarial support respectively. In addition, the European Policies Research Centre gratefully acknowledges the financial support provided by the members of the EoRPA Consortium.

## **Disclaimer**

It should be noted that the content and conclusions of this paper do not necessarily represent the views of individual members of the EoRPA Consortium.



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## Executive Summary

Regional labour market disparities have long been a concern of regional policy, which typically aims to increase employment opportunities and to reduce unemployment rates in structurally weaker regions, as well as to enhance workforce skills, and raise participation and employment rates among disadvantaged groups in lagging regions or all regions. There are widely varying approaches to the conceptualisation and analysis of regional labour market disparities. While some emphasise the functioning of adjustment mechanisms (e.g. changes in wage rates and labour mobility) across regions, other focus on differences in regional demand for labour, the importance of cumulative causation processes in shaping regional economic disparities, and the effects of inequality on diverse dimensions of regional labour markets.

There is clear variation between countries in the extent of regional labour market disparities, which are shaped in part by the national economic and institutional context. Moreover, patterns of disparity sometimes vary, depending on whether data on unemployment rates, employment rates or other indicators are used. The impact of the financial crisis and economic downturn has also differed considerably across countries and regions; some have recovered well after the initial impact of the credit crunch, but others continue to experience significant economic difficulties, which are often reflected in strong rises in unemployment rates and falls in employment rates.

The type and extent of regional labour market disparities clearly has an impact on the extent to which regional policy goals and instruments focus on employment and skills, in comparison with other issues, such as business investment and innovation. There are, however, also other important determinants, including political priority-setting and the specific roles of regional policy in the broader domestic policy mix. The main regional policy goals in relation to the labour market include:

- Raising regional demand by providing aid to businesses for creating and safeguarding jobs and also aid for start-ups or self-employment;
- Increasing the supply of educated and skilled workers, through various types of investment and support for education and training;
- Addressing local instances of significant industrial restructuring, often involving packages of support targeted on both the demand and supply side;
- Improving the matching of labour demand and supply, through a range of interventions focused on skill shortages and mismatches;
- Enhancing individual and social well-being, via support for poorer households or aimed at facilitating the labour market participation of particular socio-economic groups; and
- Building or extending regional partnerships which aim to improve links between employment policy and other policies, or between educational institutions, businesses and policy-makers.

The aim of this paper is to examine the different rationales for regional policy intervention on the labour market, as well as the varying approaches taken in European countries and regions to this dimension of policy, and evidence of regional policy impact on the labour market. A number of issues for discussion are identified, namely:

What are the latest regional labour market trends in your country, especially at a finer level of analysis (e.g. NUTS 3 or NUTS 4)?

Do you focus on unemployment rates, employment rates and/or the quality of employment (e.g. pay levels, working conditions, job security)?

What do you see as the main reasons for poor labour market performance in structurally weaker regions in your country (e.g. low labour demand, lack of human capital, poor labour matching...)?

How important is the goal of employment creation in your country's regional policy (e.g. in comparison to the goal of supporting business investment and innovation)?

Is the focus on 'enlarging' regional/local labour markets specific to low population density countries (e.g. Norway, Sweden) or could it have wider applicability?

What are the benefits of coordination-based approaches for regional employment policies? Why should they be implemented at a regional level? Is this approach especially important for employment/skills (e.g. in contrast to support for innovation or business investment)?

Are you planning or undertaking further evaluations of the labour market impact of regional policies? What methods are you using?

# 1. INTRODUCTION

Regional labour market disparities have long been a concern of regional policy, which typically aims to increase employment opportunities and to reduce unemployment rates in structurally weaker regions, as well as to enhance workforce skills, and raise participation and employment rates among disadvantaged groups in lagging regions or all regions. The focus of regional policy on employment and human capital has intensified in the past five years, particularly due to the negative impact of the financial crisis and economic downturn on unemployment rates in some European countries. In addition, regional policy has been influenced by broader socio-economic trends, notably demographic change (leading to policy efforts to extend working life and address mismatches between labour supply and demand), innovation (stimulating an increased focus on upgrading workforce skills), and social integration or well-being (i.e. efforts to ensure sufficient household disposable income and limit interpersonal economic disparities).

The aim of this paper is to examine the different rationales for regional policy intervention on the labour market, as well as the varying approaches taken in European countries and regions to this dimension of policy, and evidence of regional policy impact on the labour market. Of necessity, the paper has faced a number of challenges relating to definitions and scope. In particular, it does not cover many regional policy interventions (e.g. business investment aid, infrastructure investment...) which can contribute significantly to job creation but whose primary aim does not relate to employment or education/training. Instead, it concentrates on:

- Direct aid (grants, tax relief...) to individual firms directly linked to job creation,
- Aid to individual businesses for investment in workforce skills,
- Funding for education and training outside individual businesses,
- Packages of support to locations seeing significant job losses due to structural change,
- Initiatives to improve the labour market or social integration of disadvantaged groups, and
- Regional partnership-based strategies targeted on addressing skill shortages or mismatches.

A second issue concerns the type of labour market problem to be covered. Studies and policy-makers have traditionally focused on unemployment rates but in the 2000s this orientation has widened to include employment rates (e.g. in the Europe 2020 headline targets) due to a recognition of 'hidden' unemployment (e.g. people may not register as unemployed even though they are seeking work) and 'discouraged worker' effects (e.g. people who lose their jobs may take early retirement or long-term sickness benefit rather than unemployment benefit). Moreover, some economically dynamic regions (and even leading cities) may have higher unemployment rates, yet may not be the appropriate target of regional policies.<sup>1</sup> This paper draws on data on both employment and unemployment rates but does not aim to address regional differences in the quality of jobs (e.g. in terms of sectors, professions, skills, wages, degree of security/precariousness, and part-time working) due to a lack of space and data limitations.

A third set of issues relates to geography. The focus here is mainly on the labour market challenges facing structurally weaker regions but it also covers countries' all-region approaches to labour market problems, where policy-makers perceive these approaches as part of regional policy. The analysis of regional labour market disparities focuses at NUTS 2 level, due to the lack of comparable data on

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<sup>1</sup> McArthur, D, Encheva, and I. Thorsen (2012) Exploring the determinants of regional unemployment disparities in small data sets, *International Regional Science Review* 35(4) 442-463

employment and unemployment rates at NUTS 3 level. This necessarily means that the number of countries included in the analysis of regional disparities is more limited than if NUTS 3 data could have been used.

The remainder of this paper is structured as follows: Section 2 outlines four different approaches to conceptualising regional labour market disparities. Section 3 then assesses the extent of regional labour market disparities in Europe, focusing on the current situation and also on the changes that have been seen at national and regional levels in 2007-12 in the context of the financial crisis and economic downturn. Section 4 examines current regional policy approaches to employment and skills, focusing on goals and instruments, and noting the roles of Cohesion policy in this context. Section 5 summarises the results of evaluations of the employment effects of domestic regional policies, Cohesion policy and active labour market policies, while Section 6 concludes and sets out issues for discussion.

## 2. THEORIES OF REGIONAL LABOUR MARKET DISPARITIES

### 2.1 Shocks, adjustment mechanisms and regional employment

Mainstream economists focus primarily on the impact of aggregate and region-specific shocks on regional unemployment rates; on the different responses of regional economies to these shocks via a range of adjustment mechanisms; and on the ways in which institutional, policy and cultural factors affect the functioning of these mechanisms.<sup>2</sup> In particular, when an economic shock increases a region's unemployment rate, there should be adjustments in wages, labour mobility/commuting, and firms' location decisions which move the region back to an equilibrium state. If these adjustment mechanisms work effectively, regional disparities in unemployment rates should not persist in the long-term. However, it is also argued that institutional, policy and cultural factors (e.g. centralised wage bargaining systems, legal minimum wage levels, unemployment benefit systems, regulated housing markets, and family/community ties) may inhibit adjustments in terms of wages and mobility.<sup>3</sup>

Some of these factors may have a regional dimension. First, regulatory systems that set common nominal wages, taxes and benefits, despite higher productivity levels or real living costs in more dynamic regions, may reduce incentives for both labour mobility and for business investment in structurally weaker regions. Second, labour mobility and commuting between regions may be limited if the costs of relocation (notably housing) or transport are high. Third, mobility may be constrained by a lack of effective information services for unemployed people on jobs in other regions.

It is also argued that increases in the unemployment rate become permanent (hysteresis effects), particularly because the long-term unemployment leads to a loss of skills, discourages job search, and acts as a screening device which discourages employers from employing those that have been unemployed for a long time.<sup>4</sup> These effects may be stronger in regional economies based on sectors/activities which are more sensitive to business cycles, also because region-specific demand shocks which raise unemployment rates can stimulate the outmigration of younger, more skilled and more mobile workers, so that the regional workforce as a whole becomes less attractive to employers and new business investment is limited. However, a number of recent studies have questioned the empirical validity of the hysteresis hypothesis.<sup>5</sup>

From this perspective, key policy prescriptions are to ensure that institutional and policy frameworks facilitate labour market flexibility, notably in terms of the regional differentiation of wages, taxes and benefits, and public employment services providing information on nationwide job opportunities, as well as early intervention in terms of training and counselling to limit long-term unemployment.

<sup>2</sup> Blanchard, O and Katz, L (1992) Regional evolutions, *Brookings Papers on Economic Activity* 1, pp. 1-75; Elhorst, P (2003) The mystery of regional unemployment differentials: theoretical and empirical explanations, *Journal of Economic Surveys* 17, pp. 709-48.

<sup>3</sup> Nickell, S and Layard, R (1999) Labor market institutions and economic performance, in Ashenfelter, O and Card, D (eds.) *Handbook of Labor Economics*, Elsevier, Volume 3, pp. 3-46; Bassanini, A and Duval, R (2006) Employment patterns in OECD Countries: reassessing the role of policies and institutions, *OECD Working Papers*, No. 486.

<sup>4</sup> Blanchard, O and Wolfers, J (1987) Hysteresis in unemployment, *European Economic Review* 31, p. 288-295; Layard, R, Nickell, S & Jackman, R (1991) *Unemployment: Macroeconomic Performance and the Labour Market*, Oxford: Oxford University Press.

<sup>5</sup> Khim-Sen Liew, V, Chee-Jiun Chia, R and Puah, C (2009) Does hysteresis in unemployment occur in OECD countries? Evidence from parametric and non-parametric panel unit roots tests, *Munich Personal RePEc Archive Paper*, No. 9915; Webster, D (2005) Long-term unemployment, the invention of 'hysteresis' and the misdiagnosis of structural unemployment in the UK, *Cambridge Journal of Economics* 29, pp. 975-95.

## 2.2 Demand, socio-institutional adaptation and regional employment

An alternative approach focuses on the role of labour demand in shaping regional disparities in unemployment rates. Labour markets are seen as inherently different from product markets because they deal in human beings who are embedded in social relations and institutional arrangements. Labour market change cannot thus be analysed in terms of simple adjustment mechanisms and market clearing. In particular, the relative immobility of labour (compared to capital or technology) is seen as key to the slowness of responses to changes in demand linked to firm or industrial closures.

Some studies emphasise the need for favourable macroeconomic conditions for economy-wide growth<sup>6</sup> or regional policies that stimulate investment.<sup>7</sup> There is also caution over policy prescriptions aimed at reducing wage or benefit levels in high-unemployment regions or encouraging out-migration, due to concerns over the impact of lower household income on regional demand, as well as the effects of more limited labour supply on the region's attractiveness to business. Studies also note that regional disparities in unemployment rates are shaped by geographical differences in productive capacity and aggregate demand, which in turn reflect the geographical legacy of (de)industrialisation.<sup>8</sup> Such regions require extensive sectoral, institutional and socio-cultural adaptation, particularly as job losses in these sectors and places have not occurred as a one-off shock but have instead continued over a prolonged period, implying an on-going need to adapt and develop new economic activities.

Moreover, such regional concentrations of unemployment may be particularly intractable when aggregate demand is low, due to chains of substitution that favour more skilled workers in more attractive places.<sup>9</sup> Thus policies that focus on particular micro-regions are unlikely to be effective, whether aimed at boosting local labour demand (which is likely to leak out to stronger nearby individuals and areas via commuting and interregional flows of goods and services) or at improving labour supply (which is unlikely to raise employment when labour demand is low).<sup>10</sup> Instead, there may be a need for both increased demand at a national or macro-regional level plus supply-side measures that target all the processes which reproduce unemployment, including support for upward mobility among employed people in order to reduce congestion in lower skill job markets. In terms of regional demand, one possible approach is to target support on regional 'anchors', namely those large firms and public sector entities (such as hospitals and universities) which are strongly embedded in the region and provide significant numbers of jobs.<sup>11</sup>

<sup>6</sup> Bande, R and Karanassou, M (2013) The natural rate of unemployment hypothesis and the evolution of regional disparities in regional unemployment, *Urban Studies* 50, pp. 2044-62.

<sup>7</sup> Bande, R and Karanassou, M (2009) Labour market flexibility and regional unemployment rate dynamics: Spain 1980-1995, *Papers in Regional Science* 88, pp. 181-207; Arestis, P and Sawyer, M (2005) Aggregate demand, conflict and capacity in the inflationary process, *Cambridge Journal of Economics* 29, pp. 959-74; Webster (2005) *op. cit.*

<sup>8</sup> Beatty, C and Fothergill, S (2011) The prospects for worklessness in Britain's weaker local economies, *Cambridge Journal of Regions, Economy and Society* 4, pp. 401-417; Grabher, G (1994) *Lob der Verschwendung: Redundanz in der Regionalentwicklung*, Berlin: Sigma.

<sup>9</sup> Gordon, I (2003) Unemployment and spatial labour markets: strong adjustment and persistent concentration, in Martin, R and Morrison, P (eds.) *Geographies of Labour Market Inequality*, London: Routledge, pp.55-82.

<sup>10</sup> Martin, R, Nativel, C and Sunley, P (2003) The local impact of the New Deal: does geography make a difference?, in Martin, R and Morrison, P (eds.) *op. cit.*, pp.175-207.

<sup>11</sup> Abreu, M, Grinevich, V, Kitson, M and Savona, M (2011) *New Directions in Innovation Policy: Implications for the Northern Ireland Economy*, Programme on Regional Innovation, University of Cambridge.

## 2.3 Agglomeration, cumulative causation and regional employment

Other studies do not directly address regional unemployment disparities but instead focus on the reasons for the uneven geographical distribution of economic activity and thus job opportunities. A key focus is on factors that drive uneven development by generating increasing returns to agglomeration (labour pooling for specific skills, input-output relations between firms, and knowledge spillovers).<sup>12</sup> These are seen to counterbalance the disadvantages for firms of spatial concentration (e.g. higher land and wage costs, stronger competition and lower relative profitability). Some studies focus on how these factors interact with market size and trade costs to encourage agglomeration.<sup>13</sup> Others emphasise the importance of increasing returns to human or knowledge capital in driving economic growth and self-reinforcing disparities in national and regional economic development, as more skilled people move from weaker regions to agglomerations.<sup>14</sup>

Further studies analyse the business, social, institutional and policy factors within individual regions which facilitate the generation and application of strong human and knowledge capital.<sup>15</sup> In addition to factors relating directly to education/training and innovation, some studies note other factors. For example, light employment protection legislation and low wages are seen to remove important disciplines from employers and to stimulate high labour turnover, so that firms are unable to build the skilled, flexible workforces needed to compete in terms of innovation.<sup>16</sup> These approaches are often attractive from a policy viewpoint because they provide a basis for a 'high road' to economic growth, based on human capital, high wages, technological development and export-orientation, rather than a 'low road', predicated on low wages and deregulated labour markets.<sup>17</sup> From a regional development perspective, however, a key question is whether this is an appropriate policy for all regions, particularly if skilled labour and technological spillovers tend to concentrate in specific regions, thus driving both economic growth and regional disparities.

Further, economic growth in one region is seen to have both negative and positive (backwash and spread) effects on other regions, and these effects are cumulative, circular and self-reinforcing.<sup>18</sup> Thus growth in one region has the (backwash) effects of attracting in capital, skilled labour and more sophisticated forms of production from other regions, but may also have the (spread) effects of increasing demand for the products of other regions, thus facilitating their development. This approach suggests that, rather than focusing solely on human and knowledge capital, regional policy could engage in a range of actions to encourage spread effects and limit backwash effects (e.g. business aid in lagging regions to boost capacity and demand, and investment in high quality ICT and transport infrastructure to encourage interregional connectivity).

<sup>12</sup> Marshall, A (1920) *Principles of Economics*, London: MacMillan.

<sup>13</sup> Fujita, M, Krugman, P and Venables, A (2001) *The Spatial Economy*, Cambridge MA: MIT Press.

<sup>14</sup> Romer, P (1986) Increasing returns and long-run growth, *The Journal of Political Economy* 94, pp. 1002-37; Lucas, R (1988) On the mechanisms of economic development, *Journal of Monetary Economics* 22, pp. 3-42; Südekum, J (2005) Increasing returns and spatial unemployment disparities, *Papers in Regional Science* 83, pp. 159-81.

<sup>15</sup> McCann, P and Ortega-Argilés, R (2013) Modern regional innovation policy, *Cambridge Journal of Regions, Economy and Society* 6, pp.187-21; Farole, T, Rodríguez-Pose, A and Storper, M (2011) Cohesion Policy in the European Union: growth, geography, institutions, *Journal of Common Market Studies* 49, pp. 1089-111.

<sup>16</sup> Kitson, M and Wilkinson, F (2000) Markets and competition, in Cosh, A and Hughes, A (eds.) *British Enterprise in Transition*, Cambridge: University of Cambridge, ESRC Centre for Business Research.

<sup>17</sup> Martin, R (2000) Local labour markets: their nature, performance, and regulation, in Clark, G, Feldmann, M and Gertler, M (eds.) *The Oxford Handbook of Economic Geography*, Oxford: Oxford University Press, pp. 455-76.

<sup>18</sup> Myrdal, G (1957) *Economic Theory and Underdeveloped Regions*, London: Duckworth.

## 2.4 Regional employment, inequality and well-being

A last approach focuses on how regional labour market disparities relate to broader inequality. Employment is thus seen as a means of enhancing not only economic growth and household income, but also opportunities for personal development and social interaction.<sup>19</sup> Instead of emphasising a trade-off between social equality and economic efficiency,<sup>20</sup> studies argue that higher levels of equality facilitate both social well-being and economic development,<sup>21</sup> by encouraging the use of all individuals' potential, and by increasing demand (because poorer groups consume most of their income, whereas richer groups have a higher propensity to save and to buy imported goods).<sup>22</sup>

Other studies emphasise that workers are not simply in low wage jobs or out of work due to poor skills but because of labour market segmentation driven by differences in resources, expectations and knowledge of job opportunities, so that individuals vary in terms of the social and educational factors which are valued in the labour market.<sup>23</sup> In addition, labour markets are segmented geographically, with varying boundaries for different groups of worker in terms of skills, commuting patterns, social attachment to place, and housing market mobility.<sup>24</sup> Further, individuals differ in terms of resources for education/ training, time available due to domestic responsibilities, and the effects of discrimination.<sup>25</sup> Thus individuals who are initially disadvantaged tend to be confined to low-wage and low-skill labour market segments, where their capabilities degrade further, whereas initially advantaged groups enjoy virtuous circles of enhanced capacities, resources and opportunities.

The regional dimensions of these structural inequalities have long been seen to be reflected in the geographical distribution of employment opportunities.<sup>26</sup> In the 2000s, however, there is a new focus on the effects of globalisation and service sector growth on regional and local labour market inequalities.<sup>27</sup> In particular, there is seen to be increased polarisation in income and job opportunities between very highly skilled service sector workers who operate on international labour markets, and low skilled service sector workers who are confined to local labour markets, often servicing the elite workers. These inequalities are perceived to be especially acute in major metropolitan cities. Some argue that these shifts are not simply driven by 'globalisation' but are instead shaped by the interaction of economic restructuring, demographic shifts and, in particular, policies relating to the provision and regulation of public services, immigration and social welfare.<sup>28</sup>

<sup>19</sup> Schumacher, E (1973) *Small is Beautiful*, London: Vintage; Stiglitz, J, Sen, A and Fitoussi, J (2009) *Report by the Commission on the Measurement of Economic Performance and Social Progress*, CMEPSP; Layard, P (2005) *Happiness: Lessons from a New Science*, Penguin.

<sup>20</sup> Okun, A (1975) *Equality and Efficiency: The Big Tradeoff*, Washington DC: The Brookings Institution.

<sup>21</sup> Wilkinson, R and Pickett, K (2009) *The Spirit Level: Why Equality is Better for Everyone*, London: Penguin.

<sup>22</sup> Kitson, M, Martin, R and Wilkinson, F (2000) Labour markets, social justice and economic efficiency, *Cambridge Journal of Economics* 24, pp. 631-41.

<sup>23</sup> Cormier, D and Craypo, C (2000) The working poor and the working of American labour markets, *Cambridge Journal of Economics* 24, pp. 691-708.

<sup>24</sup> Martin (2000) *op. cit.*

<sup>25</sup> Kitson, M, Martin, R and Wilkinson, F (2000) *op. cit.*

<sup>26</sup> Massey, D (1985) *Spatial Divisions of Labour*, London: Routledge.

<sup>27</sup> Sassen, S (2001) *The Global City: New York, London, Tokyo*, Princeton University Press; McDowell, L and Christopherson, S (2009) Transforming work: new forms of employment and their regulation, *Cambridge Journal of Regions, Economy and Society* 2, pp. 335-42.

<sup>28</sup> May, J, Wills, J, Datta, K, Evans, Y, Herbert, J and McIlwaine, C (2007) Keeping London working: global cities, the British state and London's new migrant division of labour, *Transactions of the Institute of British Geographers* 32, pp. 151-67.



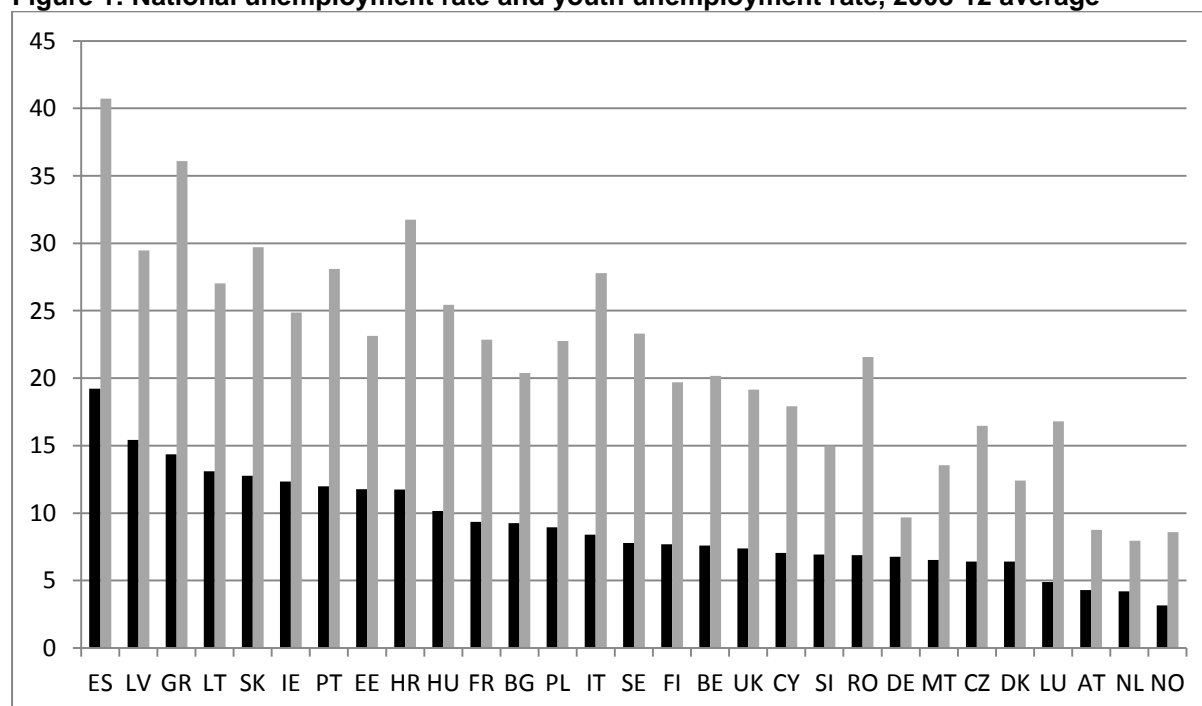
### 3. REGIONAL LABOUR MARKET DISPARITIES IN EUROPE

#### 3.1 National labour markets in 2008-12

Even where there are region-specific causes of high unemployment or low employment rates (e.g. local industrial restructuring), regional labour markets are strongly shaped by national economic performance, in terms, for example, of macroeconomic stability, the degree of domestic demand for goods and services, and the supply of human, knowledge and physical capital. Moreover, a range of institutional and policy frameworks shape labour demand, supply and adjustments, and – even in federal States – these frameworks are at least partly set at national level (or at EU level, particularly in the case of macro-economic policies within the Euro zone).

The national labour market situation varies significantly across European countries (see Figure 1, and Table A1 in Annex 1). Average national unemployment rates in 2008-12 were below 5 percent in Austria, Luxembourg, the Netherlands, Norway and Switzerland but over 15 percent in Latvia and Spain. Youth unemployment rates vary even more starkly, ranging from below 10 percent in Austria, Germany, the Netherlands and Norway in 2008-12, to over 30 percent in Croatia, Greece and Spain (and over 50 percent in Greece and Spain by 2012). In contrast, women's unemployment rates do not vary significantly from total national unemployment rates in any country.

**Figure 1: National unemployment rate and youth unemployment rate, 2008-12 average**



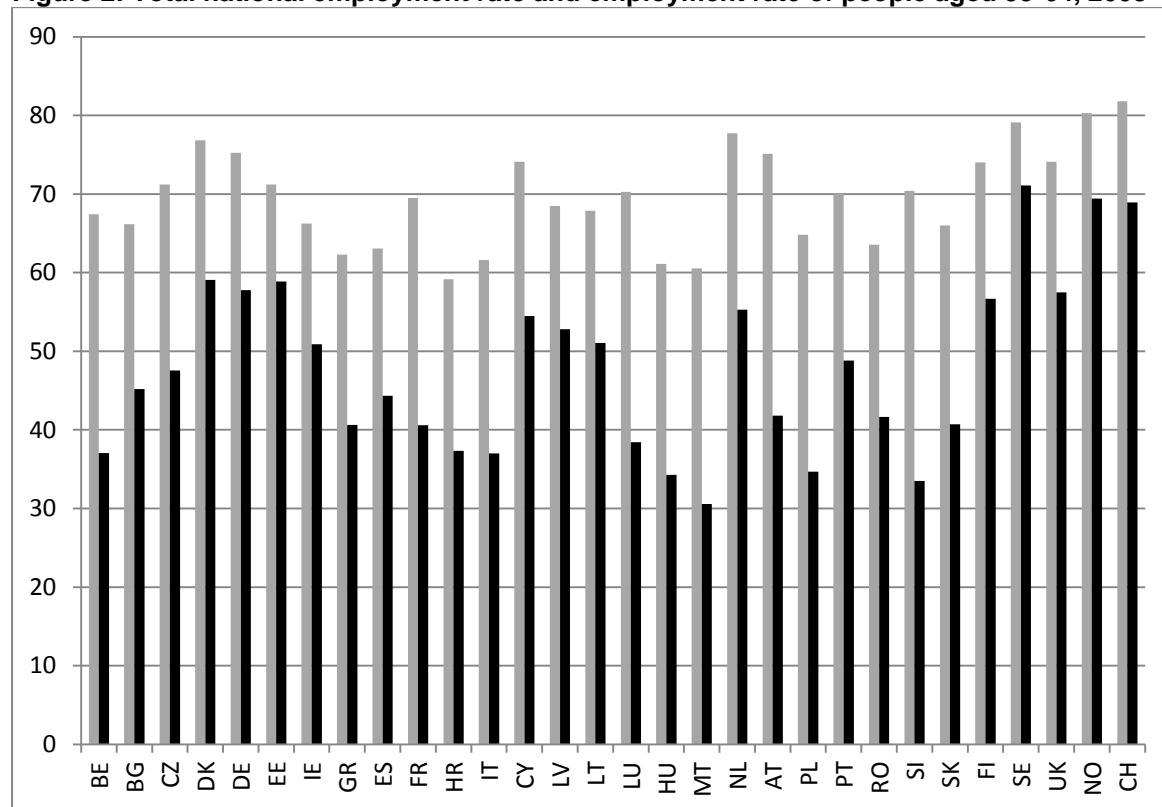
**Source:** EPRC calculations based on Eurostat data.

**Notes:** 1. The average national unemployment rate is shown in black, while the average national youth unemployment rate (15-24 years) is shown in grey. 2. The coefficient of determination (R-squared) for the correlation of the two variables is 82.8 percent. 3. Switzerland is not shown because Eurostat does not publish data on its youth unemployment rate; its average national unemployment rate in 2008-12 was 3.8 percent.

National employment rates also vary widely (see Figure 2), from under 65 percent in Croatia, Greece, Hungary, Italy, Malta, Poland, Romania and Spain in 2008-12, to over 75 percent in Austria, Denmark, Germany, the Netherlands, Norway, Sweden and Switzerland. Variations in the employment rates of people aged 55-64 years are even stronger, from below 35 percent in Hungary,

Malta, Poland and Slovenia in 2008-12, to over 65 percent in Norway, Sweden and Switzerland. Some countries also show distinctive employment characteristics, notably high rates of part-time employment in the Netherlands (48.7 percent in 2008-12) and Switzerland (35.1 percent) (see Table A.1 in Annex 1).

**Figure 2: Total national employment rate and employment rate of people aged 55-64, 2008-12**



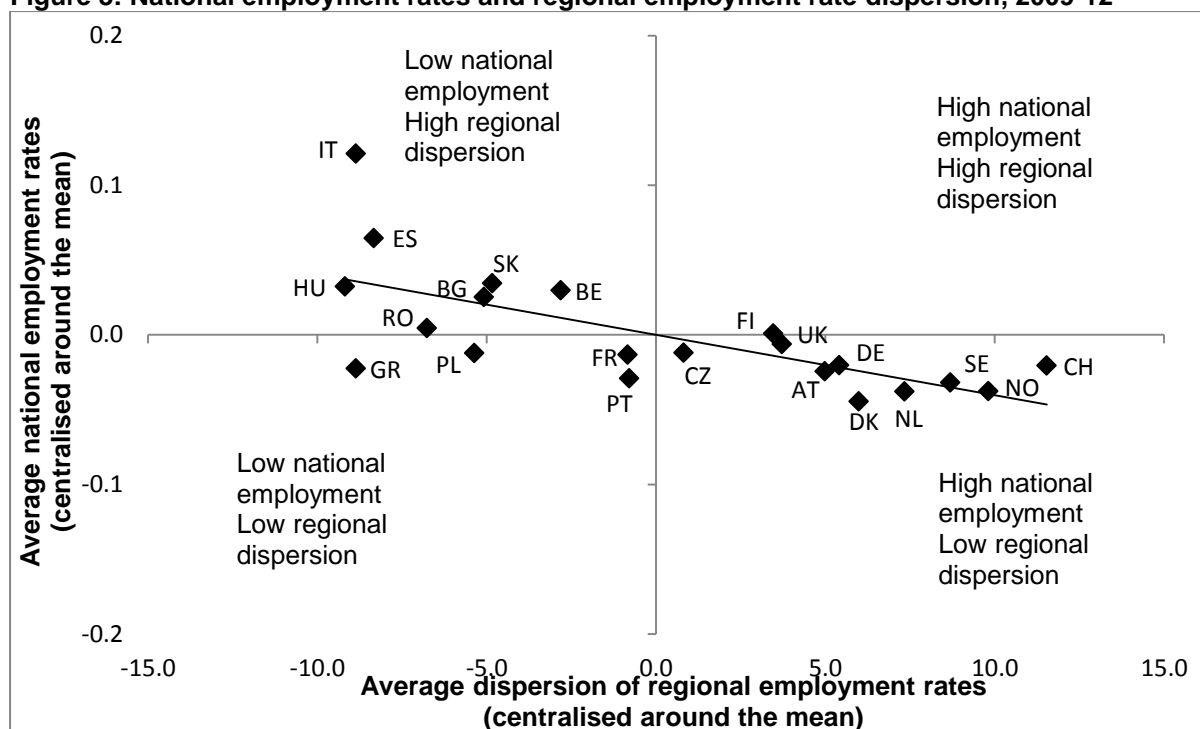
**Source:** EPRC calculations based on Eurostat data.

**Note:** The coefficient of determination (R-squared) for the correlation of the 2 variables is 67.5 percent.

### 3.2 Regional labour market disparities in 2008-12

The regional dispersion of employment and unemployment rates also varies significantly between countries. The following sub-sections use population-weighted coefficients of variation as a measure of regional dispersion. This measure allows regions with larger population a stronger influence, in contrast to non-weighted data which treats each region as if it were of equal size (see Figure A1 in Annex 1). The data in Figures 3 and 4 are centralised around the mean in order to facilitate the presentation of countries relative to one other.

In the case of employment data, there is a degree of correlation between high (low) rates of national employment and low (high) levels of dispersion of regional employment rates (with an R-squared of 47.1 percent) (see Figure 3). However, there are also countries (e.g. Greece and Poland) where employment rates are below average and where the dispersion of regional employment rates is also low (i.e. where employment rates are relatively low across all regions).

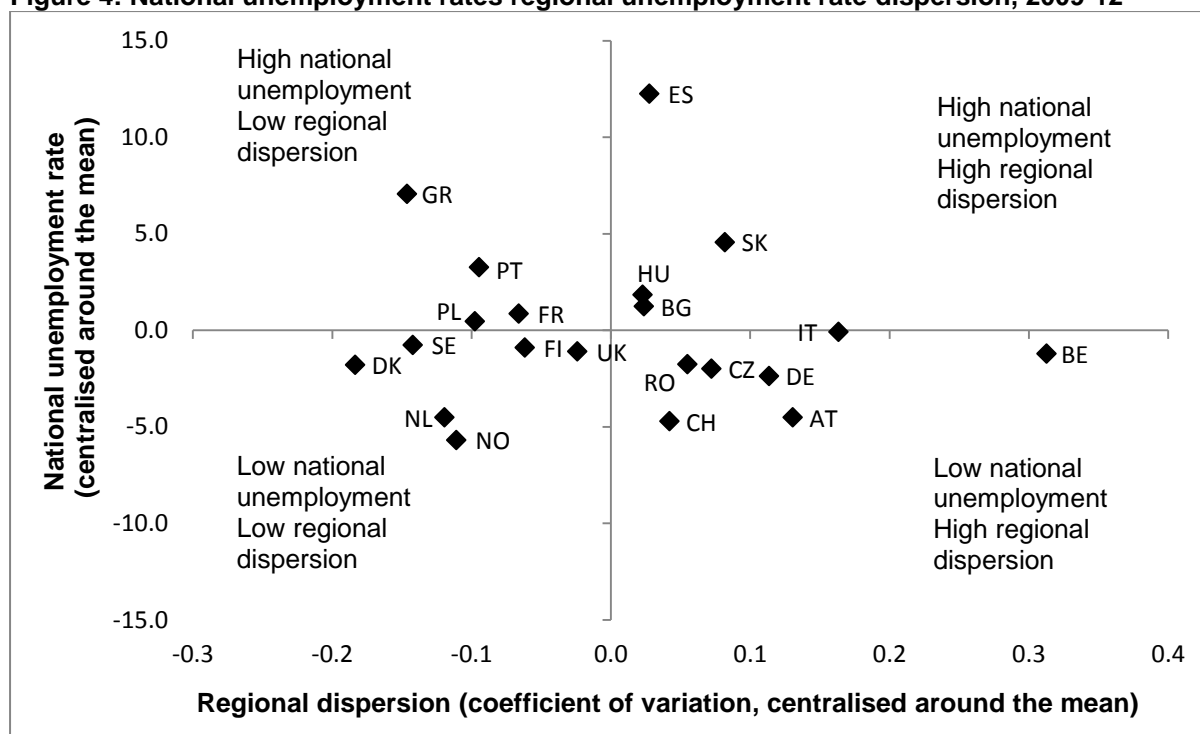
**Figure 3: National employment rates and regional employment rate dispersion, 2009-12**

**Source:** EPRC calculations based on Eurostat data.

**Notes:** 1. Regional disparities are presented as a population weighted coefficient of variation of regional employment rates, divided by the mean; national employment rates are divided by the mean of the countries included. 2. The coefficient of determination (R-squared) is 47.1 percent. 3. Regional data are at NUTS 2 level.

In the case of unemployment data, however, there is no clear correlation between the level of national unemployment rates and the degree of dispersion of regional unemployment rates (with an R-squared of 0.4 percent) (see Figure 4). There are a number of reasons why international comparisons of unemployment data may be less helpful than employment data, notably variations in domestic institutional and legal frameworks, such as the availability of unemployment and sickness benefits, pension systems and approaches to early retirement, as well as the extent to which 'hidden' economic activities are tolerated, for example in the form of subsistence agriculture or other types of informal employment.

Clearly, neither Figure 3 nor 4 provides information on international or interregional differences in more qualitative dimensions of regional labour market inequalities, such as differences in levels of pay (taking account of regional variations in the cost of living), working conditions, the degree of job security or precariousness, and the extent of (involuntary) part-time working.

**Figure 4: National unemployment rates regional unemployment rate dispersion, 2009-12**

**Source:** EPRC calculations based on Eurostat data.

**Notes:** 1. Regional disparities are presented as a population weighted coefficient of variation of regional unemployment rates, divided by the mean; national unemployment rates are divided by the mean of the countries included. 2. The coefficient of determination (R-squared) is 0.4 percent. 3. Regional data are at NUTS 2 level.

Countries can be divided into five groups, using data on national unemployment and employment rates, as well as on the dispersion of regional unemployment and employment rates at NUTS 2 level, with all data for 2008-12 and assessed relative to the mean for the countries included in the analysis:

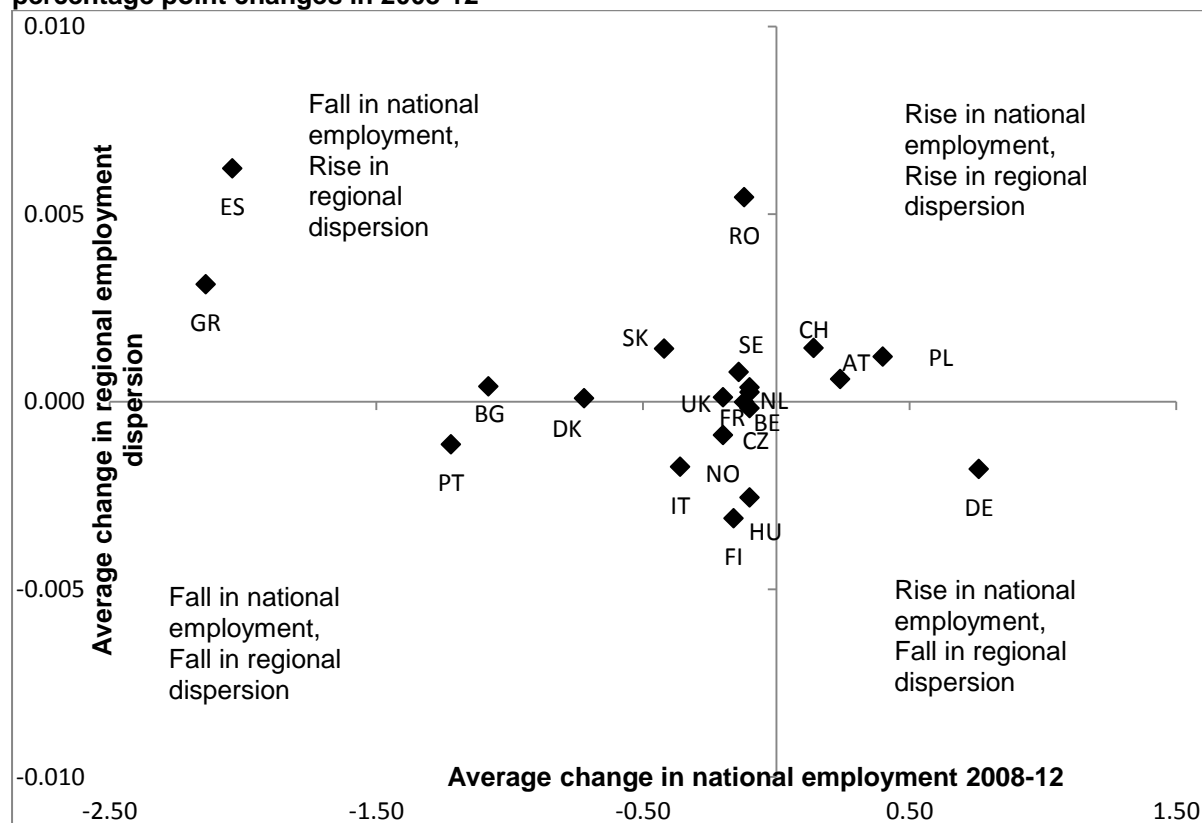
- Good national labour market performance and low regional dispersion: Denmark, the Netherlands, Norway, Sweden and the United Kingdom;
- Good national labour market performance and mixed results on regional dispersion: Austria, the Czech Republic, Finland, Germany and Switzerland;
- Poor national labour market performance and low regional dispersion: France, Greece, Poland and Portugal;
- Mixed results on national labour market performance and high regional dispersion: Belgium, Italy and Romania;
- Poor national labour market performance and high regional dispersion: Bulgaria, Hungary, Slovakia and Spain.

### 3.3 Changes on national and regional labour markets in 2007-12

The financial and economic crisis and subsequent downturn has had a significant effect on many European countries, although the scale, timing and duration of impact have varied considerably. Some countries continue to experience serious macroeconomic difficulties, linked to sovereign debt crises, the unwinding of housing market bubbles, the loss of investor confidence, and public austerity measures. Elsewhere, the impact on countries and regions with strong export manufacturing sectors varies; all were strongly affected in the early stages of the crisis, due to the fall in international

demand, but some are now performing well, while others continue to see job losses.<sup>29</sup> Impacts have generally been lower in metropolitan regions, due to their diverse economic bases and core activities, while peripheral regions have at times seen only limited effects, due to limited external linkages.<sup>30</sup> Where fiscal constraints are leading to losses of public sector jobs, there are often regionally-differentiated effects, as the higher level public sector jobs located in capital cities tend to be retained, while more routine public sector employment often plays a more important role in the economies of structurally weaker regions.<sup>31</sup>

**Figure 5: National employment rates and the regional dispersion of employment rates, annual percentage point changes in 2008-12**



**Source:** EPRC calculations based on Eurostat data.

**Note:** 1. Regional dispersion is presented as a population-weighted coefficient of variation. 2. Data for Finland are 2010-12 only. 3. The coefficient of determination (R-squared) is 21.2 percent.

There are concerns that the crisis and downturn could have long-term negative effects on the labour market. A study of 30 countries in 1960-2008 has found that severe recessions have had a significant and persistent impact on participation rates, particularly on older and younger workers, and that these effects depend in part on institutional and policy frameworks.<sup>32</sup> Another study estimates that the

<sup>29</sup> Davies, S (2011) Regional resilience in the 2008–2010 downturn: comparative evidence from European countries, *Cambridge Journal of Regions, Economy and Society* 4: 369-82

<sup>30</sup> Gorzelak, G (2010) The (non-existing?) Polish crisis. In: Gorzelak, G and Goh, C (eds) *Financial Crisis in Central and Eastern Europe: From Similarity to Diversity*, Warsaw: Scholar, pp.139-49.

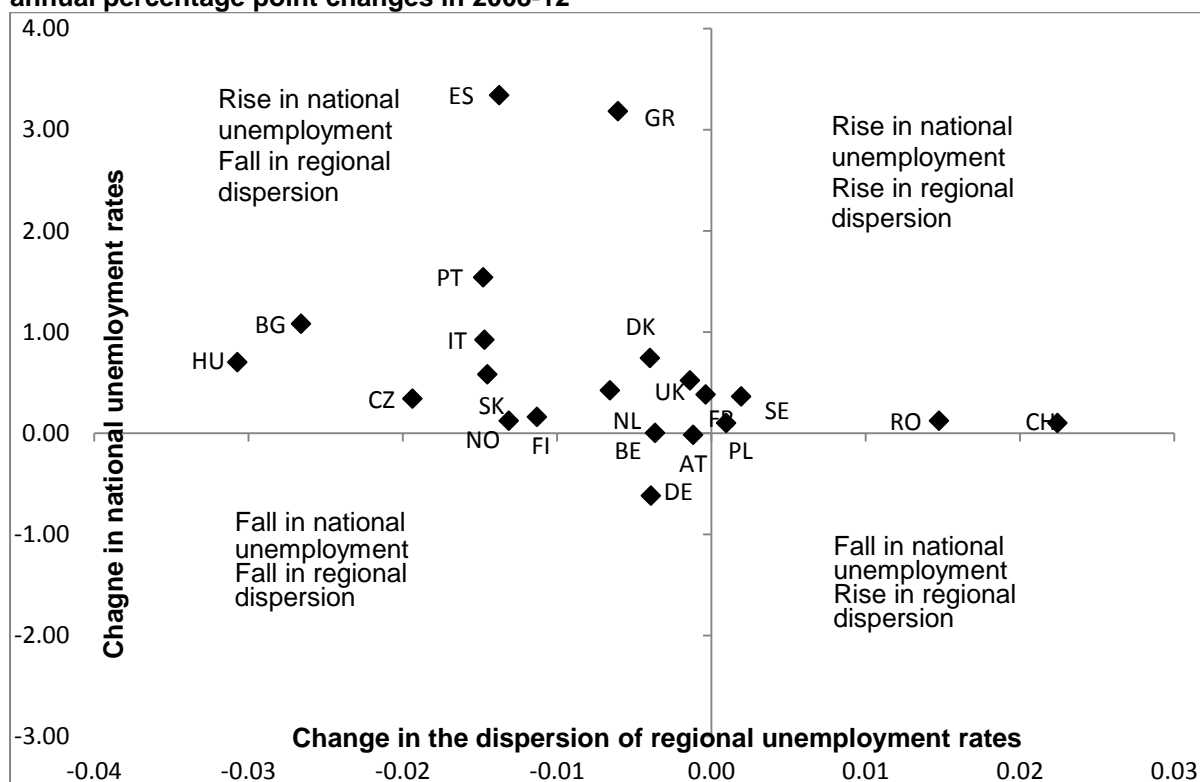
<sup>31</sup> OECD (2013) *Economic Survey United Kingdom*, Paris.

<sup>32</sup> Duval, R, Eris, M and Furceri, D (2011) The effects of downturns on labour force participation: evidence and causes, *OECD Economics Department Working Papers* No. 875.

current crisis may lead to an increase of 0.75 p.p. in the structural unemployment rate of the OECD as a whole, but with wide cross-country differences, again depending on institutional settings.<sup>33</sup>

Figure 5 shows annual average changes in national employment rates and in the regional dispersion of employment rates (at NUTS 2 level) in 2008-12. Data presented are on actual changes and are not centralised around the mean (i.e. unlike Figures 3 and 4). Figure 5 suggests a degree of correlation between a rise (fall) in national employment rates and a fall (rise) in regional dispersion (with a coefficient of determination of 21.2 percent). However, this correlation is partly due to the strong changes seen in Germany, Greece and Spain, whereas a number of countries show little change in either indicator (e.g. Belgium, the Czech Republic, France, the Netherlands and Sweden).

**Figure 6: National unemployment rates and the regional dispersion of unemployment rates, annual percentage point changes in 2008-12**



**Source:** EPRC calculations based on Eurostat data.

**Note:** 1. Regional disparities are presented as a population-weighted coefficient of variation. 2. Data for Finland are 2010-12 only. 3. The coefficient of determination (R-squared) is 9.1 percent.

Figure 6 instead focuses on unemployment rates and presents data on annual average percentage point changes at national level and in regional dispersion in 2008-12 (see also Figures A2 and A3 in Annex 1). Most countries have seen a rise in national unemployment rates in this period and also a fall in the dispersion of regional unemployment rates, usually because the situation has worsened in those regions with initially low rates.

Bringing together both datasets, countries can be divided into six groups, depending on whether the annual average changes in national unemployment and employment rates, and the annual average

<sup>33</sup> Guichard, S and Rusticelli, E (2010) Assessing the impact of the financial crisis on structural unemployment in OECD countries, *OECD Economics Department Working Paper No.767*.

changes in the dispersion of regional unemployment and employment rates at NUTS 2 level, were positive or negative in 2008-12:

- An improved national labour market performance and a reduction in regional dispersion: Germany;
- An improved national labour market performance and variable trends in regional dispersion: Austria;
- A deteriorated national labour market performance and a reduction in regional dispersion: Czech Republic, Finland, Hungary, Italy, Norway and Portugal;
- A deterioration in both national labour market performance and in regional dispersion: Romania and Sweden;
- A deteriorated national labour market performance and variable trends in regional dispersion: Bulgaria, Denmark, Greece, Slovakia, Spain and the United Kingdom;
- Variable trends at national level and a reduction in regional dispersion: Belgium and the Netherlands;
- Variable trends at national level and a deterioration in regional dispersion: France, Poland and Switzerland;
- Variable trends at both national and regional levels: Czech Republic.





## 4. REGIONAL POLICIES ON THE LABOUR MARKET

### 4.1 Regional policy goals for employment and skills

Regional policies that directly address employment may aim:

- to contribute to national economic growth, by expanding labour demand, increasing (skilled) labour supply, or improving the matching of labour supply and demand;
- to improve national public finances, by reducing the need for aid to weaker regions and for unemployment and welfare benefits to particular socio-economic groups;
- to reduce socio-economic disparities between regions, by expanding demand for labour or upgrading the supply of labour in structurally weaker regions;
- to rebalance the economy both geographically and sectorally, and to increase the percentage of private sector employment outside the main agglomerations, partly by improving workforce skills but also by increasing worker flexibility;
- to enhance individual well-being, through income effects and increased opportunities for personal development and social connections.

Regional policies that target employment may be implemented in **all regions**, partly because labour markets are often seen as particularly affected by idiosyncratic locational factors, which mean that there is a need for decentralised policy responses. In these cases, regional policy goals may coincide with national employment policies focusing, for example, on the need to develop workforce skills in the context of demographic change, on-going pressures on businesses to innovate and compete, and sometimes shortages of key public sector workers.

However, a number of countries have specific regional policies for **certain types of region**, due, for example, to persistent structural geographical disparities in unemployment or employment rates, sometimes affecting relatively large regions. Where regional labour market problems are especially entrenched, there may also be challenges relating to high levels of hidden unemployment in structurally weaker areas, whether in agriculture or more generally (e.g. in southern Italy and eastern Poland). In addition, countries with strong national and macro-regional labour markets may still face policy challenges in specific types of area. Problems typically affect areas undergoing significant industrial restructuring (Finland, Norway) or areas with relatively high levels of inactivity and welfare dependency (Norway). Moreover, even where cities are economically buoyant, they may have higher unemployment rates (Switzerland) or youth unemployment rates (the Netherlands). Similarly, areas with strong tourism sectors may be characterised by seasonal fluctuations in unemployment rates (Switzerland), and international commuting flows in border areas may mean that there is stronger local competition for jobs (Switzerland).<sup>34</sup> Further, dynamic areas which depend on immigrant workers to meet demand for particular skills can face specific issues related to social integration, notably language capacities and housing shortages (Norway).

Five main approaches to regional labour market policies can be identified (see Tables 1 and 2):

A first regional policy goal is **to increase demand for labour in structurally weaker regions** and can be addressed, for example, by providing aid to businesses for job creation/safeguarding or aid for

<sup>34</sup> SECO (2011) *Auswirkungen der Personenfreizügigkeit auf den Schweizer Arbeitsmarkt. 9. Bericht des Observatoriums zum Freizügigkeitsabkommen Schweiz-EU*, 11 June 2013.

self-employment. This approach may be adopted in countries experiencing macroeconomic difficulties and demand-shortages nationally (Italy) or in countries with robust labour demand at national level but with weaker demand in areas affected by industrial restructuring or peripherality (Germany, Poland).

**Table 1: Main policy concerns relating to national labour market problems**

	Low empt rates/ high unempt rates	Low empt rates in specific groups	Quality of work / life	Weak unempt benefit system	Labour mis- match	Labour mobility	Labour flexibility	Labour demand	Labour supply	Human capital
AT		X						X		X
FI		X	X		X			X	X	
FR	X	X			X	X		X		X
DE		X	X		X					
IT	X	X	X	X	X			X		X
NL		X			X		X			X
NO					X	X			X	
PL	X	X			X	X	X		X	X
SE		X	X		X	X		X	X	
CH										
UK					X		X			X

**Source:** EPRC research.

Second, a significant focus of regional policy in many countries relates to **the supply of human capital and skills**, and instruments focused on education and training. This issue may be seen to apply to all regions, or skill shortages may be perceived mainly to affect more dynamic regions and leading sectors (Norway, Poland). Elsewhere, however, there are particular issues in structurally weaker regions or peripheral rural areas (Austria, Finland, France, Germany), where there are lower education levels or weaknesses in training and life-long learning systems, whereas skill matching is seen to operate more smoothly in urban areas<sup>35</sup> (the Netherlands).

Third, regional policies may aim **to facilitate adaptation to structural change**. These issues are typically most acute in countries experiencing significant industrial restructuring, where high levels of structural unemployment can persist in some regions alongside skill shortages in other occupations or regions (Poland). Similar issues can also be seen at a local level in other countries (e.g. where a major local employer closes or where military or industrial restructuring is underway) and may be addressed by business aid or multi-faceted local strategies (Finland, France).

A fourth set of goals also relates to concerns over **skill mismatches and shortages**, either within or between regions, and may be seen as economy-wide, as primarily affecting the main agglomeration, or as a specific challenge for structurally weaker regions, due to concerns over the out-migration of young people which is seen to exacerbate the shortage of skilled labour in these locations (France,

<sup>35</sup> Kok, S (2013) *Matching worker skills to job tasks in the Netherlands: sorting into cities for better careers*, Netherlands Bureau for Economic Policy Analysis (CPB) Discussion paper 247.

Italy,<sup>36</sup> the Netherlands,<sup>37</sup> Poland, Sweden). This issue is seen to imply the need to enhance labour supply by increasing the participation rates of particular socio-economic groups (e.g. older or younger workers, women or ethnic minorities) (Austria, Finland, Italy, Poland, Sweden), as well as to facilitate commuting and/or migration, in order to improve job-matching (Finland, Poland, Sweden). A related goal is to expand regional/local labour markets, for example through improved transport infrastructure, either with a view to improving interregional job-matching (Poland, Sweden) or to enhancing the attractiveness of local labour market to people with a range of skills as a means of developing self-sustaining communities that contribute to national growth (Norway).

**Table 2: Main policy concerns relating to regional/local labour markets**

	Regional variation in un/empt rates	Quality of jobs /life/ integration	Labour mis-match	Sectoral structure	Low labour mobility	Small local labour markets	Low labour demand	Out-migration	Low human capital
AT	X								X
FI			X	X	X			X	X
FR	X		X		X		X	X	X
DE	X		X				X		X
IT		X	X					X	
NL	X		X					X	
NO		X	X		X	X			X
PL	X	X		X	X		X	X	X
SE	X	X	X	X	X			X	X
CH		X		X					X
UK	X			X			X		

**Source:** EPRC research.

A last set of regional policy goals relates to **social integration and well-being** and touches on a number of the other goals. This approach has often been shaped by the emphasis in EU Cohesion policy on social inclusion, as well as by domestic concerns over the quality of jobs in structurally weaker regions, particularly for lower-paid workers on short-term contracts (Germany, Italy), the social integration of immigrants (Norway, Sweden), the low labour market participation of certain social groups (Austria) and the low income levels of non-working households, often in structurally weaker regions (Italy).

## 4.2 Cohesion policy support for employment and education

National domestic regional policies have been influenced – or have at least needed to respond to – Cohesion policy approaches to economic development, including the strong emphasis on

<sup>36</sup> SVIMEZ (2013) *Anticipazioni sui principali andamenti economici dal Rapporto SVIMEZ 2013 sull'economia del Mezzogiorno*, Rome; European Commission (2013) *EU Employment and Social Situation Quarterly Review*, Luxembourg, Publications Office of the European Union.

<sup>37</sup> Van Dijk, J (2010) *Demographic change and the regional Labour Market in the North of the Netherlands 2010-40*, Het Kasteel Groningen.

employment and skills issues. Although some EU Member States implement the European Social Fund (ESF) entirely through national programmes and mainly use the resources to co-finance national policies, many other countries also or instead have regional ESF programmes. Moreover, the European Regional Development Fund (ERDF) also co-finances interventions that aim to help people find employment and develop work-related skills, particularly in Convergence regions.

For example, the ESF in 2007-13 includes funding aimed at increasing the adaptability of workers, enterprises and entrepreneurs (e.g. via lifelong learning and investment in human resources).<sup>38</sup> It also supports access to employment (e.g. by strengthening employment services; personalised support for job seekers; and action to increase the employment of women and migrants). Further, the ESF funds interventions linked to social inclusion and the employment of disadvantaged people (e.g. early school leavers, minorities, people with disabilities and carers). It also finances improvements in human capital (e.g. via reforms to education and training systems) particularly in Convergence regions (where it also funds support to increase participation in education and training throughout the life-cycle; and the development of human potential in research and innovation).

Further, the ERDF in 2007-13 provides funding for local development initiatives that create new jobs, and education investments (including in vocational training) but only in Convergence regions.<sup>39</sup>

The focus on employment and education is increasing in 2014-20, due to the close orientation of Cohesion policy to the Europe 2020 Strategy, the use of ex ante conditionalities, and responses to the impact of the crisis. Three of the thematic objectives relate directly to employment and education, namely: promoting employment and supporting labour mobility; promoting social inclusion and combating poverty; and investing in education, skills and lifelong learning.<sup>40</sup>

Additionally, in 2014-20 the ESF will account for at least 25 percent of Structural Funds resources for less developed regions, 40 percent for transition regions and 52 percent for more developed regions in each Member State.<sup>41</sup> At least 20 percent of ESF resources in each Member State will be allocated to the thematic objective 'promoting social inclusion and combating poverty'.<sup>42</sup>

The ESF in 2014-20 will promote employment and labour mobility (including through support for access to employment for job-seekers; the labour market integration of young people not in employment, education or training); support for self-employment and business creation; gender equality; the adaptation of workers and enterprises to change; active and healthy ageing; and the modernisation and strengthening of labour market institutions). It will also invest in education, skills

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<sup>38</sup> European Parliament and the Council of the European Union (2006) Regulation (EC) No 1081/2006 of 5 July 2006 on the European Social Fund and repealing Regulation (EC) No 1784/1999, *Official Journal of the European Union*, 31.7.2006, Article 3.

<sup>39</sup> European Parliament and the Council of the European Union (2006) Regulation (EC) No 1080/2006 of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999, *Official Journal of the European Union* L 210, 31.7.2006, Article 4.

<sup>40</sup> European Commission (2013) *Amended proposal for a regulation of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund covered by the Common Strategic Framework and laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Council Regulation (EC) No 1083/2006*, Brussels, 22.4.2013 COM(2013) 246 final 2011/0276, Article 9.

<sup>41</sup> *Ibid*, Article 84.

<sup>42</sup> European Commission (2011) *Proposal for a regulation of the European Parliament and of the Council on the European Social Fund and repealing Council Regulation (EC) No 1081/2006*, Brussels, 14.3.2012, 607, Article 4.

and life-long learning (with interventions aimed at reducing early school-leaving and promoting equal access to good quality education; improving tertiary education; enhancing access to lifelong learning; upgrading the skills of the workforce; and increasing the labour market relevance of education and training systems). In addition, the ESF will promote social inclusion and combat poverty (through active inclusion; the integration of marginalised communities such as the Roma; combating discrimination; enhancing access to affordable, sustainable and high-quality services; promoting the social economy; and supporting community-led local development strategies).

Moreover, in 2014-20, the ERDF will include funding for: promoting employment and supporting labour mobility (including support for self-employment, local development initiatives, and infrastructure for public employment services), as well as investment in infrastructure aimed at promoting social inclusion and combating poverty, and also education and training infrastructure.<sup>43</sup>

In 2014-20, the Multi-Annual Financial Framework will include an additional financial instrument, the Youth Employment Initiative of March 2013,<sup>44</sup> which will focus on young people not in employment, education or training in EU regions with a youth unemployment rate of over 25 percent in 2012. This builds on steps taken to reorient Cohesion policy more strongly towards young unemployed people during the 2007-13 period in response to the crisis/downturn.<sup>45</sup>

### 4.3 Regional policy instruments in EoRPA countries

Countries vary in terms of the extent to which regional policy instruments explicitly target labour market issues, depending in part on the degree of regional disparities in un/employment rates, and in part on the role of regional policy in the broader national and regional policy mix. However, while the main goal of many regional policy instruments is to promote economic growth (e.g. by supporting business investment and innovation), it is also expected that such instruments will also have a positive effect on un/employment rates within the target regions.

Table 3 provides a typology of domestic regional policy interventions that are explicitly focused on employment and skills, and categorised on the basis of their thematic and geographical focus. More detail on specific instruments can be found in Annex 2 (or, for those instruments not included in the Annex, in the EoRPA Country Reviews for 2013).<sup>46</sup> Table 3 does not cover broader types of regional policy intervention, notably regional investment aid to businesses (unless it specifically targets job creation or safeguarding), and public investment in transport infrastructure aimed at facilitating commuting (Poland) or at 'enlarging' local/regional labour markets (Norway, Sweden).

A first set of instruments includes the provision of various forms of **aid to businesses for creating and safeguarding jobs**, for example:

<sup>43</sup> European Commission (2011) *Proposal for a regulation of the European Parliament and of the Council on specific provisions concerning the European Regional Development Fund and the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006*, Brussels, 6.10.2011, COM(2011) 614 final, Article 5.

<sup>44</sup> European Commission (2013) *Youth Employment Initiative*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Strasbourg, 12.3.2013, COM(2013) 144 final.

<sup>45</sup> European Commission (2013) *EU Cohesion policy contributing to employment and growth in Europe*, Joint paper from the Directorates-General for Regional & Urban Policy and Employment, Social Affairs & Inclusion.

<sup>46</sup> EPRC (2013) *EoRPA Country Reviews*, Paper 13/2 prepared for the 34<sup>th</sup> meeting of the EoRPA Regional Policy Research Consortium at Ross Priory, Loch Lomondside on 6-8 October 2013, Glasgow.

- Wage subsidies to firms for creating highly skilled jobs, in the form of direct grants (e.g. Germany's Regional Joint Task);
- Tax credits (equivalent to a proportion of wage costs) for firms that create net new jobs employing 'disadvantaged' workers (e.g. Italy's Tax credits for new stable in employment in the South);
- Relief on social security contributions (e.g. Norway's Social Security Concession which has higher rates in the Action Zone, and France's Work and Employment' programme where relief is targeted at Rural Renewal Zones and Employment Zones under Renewal);
- Regional investment aid which is conditional on job creation/safeguarding (e.g. United Kingdom's regional aid schemes [Scotland and Northern Ireland]).

A second set of instruments takes the form of ***aid for start-ups or self-employment***, for example, focused on:

- Innovative start-up companies in particular sectors or activities (e.g. Italy's Scheme for innovative start-ups);
- Assisting young people who are out of work to become self-employed (e.g. Italy's Self-employment scheme).

A third set of instruments ***targets improvements in the supply of human capital***, for example:

- Funding to expand higher and further education opportunities in structurally weak regions (e.g. Scotland's University of the Highlands and Islands, based on a network of existing colleges and research centres);
- Funding to construct and equip training facilities that can be used by a range of employers (e.g. Germany's Regional Joint Task);
- Aid to firms for training staff (e.g. Germany's Regional Joint Task support for human capital in SMEs, or Norway's support for developing skills not available locally, or Italy's Labour and development scheme which funds apprenticeships in firms);
- Aid to firms to assess workers' motivation, mobility and skills (e.g. the Netherlands' Northern Innovation Support Facility);
- Vocational business-oriented training and work experience projects for school-students and young people (e.g. funded under Switzerland's New Regional Policy);
- Agreements between central government and major cities that involve the devolution of financial powers to the cities, including in fields such as training and apprenticeships (e.g. United Kingdom's [England] City Deals).

A fourth set of instruments involves packages of support that address regional/local issues concerning both labour supply and demand, and ***targets areas affected by sudden structural change*** (including military restructuring) or the closure of a major employer. Packages of support may include the provision of business aid, start-up aid, and retraining/advice for redundant workers, whether funded from public sources (e.g. in Finland, France and Norway) or business sources (e.g. France's Regeneration Agreements);

A fifth set of instruments aims ***to improve the matching of the supply and demand of labour*** and particular skills, either within or between regions, for example via:

- Nationwide strategic and partnership-based approaches to addressing skill mismatches, with regional strategy-building and delivery (e.g. Sweden's Regional Competence Platforms, the Netherlands' Technology Pact 2020, and the pilot scheme for skill strategies in the Local Enterprise Partnerships in the United Kingdom [England]);
- Regionally- or locally-led strategic and partnership-based approaches to addressing skill mismatches (e.g. Germany's *Land* strategies, such as *Land* Mecklenburg-Vorpommern's Workforce Skills Alliance).

A sixth set of instruments combines two goals, by aiming **to enhance the supply of (skilled) labour and also to improve social well-being**, often by providing support to specific groups of people, for example:

- Funding for employers, especially outside the business sector, to create new jobs for low skilled young people (e.g. France's Future-Oriented Jobs scheme);
- Funding aimed at attracting and retaining women and families to structurally weaker regions (e.g. Norway's reduction in personal income tax, the partial write-down of student loans and higher child benefit in the northern Action Zone);
- Small-scale funding for local development projects, including training (e.g. the United Kingdom's Coastal Communities Fund);
- Regional strategies that take a comprehensive approach to measures for improving labour supply, including support for vulnerable target groups (e.g. Poland's Regional Action Plans for Employment, or Scotland's Youth Employment Strategy);
- Central government funding to regional entities to provide support for labour supply, including for vulnerable target groups (e.g. Finland's ELY funding for the promotion of employment).

A seventh set of instruments focuses primarily on **social well-being**, for example income allowances for households without work but with children or elderly dependents, in countries without extensive welfare systems (e.g. Italy's New Social Card, which is co-funded by Cohesion policy).

A final set of instruments which is sometimes focused on addressing skill mismatches, is to mobilise various public, private and non-profit bodies that are active in the field of employment, education and training in particular regions or local areas, and **to enhance policy coordination and pilot actions** in the field of regional employment policy. These include regional partnerships that aim to improve links between employment policy and other policies, with a view to enhancing the regional employment situation (e.g. Austria's Territorial Employment Pacts, and France's Territorial management of employment and skills scheme). Other countries focus on strengthening cooperation between educational institutions (including universities), businesses and other stakeholders at a regional level (e.g. Finland, Poland).

**Table 3: Selected regional policy interventions for employment and skills in EoRPA countries**

	Matching labour supply & demand	Packages of support aimed both labour demand & supply	Wage subsidies / tax relief for job creation	Aid for start-ups	Supply of human capital	Supply of (skilled) labour & social well-being	Social well-being	Policy coordination & pilot actions for employment
Support provided to structurally weak regions only		<b>FI:</b> Packages for regions affected by sudden structural change <b>FR:</b> Regeneration agreements <b>NO:</b> Special intervention packages in areas affected by sudden change	<b>DE:</b> Regional Joint Task wage subsidies to firms for creating highly skilled jobs <b>FR:</b> Relief on social contributions in target zones <b>IT:</b> Tax credits to firms for employing disadvantaged people <b>UK SCOT &amp; NI:</b> Business aid for job creation/safeguarding	<b>IT:</b> Self-employment scheme for young people, and Scheme for innovative start-ups	<b>DE:</b> Regional Joint Task support for human capital in SMEs, and for constructing training facilities <b>IT:</b> Funding for apprenticeships <b>NL:</b> NIOF aid for workforce assessments <b>CH:</b> Vocational training & work experience for young people <b>UK:</b> University of the Highlands & Islands	<b>NO:</b> Partial write-down of student loans; higher child benefit <b>UK:</b> Coastal communities funding for training		
Support favours structurally weak regions			<b>NO:</b> Social security concession		<b>NO:</b> Funding for firms to develop skills not available locally	<b>PL:</b> Regional action plans for employment <b>FR:</b> Aid for future-oriented jobs	<b>IT:</b> New social card	
Central/regional government support (regional delivery)	<b>NL:</b> Technology Pact 2020 <b>SE:</b> Regional competence platforms				<b>UK:</b> City Deals	<b>FI:</b> ELY support for young and long-term unemployed		<b>FR:</b> Territorial management of employment & skills
Regional government support	<b>DE:</b> Land /regional strategies/ actions					<b>UK/SCO:</b> Youth employment strategy		<b>AT:</b> Territorial Employment Pacts

**Source:** EPRC research.



## 5. EVALUATIONS OF THE LABOUR MARKET EFFECTS OF REGIONAL POLICY

Evaluations of the impact of regional policies on employment and skills usually fall into one of two categories. First, national and regional governments undertake or commission evaluations of the effects of regional policy instruments on job creation and safeguarding, with a particular emphasis on regional aid schemes, partly because other instruments are smaller and so are more difficult to evaluate in quantitative terms. Second, the European Commission and programme managing authorities fund evaluations of the effects of Cohesion policy programmes and projects on job creation and skills, either using macroeconomic modelling where EU funding is significant, or using microeconomic and case study methods. Outside the sphere of regional policy, national/regional governments may also evaluate the effects of broader domestic active labour market policies.

### 5.1 Studies on the labour market effects of regional investment aid schemes

Microeconomic evaluations of the impact of regional investment aid schemes on job creation and safeguarding have been undertaken in a number of countries, including the following examples from German, Norway and the United Kingdom. In each case, the employment effects were found to be positive and significant, suggesting that these types of schemes are cost-effective ways of promoting employment and skills – although also raising questions about the durability of the impacts.

In Germany, the Federal Ministry for the Economy and Technology has commissioned two recent studies of the effects of Regional Joint Task investment aid on job creation in structurally weaker areas. The first study included a micro-econometric impact analysis, which compared 4,622 firms aided by the GRW in 2001-06 with non-aided firms with similar characteristics (e.g. business location, sector, size, skills, type of activity, age of firm and previous record of growth).<sup>47</sup> It found that employment in aided firms grew by an annual average of 1.9 percent between the year of aid and 2008, while employment in non-aided firms fell by 6.8 percent annually. A second study repeated the analysis with a specific focus on GRW impact on different-sized firms, and this showed that the effects of the GRW vary only marginally between small, medium-sized and large firms.<sup>48</sup>

In Norway, an evaluation was undertaken in 2011 of the Social Security Concession, which provides graduated relief from social security contributions such as payroll tax and personal tax, with zero rates applying in northern Action Zone (made up by the county of Finnmark and seven municipalities in the county of Troms).<sup>49</sup> The study found that, if social security relief were no longer available, there would be a negative impact on employment in short-term. After 12 months, however, this effect would be seen only in service sector firms and not in industrial firms. The analysis also suggested that industrial enterprises were more likely than service firms to use the gains from tax relief to raise wages or take

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<sup>47</sup> Bade, F-J and Alm, B (2010) *Evaluierung der Gemeinschaftsaufgabe 'Verbesserung der regionalen Wirtschaftsstruktur' (GW) durch einzelbetriebliche Erfolgskontrolle für den Förderzeitraum 1999-2008 und Schaffung eines Systems für ein gleitendes Monitoring*, Dortmund.

<sup>48</sup> Bade, F-J (2013) *Bedeutung und Wirksamkeit der Förderung größerer Unternehmen durch den gewerblichen Investitionszuschuss im Rahmen der Gemeinschaftsaufgabe „Verbesserung der regionalen Wirtschaftsstruktur“ (GRW)*, Dortmund.

<sup>49</sup> Angell, E, Eikeland, S, Grünfeld, L, Lie, I, Myhr, S, Nygaard, V and Tiltakssonen, P (2011) *Finnmark og Nord-Troms - utviklingstrekk og gjennomgang av virkemidlene*, Alta: Northern Research Institute (NORUT).

profits, rather than hiring more workers. Moreover, over a five year period, the study found that the relief had no clear effects on employment.

In the United Kingdom, the most recent evaluation of regional aid in England<sup>50</sup> found a positive and significant effect on job creation in 2004-06, estimating that 4,289 net additional jobs were created and that 8,884 jobs were safeguarded. Other benefits were found to include higher value-added, physical regeneration, skill enhancement, and expansion of supplier networks. The most recent study of regional investment aid in Scotland estimated that between 2,944 and 7,615 net additional jobs were created in 2000-04,<sup>51</sup> while the latest study on Northern Ireland concluded that 2,876 net additional jobs were generated by regional aid in 2004-06.<sup>52</sup>

## 5.2 Cohesion policy evaluations

Although there have been many evaluations of Cohesion policy programmes and projects since the 1990s, information on impacts is limited. Estimates of macroeconomic impact vary, depending on the assumptions underpinning the models used (e.g. HERMIN or QUEST), and in any case can only be used in countries where EU funding accounts for a measurable percentage of GDP. Microeconomic studies are hampered by weaknesses in output indicators and monitoring systems,<sup>53</sup> as well as difficulties in estimating net impacts (or Community added value), for example where the ESF co-finances Member States' mainstream active labour market policies.<sup>54</sup> Partly because of these data and methodological issues, but also due to weaknesses in strategic design and implementation in some Member States, many evaluations focus wholly or primarily on process issues.<sup>55</sup>

However, some evaluations have endeavoured to assess effects, drawing on monitoring data and a combination of microeconomic and qualitative methods. One recent study has focused on four in-depth case studies (in Flanders, northern Italy, Hungary and Poland) of ESF investment in human capital,<sup>56</sup> while another has drawn on eight case studies (in Austria, Italy, Lithuania, Netherlands, Poland, Spain, Sweden and the United Kingdom) of ESF funding for life-long learning.<sup>57</sup> Clearly, ERDF interventions may also contribute to job creation and safeguarding (as well as upgrading education and training infrastructure in poorer Member States). In 2013, the EU's Evaluation Network of independent experts produced 27 national studies assessing the current and future use of the 'jobs created' indicator as a measurement of the outcomes of ERDF programmes (as well as other

<sup>50</sup> Hart, M, Driffield, N, Roper S and Mole, K (2008) Evaluation of Regional Selective Assistance (RSA) and its successor, Selective Finance for Investment in England (SFIE), *BERR Occasional Paper No 2*.

<sup>51</sup> Hart, M, Driffield, N, Roper S and Mole, K (2008) *Evaluation of the Regional Selective Assistance (RSA) scheme in Scotland in 2000-2004*, Report to the Scottish Government, Edinburgh.

<sup>52</sup> Hart, M, Driffield, N, Roper S and Mole, K (2007) *Evaluation of Selective Financial Assistance (SFA) in Northern Ireland 1998-2004*, report to the Department of Enterprise, Trade and Investment.

<sup>53</sup> LSE Enterprise, Vision & Value, Red2Red Consultores, Expanzió Consulting, and Deutschland Denken! e.V (2010) *Ex post evaluation of the European Social Fund (2000-2006)*, Final report to the European Commission.

<sup>54</sup> Metis and University of Glasgow Training Research Unit and Metis (2012) *Access to employment*, Final synthesis report to the European Commission, Glasgow and Vienna.

<sup>55</sup> Monnier, E, Urth, H, de Vet, J and Rampton, J (2011) *Evaluation of the capacity of the ESF delivery systems to attract and support OP target groups*, Final report to the European Commission, Euréval, Rambøll and Ecorys

<sup>56</sup> Euréval, Ecorys and Rambøll Management (2010) *Study on the return on ESF investment in human capital*, Final report to the European Commission, Brussels.

<sup>57</sup> Ecorys (2012) *Evaluation of the ESF support to lifelong learning*, Final Report to the European Commission.

indicators e.g. creation of net jobs, and average costs per job).<sup>58</sup> A key concern is the comparability of data and the extent to which data can be meaningfully aggregated.

Moreover, European Commission data suggest that the ERDF and Cohesion Fund together facilitated the creation of around 340,000 gross jobs in 2007-11, although there are uncertainties around data reliability.<sup>59</sup> It also estimates that there were around 49.4 million participants in ESF-funded interventions in 2007-11, of whom 35.3 percent were in employment, 32.4 percent were unemployed, and 32.3 percent were inactive (including people in education and training).

### 5.3 Analyses of active labour market policies (ALMPs)

Active labour market policies are generally defined as interventions that aim to reduce unemployment rates by improving job brokering and matching (e.g. via public employment services and tailored advice), upgrading and adapting the skills of unemployed people, and directly creating jobs for unemployment people (e.g. via wage subsidies and aid for self-employment).<sup>60</sup> This type of support has been pursued in a number of northern European countries since at least the 1990s,<sup>61</sup> and has been mainstreamed throughout EU countries in the 2000s via ESF funding. This approach has expanded in response to the financial and economic crisis in a number of countries, with funding often being targeted on reduced working schemes.<sup>62</sup>

Most studies are based on microeconomic methods that draw on aggregated survey data on individuals to estimate effects, although some macroeconomic studies have also been undertaken.<sup>63</sup> The effectiveness of ALMPs varies between types of intervention. One study, for example, suggests that wage subsidies, self-employment grants and tailored advisory services are relatively effective, whereas training programmes show more variable success.<sup>64</sup> However, there is also concern that data on outcomes may be unreliable, if ALMPs simply interrupt unemployment spells (e.g. through training periods or short-term subsidised work placements).

More generally, impact depends on the broader institutional and economic context.<sup>65</sup> From a regional development perspective, studies suggest that ALMPs are likely to be more effective in regions with

<sup>58</sup> Ward, T, Greunz, L and Botti, S (2013) *Job creation as an indicator of outcomes in ERDF programmes*, Synthesis report for the European Commission by the Expert evaluation network delivering policy analysis on the performance of Cohesion policy 2007-2013, Brussels.

<sup>59</sup> European Commission (2013) *Cohesion policy: Strategic report 2013 on programme implementation 2007-2013*, Staff working document accompanying the report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, SEC 129.

<sup>60</sup> Calmfors, L (1994) Active Labour Market Policy and Unemployment – A Framework for the Analysis of Crucial Design Features, *OECD Economic Studies*, No. 22, pp. 7-49.

<sup>61</sup> Kluve, J, Card, D, Fertig, M, Góra, M, Jacobi, L, Jensen, P, Leetmaa, R, Nima, L, Patacchini, E, Schaffner, S, Schmidt, C, van der Klaauw, B and Weber, A (2005) *Study on the effectiveness of ALMPs*, Report to the European Commission. M. Bengtsson (2012) *Transformation of labour market policies in the Nordic countries*: Paper to the ILERA World Congress 2012, 2-5 July 2012, Philadelphia, Pennsylvania, pp. 1-25.

<sup>62</sup> Metis and WIW (2012) *Evaluation of the reaction of the ESF to the economic and financial crisis*, Report to the European Commission. Hurley, J (2010) *Financing and operating active labour market programmes during the crisis*, Background paper, European Foundation for the Improvement of Living and Working Conditions, Dublin

<sup>63</sup> Hujer, R, Blien, U, Caliendo, M and Zeiss, C (2002) Macroeconometric Evaluation of Active Labour Market Policies in Germany – A Dynamic Panel Approach Using Regional Data, in Carloeo, F and Destefanis, S (eds.) *The European Labour Market - Regional Dimensions*, Heidelberg: Physica-Verlag, pp. 287-310.

<sup>64</sup> Kluve et al. (2005) *op. cit.*

<sup>65</sup> Bonoli, G (2010) The Political Economy of Active Labor-Market Policy, *Politics & Society* 38 (4) 435-57.

Vlandas, T (2013) Mixing apples with oranges? Partisanship and active labour market policies in Europe, *Journal of European Social Policy* 23 (1) 3-20.

strong demand for labour but weaknesses in labour supply.<sup>66</sup> In contrast, they are less likely to be able to reduce unemployment rates in regions with limited labour demand unless they also contribute to higher out-migration or commuting out of the region.

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<sup>66</sup> Martin, R, Nativel, C and Sunley, P (2003) *op. cit.* Turok, I and Webster, D (1998) The New Deal: jeopardised by the geography of unemployment? *Local Economy* 12 (4). pp. 309-28.

## 6. CONCLUSIONS AND ISSUES FOR DISCUSSION

### 6.1 Conclusions

Regional labour market disparities have long been a concern of regional policy, which typically aims to increase employment opportunities and to reduce unemployment rates in structurally weaker regions, as well as to enhance workforce skills, and raise participation and employment rates among disadvantaged groups in lagging regions or all regions. The aim of this paper is to examine the different rationales for regional policy intervention on the labour market, as well as the varying approaches taken in European countries and regions to this dimension of policy, and evidence of regional policy impact on the labour market.

This paper has shown that there are a number of different approaches to conceptualising regional labour market disparities, which may emphasise adjustment mechanisms across regions, the role of regional demand, the importance of cumulative causation processes, and the effects of inequality on regional labour markets.

In terms of regional labour market disparities in Europe, the paper has shown that there is clear variation across countries. Data on national unemployment and employment rates, as well as on the dispersion of regional unemployment and employment rates at NUTS 2 level, in 2008-12 were used to group countries as follows:

- good national labour market performance and low regional dispersion: Denmark, the Netherlands, Norway, Sweden and the United Kingdom;
- Good national labour market performance and mixed results on regional dispersion: Austria, the Czech Republic, Finland, Germany and Switzerland;
- poor national labour market performance and low regional dispersion: France, Greece, Poland and Portugal;
- mixed results on national labour market performance and high regional dispersion: Belgium, Italy and Romania;
- poor national labour market performance and high regional dispersion: Bulgaria, Hungary, Slovakia and Spain.

The same datasets were used to examine changes in national and regional labour market performance in 2008-12, as a means of assessing the impact of the financial crisis and economic downturn. This allowed countries to be divided into six groups:

- an improved national labour market performance and a reduction in regional dispersion: Germany;
- an improved national labour market performance and variable trends in regional dispersion: Austria;
- a deteriorated national labour market performance and a reduction in regional dispersion: Belgium, Finland, Hungary, Italy, the Netherlands, Norway and Portugal;
- a deterioration in both national labour market performance and in regional dispersion: France, Romania and Sweden;
- a deteriorated national labour market performance and variable trends in regional dispersion: Bulgaria, the Czech Republic, Denmark, Greece, Slovakia, Spain and the United Kingdom;

- variable trends at national level and a deterioration in regional dispersion: Poland and Switzerland.

Regional policy goals and types of instrument vary between countries, depending on the type and extent of regional labour market disparities, as well as the role of regional policy relative to other policy fields. A number of possible options have been identified, namely:

- raising regional demand by providing aid to businesses for creating and safeguarding jobs and also aid for start-ups or self-employment;
- increasing the supply of educated and skilled workers, through various types of investment and support for education and training;
- addressing local instances of significant industrial restructuring, often involving packages of support targeted on both the demand and supply side;
- improving the matching of labour demand and supply, through a range of interventions focused on skill shortages and mismatches;
- enhancing individual and social well-being, via support for poorer households or aimed at facilitating the labour market participation of particular socio-economic groups; and
- building or extending regional partnerships that aim to improve links between employment policy and other policies, or between educational institutions, businesses and policy-makers.

## **6.2 Issues for discussion**

The paper allows a number of issues for discussion to be identified:

The paper allows a number of issues for discussion to be identified:

### **6.2.1 *Regional labour market disparities***

What are the latest regional labour market trends in your country, especially at a finer level of analysis (e.g. NUTS 3 or NUTS 4)?

Do you focus on unemployment rates, employment rates and/or the quality of employment (e.g. pay levels, working conditions, job security)?

What do you see as the main reasons for poor labour market performance in structurally weaker regions in your country (e.g. low labour demand, lack of human capital, poor labour matching...)?

### **6.2.2 *Policy goals and instruments***

How important is the goal of employment creation in your country's regional policy (e.g. in comparison to the goal of supporting business investment and innovation)?

Is the focus on 'enlarging' regional/local labour markets specific to low population density countries (e.g. Norway, Sweden) or could it have wider applicability?

### **6.2.3 Institutional issues**

What are the benefits of coordination-based approaches for regional employment policies? Why should they be implemented at a regional level? Is this approach especially important for employment/skills (e.g. in contrast to support for innovation or business investment)?

Are you planning or undertaking further evaluations of the labour market impact of regional policies? What methods are you using?

## ANNEX 1

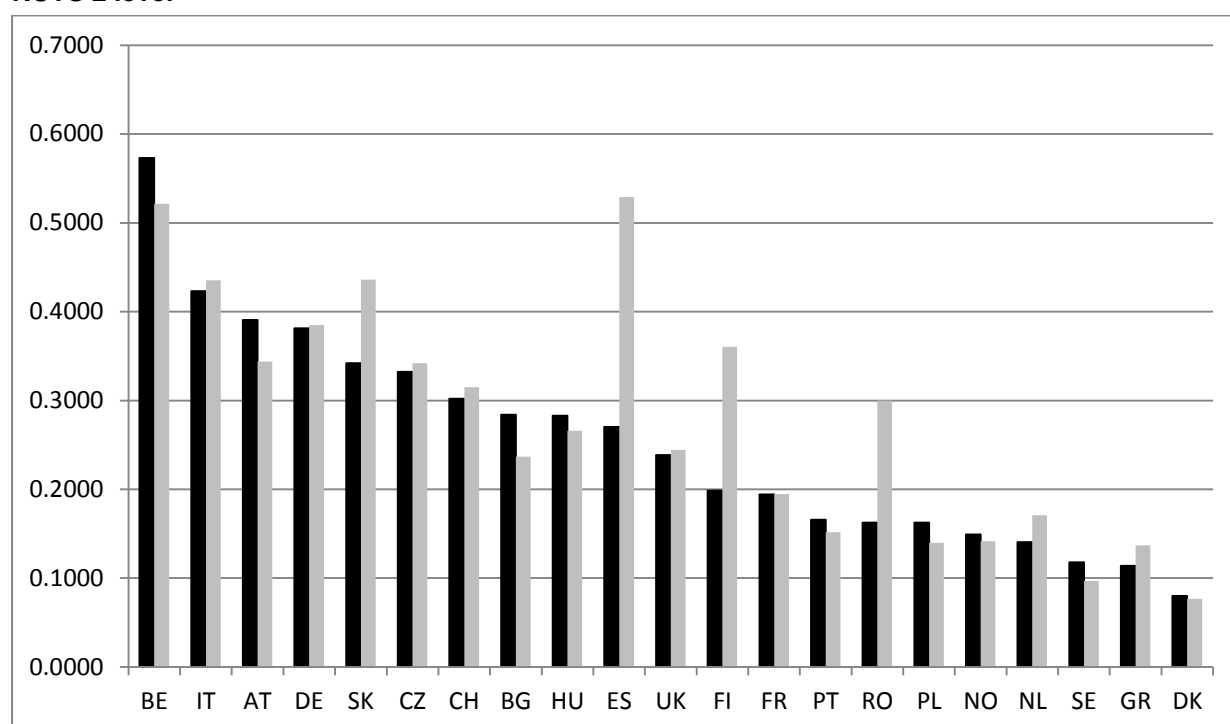
**Table A1: National labour market indicators, average figures for 2008-12**

	Employment rate	Employment rate people aged 55-64	Part-time workers (% of total employment)	Unemployment rate	Unemployment rate of women	Unemployment rate of people aged under 25 years
EU28	68.9	46.7	19.1	9.2	9.3	20.3
BE	67.4	37.1	24.0	7.6	7.8	20.2
BG	66.2	45.2	2.4	9.2	8.6	20.4
CZ	71.2	47.6	5.5	6.4	7.6	16.5
DK	76.8	59.1	25.6	6.4	6.1	12.4
DE	75.2	57.8	26.3	6.7	6.5	9.7
EE	71.2	58.9	9.9	11.8	10.3	23.1
IE	66.3	50.9	22.1	12.2	9.0	24.9
GR	62.3	40.6	6.5	14.3	18.1	36.1
ES	63.1	44.3	13.3	19.2	19.9	40.7
FR	69.5	40.6	17.6	9.4	9.8	22.9
HR	59.1	37.3	9.2	11.7	12.3	31.7
IT	61.6	37.0	15.2	8.4	9.8	27.8
CY	74.1	54.5	9.4	7.0	7.0	17.9
LV	68.5	52.8	8.7	14.9	13.3	29.5
LT	67.9	51.0	8.3	13.2	10.8	27.0
LU	70.3	38.4	18.3	4.9	5.8	16.8
HU	61.1	34.3	6.0	10.2	10.0	25.4
MT	60.5	30.6	12.5	6.6	7.2	13.5
NL	77.7	55.3	48.7	4.1	4.3	8.0
AT	75.1	41.8	24.8	4.3	4.3	8.8
PL	64.8	34.7	8.2	8.9	9.6	22.8
PT	70.1	48.8	12.5	11.3	12.2	28.1
RO	63.6	41.6	10.3	6.9	6.0	21.6
SI	70.4	33.5	10.2	6.9	7.1	15.0
SK	66.0	40.7	3.7	12.7	13.4	29.7
FI	74.0	56.7	14.4	7.7	7.2	19.7
SE	79.1	71.1	26.7	7.8	7.7	23.3
UK	74.1	57.5	26.5	7.4	6.6	19.2
NO	80.3	69.4	28.3	3.1	2.8	8.6
CH	81.8	68.9	35.1	4.0	n.a.	n.a.

**Source:** EPRC calculations based on Eurostat.



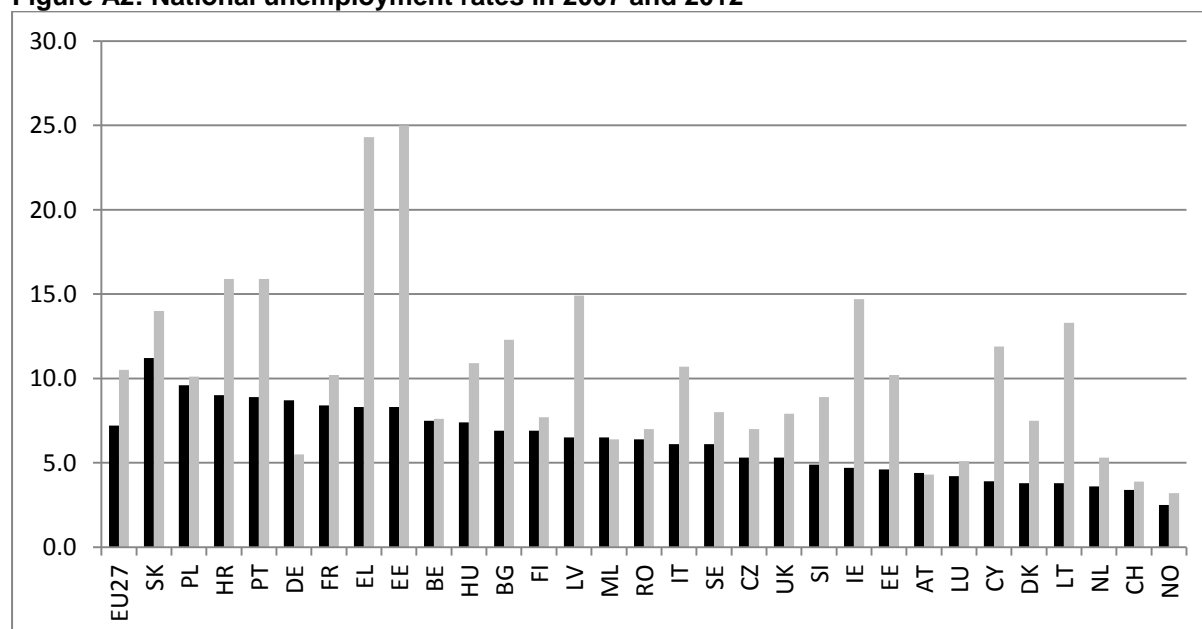
**Figure A1: Weighted and non-weighted regional dispersion of unemployment rates, 2009-12 at NUTS 2 level**



**Source:** EPRC calculations based on Eurostat data.

**Notes:** 1. Data are for NUTS 2 regions. Croatia, Cyprus, Estonia, Ireland, Latvia, Lithuania, Luxembourg, Malta and Slovenia are therefore excluded because each has only one or two NUTS 2 regions. 2. Population weighted data are showed in black and non-weighted data in pale grey. 3. Regional dispersion is shown as the coefficient of variation (standard deviation divided by the mean).

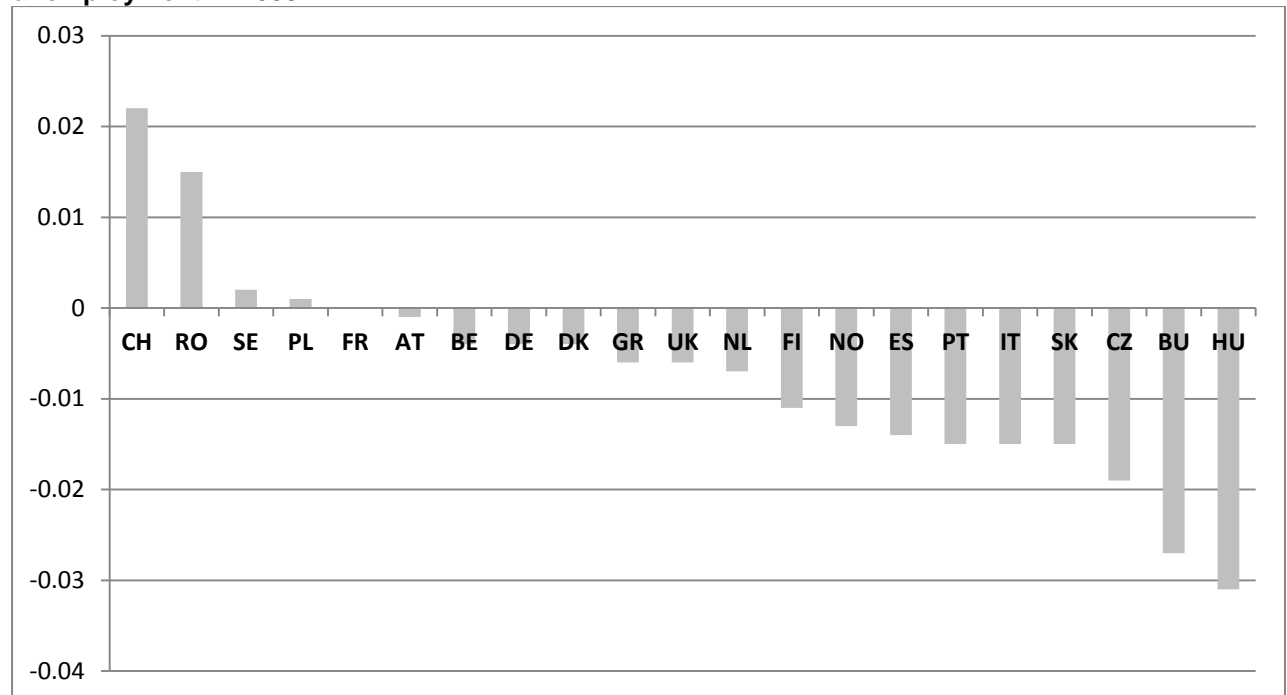
**Figure A2: National unemployment rates in 2007 and 2012**



**Source:** EPRC calculations based on Eurostat data.

**Note:** Data for 2007 are shown in black, and data for 2012 are shown in grey.

**Figure A3: Annual average percentage point change in the dispersion of regional unemployment in 2008-12**



**Source:** EPRC calculations based on Eurostat data.

**Notes:** 1. Data are for NUTS 2 regions. Croatia, Cyprus, Estonia, Ireland, Latvia, Lithuania, Luxembourg, Malta and Slovenia are therefore excluded because each has only one or two NUTS 2 regions. 2. Regional dispersion is shown as the population-weighted coefficient of variation (standard deviation divided by the mean).

## **ANNEX 2: CASE STUDIES OF REGIONAL POLICY SUPPORT FOR EMPLOYMENT AND SKILLS**

### **7. SUPPORT FOR MATCHING LABOUR SUPPLY AND DEMAND**

#### **7.1 Netherlands: Technology Pact 2020 (Techniekpact 2020)**

##### **7.1.1 *Explicit goals***

The Technology Pact of May 2013 aims to ensure the supply of highly skilled technical staff, with a view to maintaining the Netherlands' role as a leading country in terms of competitiveness, innovation, scientific research and education. In particular, it focusing on engineering education and training at all levels (i.e. primary, secondary, vocational, higher education and training for work) and aims to match engineering skills more closely with labour market demand.

##### **7.1.2 *Governance***

The policy is a collaborative effort between the national Ministry of Economic Affairs, Social Affairs and Employment and the Ministry of Education, Culture and Science, in partnership with other organisations, including employers' and employees' organisations, sectoral organisations, business representatives from leading sectors ('top sectors'), universities, and the five regions (*landspart*) (North, East, Southeast, Southwest Wing and Northwest Wing). The Pact is based on cooperation between education institutions, businesses and employees, which is seen as key to ensuring that engineering is an attractive subject to study and that the needs of the labour market are met.

##### **7.1.3 *Types of intervention***

The Technology Pact identifies 22 separate measures, which are grouped into three lines of action:

First, 'going for technology' aims to encourage more school pupils to study in the field of technology e.g. through the following measures:

- The inclusion of science and technology on the curricula of all primary schools by 2020;
- Government funding of €100 million to employ more science teachers in secondary schools and to allow teacher training programmes to devote more attention to technology. From 2014, technology will be a compulsory subject on teacher training programmes;
- An online technology education portal ([techniek-onderwijs.nl](http://techniek-onderwijs.nl)), set up by business and targeting primary, secondary and vocational schools.

Second, 'learning in technology' aims to ensure that more school pupils and students with a technical qualification progress to a job in technology e.g. through the following measures:

- An investment fund to which central government, employers and the regions will each contribute €100 million, and which will invest in public-private education partnerships within the region;
- Continued higher funding for students following technology programmes in schools offering senior secondary vocational education;

- Business internships or combined work-study places for all students following a technology programme;
- Business funding for 1,000 scholarships annually for technology-related study programmes at the universities of applied sciences in the designated top sectors.

Third, 'working in technology' aims to retain technology workers in the technology sector, and to find alternative jobs in technology for people with a technology background whose jobs are under threat or who have been marginalised e.g. through the following measures:

- Plans, to be produced by the social partners in the technology sector, aimed at reducing the wastage of (young) workers, the accelerated re-entry of qualified technologists who have recently become unemployed, the upgrading of knowledge, on-going training, and the coaching of new recruits by experienced staff;
- Government funding of €300 million to co-finance plans for training programmes, schemes to help redundant workers find alternative work, and help for unemployed people to retrain for a job in the technology sector while keeping their unemployment benefit.

#### **7.1.4 Geographical targeting**

The Technology Pact covers the entire country but emphasises the need for implementation in the regions, as well as in individual sectors. Each of the five regions (North, East, Southeast, Southwest Wing and Northwest Wing) has developed its own Technology Pact, with specific actions under each of the three lines of action. Some regions (e.g. the Brainport region of Eindhoven) already have considerable experience in coordinating activities between private, public and academic sector in relation to technology.

#### **7.1.5 Funding information**

The Technology Pact is not funded from a single source. However, around 22 of the actions in the Technology Pact have dedicated budgets, including:

- €100 million of government funding to improve the identification of talented students in engineering subjects;
- An investment fund to which central government, employers and the regions will each contribute €100 million, and which will invest in public-private education partnerships within the regions;
- €209 million for stimulating apprenticeship placements.

#### **7.1.6 Information on outputs**

No information available.

## **7.2 Sweden: Regional competence platforms**

### **7.2.1 Explicit goals**

The aims of the competence platforms are to:

- Increase knowledge and oversight within the areas of skills supply and education;
- Coordinate needs analyses within the area of skills supply;
- Improve cooperation within skills supply and educational planning; and
- Increase knowledge on the supply and demand for educational forms.

In this context, the platforms aim to address the shortage of skills and labour which is seen to be affecting many regions in Sweden by a combination of one or more of the following strategic goals: developing competences, increasing labour supply, improving opportunities for commuting, attracting more people to the region, and facilitating immigration.

### **7.2.2 Governance**

Up until 2007, each county had a regional skills council (*regionala kompetensråd*) within its respective labour board, which coordinated different actors in order to strengthen regional skills supply. The regional skills councils were, however, discontinued in 2008 when the labour boards were closed. At the start of the economic downturn later in 2008, there was seen to be need for increased coordination with respect to skills supply and, in response, the Government appointed governors and other regional representatives to coordinate various actors during the downturn. Following this temporary initiative, the Government Directive of 2010 required each county (i.e. County Administrative Board, directly elected regional council or Municipal Cooperation Body) to establish a 'competence platform' (*kompetensplattform*).

### **7.2.3 Types of intervention**

In the short-term the regional competence centres focus on analysis and educational planning, as well as on more operational aspects such as communication and cooperation with different actors including polytechnics, study and career counsellors and employment advisers. Their long-term work focuses on the development of strategies and visions for future regional development. While competence or skills development is seen to take place in both the short- and long-term, others key goals (notably: increasing labour supply, improving opportunities for commuting, attracting more people to the region, and facilitating immigration) are perceived as longer-term issues.

### **7.2.4 Geographical targeting**

Following a Government request in 2010, each county (or region) has established a competence platform, although there are differences in approach between regions. Many regions have not had a specific model to follow and have faced limited resources. However, the region of Gävleborg has established local competence centres under the regional platform. The aim of these local competence centres is to create a stronger local presence and better links with workplaces. Most regions have incorporated skills issues into their long-term growth and development strategies, and have used the platforms to establish mutual understanding, agreement and improvements in multi-level governance.

### **7.2.5 Information on funding**

One of the biggest problems for the platforms is seen to have been the lack of financial resources.<sup>67</sup> However, the Government has now (for the first time) committed a total of SEK 60 million (€8.5 million) to strengthen and further develop the platforms in 2013-16, focused in particular on encouraging start-ups and increasing appropriate internal migration across the country, which in turn should help to address skill shortages.<sup>68</sup> At the regional level, this funding represents approximately SEK 700,000 (€99,000) annually over the four-year period.<sup>69</sup>

### **7.2.6 Information on outputs**

First, the platforms are seen to have improved working methods and networks, notably more systematic cooperation between educational institutes and employers. This should eventually lead to better skills development, in line with the future needs of the employers. Second, the platforms' prognoses and analyses are seen as important and as paving the way for constructive cooperation. Third, the platforms are viewed as providing a clear structure, which is seen useful both at present, and also as a quick starting point for any future economic downturn. Last, the platforms are seen to have generated new and additional training programmes.

### **7.2.7 Other information**

Action has also been taken at national level to improve skills supply. In 2010, the Government requested *Arbetsförmedlingen* (work placement service provider), the Agency for Economic and Regional Growth (*Tillväxvetket*), the Agency for Growth Policy Analysis (*Tillväxtanalys*) and the National Agency for Education (*Skolverket*) to improve coordination at the national level with regard to skills supply. The work has been carried out in consultation with the Higher Education Authority (*Högskoleverket*) and the Innovation Agency (Vinnova), as well as Statistics Sweden.

The aim has been to improve access to skills in the private and public sectors, and thereby strengthen national and regional growth, particularly by:<sup>70</sup>

- Coordinating and carrying out analyses of skills needs;
- Promoting national coordination and knowledge exchange between authorities responsible for policies relating to skills supply;
- Identifying barriers to cooperation in existing regulations, goals and objectives;
- Creating a joint structure for exchanging knowledge with regional competence platforms;
- Involving other relevant actors.

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<sup>67</sup> Tillväxtanalys (2013) *Strategier för regional kompetensförsörjning*, 2013:03.

<sup>68</sup> <http://www.regeringen.se/sb/d/16659/a/206398>

<sup>69</sup> Tillväxtanalys (2013) *Strategier för regional kompetensförsörjning*, 2013:03.

<sup>70</sup> *Myndighetssamverkan inom kompetensförsörjningsområdet*, Redovisning av regeringsuppdrag, 23 April 2012.

## **8. SUPPORT FOR BOTH LABOUR DEMAND AND SUPPLY**

### **8.1 Finland: Support for regions suffering from sudden structural changes**

#### **8.1.1 *Explicit goals***

The scheme aims to mitigate the effects of sudden structural change within a particular region or sector, which is leading to a rapid decline in employment, business closures and redundancies. It aims to bring various public and private actors together to address acute regional or sectoral needs through a package of economic development measures.

#### **8.1.2 *Governance***

The Ministry of Employment and the Economy has an established operating model for addressing sudden and extensive structural changes. If a specific region or sector is assessed as being affected by sudden structural change, measures can be launched immediately, based on cooperation between the ministry, local actors and businesses. As the emerging problems tend to vary in nature and type, this approach is seen to allow for versatile responses on a case-specific basis.

#### **8.1.3 *Types of intervention***

Aid can be awarded for projects that support dismissed employees to find a new job or to retrain; stimulate business investment in factories or other premises; the set-up of new business; support for entrepreneurship; and the building of basic infrastructure.<sup>71</sup>

#### **8.1.4 *Geographical targeting***

The areas suffering from sudden structural changes are located across the country, but particularly in the South of Finland. The number of such areas increased from ten to 13 in 2012-13, with new sub-regions including Oulu (north), Raasepori (south) and Kemiönsaari (south-west). In addition, the maritime industry has now been categorised as an industry suffering from sudden structural changes.

#### **8.1.5 *Information on funding***

Areas of sudden structural change are allocated significant national funding annually for firms' investment and development projects (see Table A2). For 2013, the Government has allocated €15 million to support areas faced where six military bases are to be closed, leading to a loss of 1,200 jobs. From 2013, funding is more closely tied to firms' investment and development projects than was the case in the past, with the aim of facilitating more flexible and rapid responses. Moreover, from 2014, there will be no earmarked EU Structural Funds for these areas, not least with the aim of ensuring that the measures are as rapid and flexible as possible.

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<sup>71</sup> Hytonen, J, Mella, I and Pousi, A (2011) *Äkillisen rakennemuutoksen alueet 2007-2011*, MEE-analysis 37/2011.

**Table A2: National (Nat.) and Structural Fund (SF) resources in areas undergoing sudden structural change (in million Euros)**

	ELY-Region	2007	2008		2009		2010		2011		2012	
		Nat.	Nat.	SF	Nat.	SF	Nat.	SF	Nat.	SF	Nat.	SF
South	Uusimaa	0	0	0	0	0	0	0	0	0	300	0
	Varsinais-Suomi	1,825	850	0	1,400	0	3,400	3,155	3,800	595	1,200	2,536
	Häme	0	1,950	1,949	2,070	2,932	1,530	1,436	1,130	522	750	500
	Kaakkois-Suomi	7,300	14,430	4,161	5,403	1,662	900	1,910	2,400	2,200	0	1,694
West	Satakunta	0	0	0	0	0	0	0	0	0	0	0
	Pirkanmaa	300	2,635	1,384	1,302	0	0	200	0	0	1,250	709
	Central Finland	2,575	4,425	2,663	0	0	0	350	0	0	2,350	840
	South-Ostrobothnia	0	0	0	0	0	0	0	0	0	0	0
East	Kainuu	0	0	0	0	0	0	0	0	0	0	0
	South Savonia	0	0	0	0	971		1,437	0	0	0	246
	North Savonia	0	5,900	3,281	4,429	3,450	2,600	3,693	680	1,805	250	1,625
	North Karelia	8,000	4,717	4,867	2,400	3,810	2,700	870	0	0	1,250	2,802
North	Ostrobothnia	0	0	1,568	0	2,700	2,100	1,970	0	0	0	0
	North Ostrobothnia	0	0	0	3,919	546	4,320	4,141	1,690	2,728	0	1,000
	Lapland	0	7,793	4,949	1,528	4,248	0	153	0	575	0	310
<b>Total</b>		20,000	42,700	24,822	22,450	20,319	17,550	19,314	14,200	12,368	7,350	12,262
Marine Industry		0	0	0	0	0	0	0	4,500	3,943	0	0°

Source: <http://www.tem.fi/index.phtml?s=3754> (accessed 24 May 2012).

### 8.1.6 Information on outputs

One study has concluded that the best use of public support for sudden structural change is to improving employment opportunities and regional competitiveness in the municipalities affected (rather than e.g. to prevent increases in municipal deficits).<sup>72</sup> In 2007-11, over 11,000 people lost their jobs in the areas of sudden structural change: 42 percent of these workers have found new employment; four percent are employed in supported employment; six percent are participating in education, re-training or up-skilling programmes; 12 percent have retired or are waiting for retirement; and 12 percent are unemployed.

<sup>72</sup> Honkatukia, J and Tamminen, S (2013) *Puolustusvoimauudistuksen aluetaloudelliset vaikutukset*, Government Institute for Economic Research, Valmisteluraportit 15.



## **8.2 France: Regeneration agreements**

### **8.2.1 Explicit goals**

The regeneration agreements (*conventions de revitalisation*) - which were introduced by the 2002 Law on Social Modernisation and the 2005 Framework Law on Social Cohesion - aim to mitigate the local economic effects of firm closures or mass redundancies, and to contribute to local job creation. Interventions must help to create at least the same number of jobs as those lost, depending on the area's potential. Moreover, the new jobs must be sustainable and well-skilled. The agreements are based on the principle that a firm has an explicit responsibility, not only to the individual workers who are made redundant but also vis-à-vis the broader territory surrounding their site.

### **8.2.2 Governance**

The agreements are negotiated between the firm and the State representative in the department (*préfet de département*), supported by the regional State office of the Ministries for Economy and Labour (i.e. the Regional Directorate for Businesses, Competition, Consumption, Work and Employment - *Direction Régionale des Entreprises, de la Concurrence, de la Consommation, du Travail et de l'Emploi*, DIRECCTE). During the process, local authorities, chambers and social partners are consulted on the content of the agreement. In addition, DATAR provides analytical tools for carrying out a needs analysis in preparation of the regeneration strategy. It also participates in meetings with the Ministry of Employment (and sometimes the Ministry for Industry) and ensures the overall coherence of the different instruments implemented in the area.

### **8.2.3 Types of intervention**

The three-year agreements define the types of intervention to be funded, focussing on job creation, employment promotion and the cushioning of the effects of the redundancies/closure. The approach is structured around a strategy, priority axes and actions, and the content of the agreement is tailored to local needs. A wide range of interventions can be implemented, including site rehabilitation; funding for new employment opportunities; business advice; funding for retraining; advisory services for unemployed people; support for the social economy; support for innovation, knowledge transfer and networking; studies and capacity-building; and business loans.

In 2012, the main activities related to direct grant or loan aid for job creation (48 percent), site rehabilitation (14 percent), support/advice for micro-firms and SMEs (11 percent) and, to a lesser extent, the development of skills and work experience.

### **8.2.4 Geographical targeting**

The agreement is targeted on the site or local area where the closed firm was located. The exact perimeter is typically at the level of one or several employment zones, and is negotiated between the firm and the State office, possibly drawing on a territorial analysis or impact assessment.

### **8.2.5 Information on funding**

The scheme's budget is mainly composed of contributions from the individual businesses which have closed down or made redundancies. According to the 'regeneration obligation', firms with more than

1,000 employees must contribute at least twice the value of the monthly minimum wage per redundancy. Firms undergoing liquidation or subject to insolvency proceedings are excluded, and exceptions may also be applied to firms in difficulty. In the case of non-compliance, the firm must pay four times the value of the monthly minimum wage per redundancy. Local authorities and the State can provide additional co-financing.

### **8.2.6 Information on outputs**

Since the introduction of the instrument in 2002, an average of 100 agreements has been concluded annually, amounting to around €50 million. In 2012, 127 agreements were signed, which is significantly fewer than in 2011 (186). This is partly because fewer firms announced restructuring projects in late 2011 and early 2012, and partly because of a rise in the number of firms undergoing liquidation or subject to insolvency proceedings and therefore unaffected by the regeneration obligation. The total amount of financial contributions was €41.8 million in 2012, considerably lower than in 2011 (€74.5 million) and 2010 (€117.5 million). According to the programme's performance report for 2012, the number of new jobs created (including temporary, short-term and open-ended contracts) was equal to 85 percent of the number of jobs lost. The target for 2013 is 60 percent.<sup>73</sup>

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<sup>73</sup> *PLR 2012 - extrait du RAP de la mission : Travail et emploi*, Version of 21.05.2013, p. 7/8.

## 9. BUSINESS AID TO ENCOURAGE LABOUR DEMAND

### 9.1 Germany: Regional Joint Task

#### 9.1.1 *Explicit goals*

The core goals of the Regional Joint Task (GRW) are to reduce the locational disadvantages of structurally weaker areas, to create permanent jobs in these areas (or safeguard existing permanent jobs) and to facilitate structural change. Most resources are allocated to business investment aid and business-oriented infrastructure but the GRW also (i) co-finances *Land* programmes that aim to develop the human capital of SMEs; (ii) provides wage subsidies to firms undertaking investment projects; and (iii) funds the construction of professional and vocational training facilities.

#### 9.1.2 *Governance*

The legal basis for the GRW is set in the German Constitution (Article 91a and 9ab, revised on 28 August 2006) and in the Law on the GRW (revised on 31 October 2006). The GRW is funded on a 50-50 basis by the federal government and the individual *Länder*. The Federal Ministry for the Economy and Technology undertakes coordination activities, not least in relation to the agreement with the *Land* authorities of the multi-annual Coordination Framework which sets out core rules and defines the distribution of federal resources between *Länder*. Each individual *Land* government is responsible for designing more detailed rules, allocating funding to projects, and implementing the GRW.

#### 9.1.3 *Types of intervention*

In addition to funding for business investment and business-oriented infrastructure, the GRW supports three types of intervention that directly relate to human capital and employment issues.

First, the GRW co-finances *Land* programmes that support non-investment business activities that strengthen the competitiveness and innovative capacity of SMEs. Only seven of the 14 *Länder* eligible for GRW funding chose to use funds for this purpose in 2005-10, mainly to improve the staff structure of SMEs (e.g. via innovation assistant projects) through aid of up to €20,000 in the first year and up to €10,000 in the second year. Funds can also be used to support training for workers (up to €50,000 per project), as long as the training is focused on business needs and prepares workers for demands that are important for the firm's competitiveness and its future development;

Second, businesses can choose to apply for GRW aid in the form of a wage subsidy instead of an investment grant, in the case of initial investment projects. A clear majority of the new jobs must be in highly-qualified activities and be future-oriented in terms of value-added and innovation potential. Thus the use of GRW wage subsidies is intended primarily for firms with human capital intensive production. Aided jobs must be investment related; in place for five years after the end of the project (three for SMEs); and lead to a net increase in the number of jobs compared to the previous 12 months. The subsidy covers gross wage costs and social contributions.

Third, funding can be awarded for the construction or extension of centres that provide initial training, further training or re-training. The training centres must be owned and managed by entities which ensure open access to the training (e.g. local authorities, chambers, trade unions or foundations). Funding is not available to establish training facilities within individual firms.

### 9.1.4 Geographical targeting

In 2007-13, the GRW map covers 40.17 percent of the German population, including 28.1 percent with Article 107(3)(a) or (c) status. The entire territory of the new *Länder* (excluding Berlin) was designated under Article 107(3)(a) at the beginning of 2007-13 but all four statistical effect regions were reclassified as Article 107(3)(c) regions on 1 January 2011. Structurally weak rural and industrial restructuring areas in the old *Länder* are designated under Article 107(3)(c). In addition, the GRW map identifies D-areas where business aid is restricted to SMEs.

### 9.1.5 Information on funding

**Table A3: GRW funding committed in 2002-12 (current € million)**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>1. Business aid</b>	1,196	1,087	1,100	822	1,212	889	766	990	1,078	991	1,008
Of which, wage subsidies	44	16	11	40	24	31	42	29	35	26	24
<b>2. Funding for infrastructure</b>	633	545	350	432	326	331	572	590	437	303	239
Of which, training infrastructure	43	66	84	32	4	8	10	49	51	25	13
<b>3. Funding for human capital</b>				7	7	8	4	5	4		

### 9.1.6 Information on outputs

**Table A4: Outputs for GRW wage subsidies, 2002-12**

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
No. of projects	28	46	26	33	31	37	41	44	55	39	28
Total investment (€ million)	84	18	31	121	41	68	219	140	128	107	100
Jobs created	2,918	1,485	1,112	3,559	2,297	3,071	3,859	2,787	1,722	2,790	1,830
Jobs safeguarded	477	2,077	486	1,532	913	2,385	2,283	1,522	806	1,103	1,722

**Source:** EPRC calculations based on data from the Federal Ministry for the Economy and Technology.

## **9.2 Italy: Tax credits for new stable employment in the Mezzogiorno**

### **9.2.1 Explicit goals**

The tax credit aims to reduce the disadvantages faced by certain social groups when applying for jobs in southern Italy, and focuses on particular categories of 'disadvantaged worker' (defined as people who have been unemployed for 6 months, have no high school or professional school diploma, are over 50 years of age, who live alone with one or more dependents, or are employed in sectors or professions with a high gender disparity) and 'very disadvantaged worker' (defined as people who have been unemployed for 24 months (Regulation (CE) no. 800/2008, 6 August 2008).

### **9.2.2 Governance**

The Ministry of Economy and Finances has overall responsibility for the tax credit, which is however delivered by the tax agency (*Agenzia delle Entrate*), i.e. the authority in charge of tax collection, on behalf of the Ministry. Firms' bids are administered by the regional authorities.

### **9.2.3 Types of intervention**

The scheme provides a tax credit of 50 percent of the wage costs for a period of 12 months for each disadvantaged worker and for 24 months for each very disadvantaged worker taken on by a firm in southern Italy, as long as this increases the total number of the firm's workers on permanent contracts. The credit's value is adjusted for part time employment. The tax credit was first set up in 2000 (via finance law 2001 law no. 388/2000, circular 48, 10/7/2008) and then re-established in 2011, after a period of inactivity due to a lack of resources (via the 'Development decree', law decree no. 70, 13 May 2011). Originally the tax credit was valid for 12 months (until May 2013) but it has since been extended by a further 12 months for new jobs contracts signed up to 14 May 2013.<sup>74</sup>

### **9.2.4 Geographical targeting**

The tax credit is in principle available in all eight *Mezzogiorno* regions. The first phase of the Cohesion Action Plan (PAC I) in 2011 financed the scheme for all *Mezzogiorno* regions. However, the refinancing of the tax credit through the third phase of the Cohesion Action Plan (PAC III) in 2013 applies to the four Convergence regions only (Calabria, Campania, Apulia and Sicily).

### **9.2.5 Information on funding**

Funding for the scheme derives from the re-programming of the Cohesion policy programmes in 2007-13 (LD 70/2010, art. 2(9)). Except in Sicily, the PAC III resources will be utilised to finance project applications that have already been received but not funded due to a lack of resources.

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<sup>74</sup> Ministro per la Coesione Territoriale (2012) *Piano di Azione Coesione. Aggiornamento n.1*, 3 February 2012.

**Table A5: Funding for the tax credit for the employment of disadvantaged and very disadvantaged people, 2011-15 and implementation status (€ million)**

Region	PAC I			PAC III funding allocation	Total funding allocation (PAC I and PAC III)
	Funding allocation	No. of project applications	No. of new jobs, based on project applications		
Calabria	20	1,677	3,465	40	60
Campania	20	3,920	8,700	100	120
Apulia	10	1,923	4,209	25	35
Sicily	65	1,752	4,832	10	75
<b>Total Convergence regions</b>	<b>115</b>	<b>9,272</b>		<b>175*</b>	<b>290</b>
Basilicata (Phasing-out)	2			n/a	n/a
Sardinia (Phasing-in)	20			n/a	n/a
Molise (RCE)	1			n/a	n/a
Abruzzi (RCE)	4			n/a	n/a
<b>Total Mezzogiorno</b>	<b>142</b>				

**Source:** Ministro per la Coesione Territoriale (2012) Piano Azione Coesione: terza e ultima riprogrammazione, Misure anticicliche e salvaguardia di progetti avviati, December 2012, p. 8.

### 9.2.6 Information on outputs

No information available.

## 9.3 Norway: Social security concession

### 9.3.1 *Explicit goals*

The objective is to reduce or prevent depopulation in the least-populated regions in Norway (holding 17.7 percent of the national population) by stimulating employment in these regions.

### 9.3.2 *Governance*

The scheme is administered by the Ministry of Finance through the social security system.

### 9.3.3 *Types of intervention*

The social security concession provides graduated relief on social security contributions across the country, with a reduction varying across five zones, and a zero rate applicable in the far north. Social security contributions are calculated in relation to the gross salaries of employees; their general rate is 14.1 percent.

**Table A6: Rates of award under Norway's social security concession**

Zones	1+1a	2	3	4	4a	5
Tax rate applicable (percent)	14.1	10.6	6.4	5.1	7.9	0
Associated aid intensity (percent)	0	3.1	6.8	7.9	5.4	12.4
Population coverage (2005, percent)	82.3	4.4	2.1	6.9	2.3	2.0
Population density (per square kilometre)	42.0	3.3	2.2	4.8	27.1	1.6

### 9.3.4 *Geographical targeting*

Areas eligible for a concession hold 17.7 percent of the national population. Zone 5, the area in receipt of the maximum concession, covers North Troms and Finnmark. Zone 4 has been subdivided, with a lower concession applying in Zone 4a, the main urban centres of Tromsø and Bodø. Zone 3 covers the outer periphery of southern Norway and is mainly mountainous. Finally, Zone 2 focuses on the remaining peripheral areas.

### 9.3.5 Information on funding

**Table A7: Annual costs of the social security concession**

	2010	2011	2012(e)	2013(e)
NOK million				
Private firms	6,400		7,100	7,500
Public sector	4,400		5,400	5,500
Total	10,800		12,500	13,000
€ million				
Private firms			951	1004
Public sector			723	737
<b>Total</b>			<b>1674</b>	<b>1741</b>

Note: Data for 2012 and 2013 are estimates

### 9.3.6 Information on outputs

The differentiated social security concession is by far the large single item of regional policy expenditure in Norway; annual spend is current over €1 billion, compared with about €360 million under measures under the regional development budget of the Ministry of Local Government and Regional Development (KRD). Technically, however, the concession (along with other measures of tax relief) falls under the responsibility of the Ministry of Finance, rather than the Ministry of Local Government and Regional Development.

There are no recent studies of the impact of the concession as whole, but some earlier work focused on the impact on industrial firms of withdrawing the concession. A more recent study of the measures in the Action Zone of Finnmark and North Troms<sup>75</sup> includes an assessment of the concession and assumes that the business response to its withdrawal would not differ significantly between the Action Zone (which qualifies for the zero rate) and other eligible areas. This analysis suggested that the immediate effect of withdrawing the scheme would be to reduce the rate of employment in the region. This would appear to be especially so in the service sector where the concession is more likely to be 'converted' into more jobs than in industry where the proceeds are more likely to result in higher wages (or profits). Over the longer term (five years) the impact of withdrawing the scheme would, according the study, be 'indistinct'. At various times the usefulness of the concession has been called into question, but there is currently political consensus for its retention and a landmark report from 2004<sup>76</sup> concluded that it was a highly accurate way of targeting labour market support with minimal administrative costs.

<sup>75</sup> Angell, E et al (2012) *Tiltakssonen for Finnmark og Nord-Troms - utviklingstrekk og gjennomgang av virkemidlene*, Norut and Menon, report no 2012:2.

<sup>76</sup> *Effekter og effektivitet*, NOU 2004: 2, <http://www.regjeringen.no/nn/dep/krd/dok/nouer/2004/nou-2004-2/2.html?id=383678> (accessed July 2013).



## **9.4 Italy: Self-employment (Autoimprenditorialità)<sup>77</sup>**

### **9.4.1 Explicit goals**

The scheme aims to boost employment and entrepreneurship among young people.

### **9.4.2 Governance**

The scheme is administered by Invitalia, the national agency for the attraction of investments and the development of enterprise.

### **9.4.3 Types of intervention**

The scheme was set up in 2000 to provide support for the creation or growth of firms predominantly owned by people aged between 18 and 35 years old who are unemployed or seeking their first employment (legislative decree no. 185/2000). Aid rates vary, depending on the sector, with funding available to firms in various service and manufacturing sectors. The aid is provided in the form of grant and/or repayable loan, for investments up to €2.5 billion. Applicants must provide a business plan that sets out the firm's technical, economic and financial viability, especially in terms of profitability, market opportunities and financial resources.

### **9.4.4 Geographical targeting**

The scheme's funding is available in Article 107(3)(a) and (c) areas, as well as in an areas identified by domestic law as facing an imbalance between employment supply and demand.

#### *(i) Information on funding*

The scheme's initial tranche of funding was fully absorbed by April 2013 and the application window was closed. However, in June 2013, the government announced a refinancing of the scheme of c. €170 million (under the law decree on 'Employment') and the scheme is thus expected to become operational again soon.

#### *(ii) Information on outputs*

No information is available.

#### *(iii) Other information*

Two other similar schemes also provide to start-up firms and are administered by Invitalia.

First, the Self-employment (*Autoimpiego*) scheme awards grants and subsidised loans to individual firms, micro-firms and franchises.<sup>78</sup> Aid is provided for investment, as well as for management support; technical assistance and management support services. The scheme applies across the entire national territory and so is not a regional policy tool.

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<sup>77</sup> <http://www.invitalia.it/site/ita/home/incentivi-alle-imprese/autoimprenditorialita-d.-lgs.-1852000-tit.-i.html> .

<sup>78</sup> <http://www.invitalia.it/site/ita/home/incentivi-alle-imprese/autoimpiego-d.lgs.-1852000-tit.-ii.html> .

Second, a new incentive scheme for innovative start-ups was launched in 2013 for firms in the Mezzogiorno, with the explicit aim of boosting employment. It draws on a budget of €190 million, allocated through the reprogramming of Cohesion policy funding. It provides support for start-up costs and running costs in the first 48 months from application. Applications are limited to small firms with at least one employee, which are less than 6 months old, which operate in the four Convergence regions, Basilicata or Sardinia (Article 107(3)(c) areas only), and which are active in innovative fields, digital agenda and exploit research outcomes. Firms must apply for funding in relation to projects that foresee new organisational or productive solutions, an increase in the consumer target, the development of new/innovative products or services, or the introduction of social innovation in the business models.

## 10. POLICIES TO PROMOTE THE REGIONAL SUPPLY OF HUMAN CAPITAL

### 10.1 Germany: Mecklenburg-Vorpommern's support for workforce skills

#### 10.1.1 Explicit goals

*Land* Mecklenburg-Vorpommern's Workforce Skills Alliance (*Fachkräftebündnis für Mecklenburg-Vorpommern*) aims to identify, develop and ensure the supply of skilled labour, which is seen to have become a decisive factor in business competitiveness due to demographic change.<sup>79</sup> The partners have agreed on five action fields (which are further divided into 29 sub-goals and 107 measures), namely a) preparing young people for working life and integration into training and employment; b) identifying skilled labour shortages and re-integrating non-working people; c) opening up skilled worker potential by improving framework conditions; d) retaining skilled labour in firms; e) marketing the *Land* as a location for economic activity, employment and quality of life.

#### 10.1.2 Governance

*Land* Mecklenburg-Vorpommern signed the Workforce Skills Alliance (*Fachkräftebündnis für Mecklenburg-Vorpommern*) with socio-economic partners on 31 January 2011. The *Land* government's actions are led by the *Land* Ministry for Labour, Equal Opportunities and Social Affairs, while other key actors in the Alliance are the Federation of Business Associations, the Trade Union Council, the Association of Chambers of Industry and Commerce, the Association of Craft Chambers, and the Federal Employment Agency's Department for the Northern Region.

#### 10.1.3 Types of intervention

*Land* Mecklenburg-Vorpommern and the Federal Employment Agency set out an agreement in July 2012,<sup>80</sup> which noted the themes co-financed by the ESF OP in 2007-13, namely: a) school education, b) future-oriented vocational training, c) business and worker competitiveness, d) innovation through R&D, e) start-ups, f) social cohesion and g) equal opportunities for women and men. The strategy also set out further areas where action is seen to be needed, namely: a) improving the transition of young people and young adults into education/training and employment; b) enhancing scope for older people, women and low-skilled people to enter employment; c) taking steps to create employment and facilitate labour market integration; and d) supporting social inclusion through labour market participation.

#### 10.1.4 Geographical targeting

Funding is available throughout the *Land* of Mecklenburg-Vorpommern, which has the lowest GDP per capita of any German *Land*.<sup>81</sup>

<sup>79</sup> E. SELLERING, J. SEIDEL, U. POKAEHN, H.-D. BREMER, V. SCHLOTSMANN, H. TESCH, N. VOSS, M. SEEMANN, H. THON, P. GÜNTHER and J. GOECKE (2011) *Fachkräftebündnis für Mecklenburg-Vorpommern*, Schwerin.

<sup>80</sup> Landesregierung Mecklenburg-Vorpommern, represented by the Ministerium für Arbeit, Gleichstellung und Soziales Mecklenburg-Vorpommern and the Regionaldirektion Nord der Bundesagentur für Arbeit (2012) *Vereinbarung zur Weiterentwicklung der Arbeitsmarktpolitik in Mecklenburg-Vorpommern*, Schwerin.

<sup>81</sup> Bundesministerium für Wirtschaft und Technologie (2012) *Wirtschaftsdaten Neue Bundesländer*, Berlin, p. 2.

### 10.1.5 Information on funding

Land Mecklenburg-Vorpommern's labour market policy is co-financed by the Land ESF OP which in 2007-13 (see Table 1). In addition, entities in Mecklenburg-Vorpommern can apply for funding under the federal ESF OP which covers the whole of Germany, with separate financial plans for the Convergence macro-region and the RCE macro-region. Total ESF funding for the Convergence macro-region is €1325.6 million (including €358.7 for the Phasing-out regions).

**Table A8: ESF funding in 2007-13 (€ million)**

	Land ESF OP				Federal ESF OP			
	ESF	Nat pub	Nat priv	Total	ESF	Nat pub	Nat priv	Total
Adaptability & competitiveness of workers & firms	85.2	6.7	21.7	113.5	470.0	67.7	88.9	626.7
Human capital	229.8	80.6	2.0	312.4	137.4	30.0	15.8	183.3
Access to employment & social inclusion of disadvantaged people	86.0	21.4	1.3	108.7	566.3	147.2	41.5	755.1
Technical assistance	16.5	5.5	0	22.0	53.0	17.7	0	70.7
					98.7	5.8	11.6	116.2
<b>Total</b>	<b>417.5</b>	<b>114.1</b>	<b>25.0</b>	<b>556.6</b>	<b>1,325.6</b>	<b>268.5</b>	<b>157.9</b>	<b>1,751.9</b>

**Source:** Land MV's ESF OP 2007-13 p.148 and Germany's Federal ESF OP 2007-13, p. 254.

### 10.1.6 Information on outputs

The Workforce Skills Alliance reported in May/June 2012 on progress on the action fields.<sup>82</sup>

<sup>82</sup> Fachkräftebündnis für Mecklenburg-Vorpommern (2012) Bericht der Bündnispartner zum aktuellen Umsetzungsstand des Fachkräftebündnisses für Mecklenburg-Vorpommern, Schwerin, 15/31 May 2012; Fachkräftebündnis für Mecklenburg-Vorpommern (2012) Ausweisung der wesentlichen Umsetzungsstände in den einzelnen Handlungsfeldern, Schwerin, 18 June 2012.

## 10.2 United Kingdom: City Deals

### 10.2.1 Explicit goals

The City Deals in England aim to contribute towards economic growth and include tailored skills and employment activities.

### 10.2.2 Governance

At the end of 2011, a set of new City Deals were agreed between the UK Government and the eight economically most important English cities outside London (Birmingham, Bristol, Leeds, Liverpool, Newcastle, Nottingham, Sheffield and Manchester). The eight cities were invited to bid from a menu of new powers to drive local growth, in return for revising their governance arrangements (for example, merging local authorities, introducing directly-elected mayors or private-sector-led governance structures). The devolved powers, agreed on a bespoke basis, can include: the possibility of 'earning back' tax from central government; scope to fund infrastructure through tax increment financing (whereby funding for infrastructure investment is borrowed on the basis that the investment should generate higher local business tax revenues, which could then be used to repay the initial loan); self-sustaining investment funds for local priority projects; power to create a venture capital fund to invest in high-tech start-ups and growth businesses; setting up Business Growth hubs to provide support and services to businesses; devolved transport budgets; control of the skills budget; and the possibility of launching 'apprenticeship hubs'.

### 10.2.3 Types of intervention

The eight City Deals launched in 2011/12 included the following actions:

- *Local skills funding model*: a new model of skills funding matching local contributions (public and private) with national funding to provide a skills budget that cities will control to invest in the skills needed by local businesses (Sheffield City Region);
- *Skills for Growth Bank*: an employer owned mutual that will match public sector funding with private sector investment and allow businesses to buy the skills and apprenticeships needed in the local economy (Liverpool City Region);
- *Outcome incentives*: new models to give cities greater influence over the skills system by using incentive payments or payment by results. (Greater Manchester and Liverpool City Region);
- *City apprenticeship hubs*: enabling cities to boost apprenticeship numbers by supporting SMEs to take on apprentices through Apprenticeship Training Agencies, brokerage and incentive payments (Bristol and the West of England, Greater Manchester, Leeds City Region, Newcastle and Nottingham);
- *Localised youth contracts*: local alternatives to the national support programme for 16-17 year olds, where funding is devolved to local authorities, who work together to design a local programme to reduce the number of young people outside employment, education or training (NEET) based on payment by results (Leeds City Region, Liverpool, Newcastle).

### ***10.2.4 Geographical targeting***

The City Deals agreed in 2011/12 focus on the eight economically most important English cities outside London (Birmingham, Bristol, Leeds, Liverpool, Newcastle, Nottingham, Sheffield and Manchester). A further 20 cities have been invited to compete for a second round of City Deals; these are expected to be concluded by March 2014.

### ***10.2.5 Information on funding***

The deals agreed with the eight cities in 2011/12 will reportedly devolve over £500 million (€595 million) of central government funding over a 10-year period.

### ***10.2.6 Information on outputs***

There is no information available yet on outputs achieved through the localised skills and employment measures, but some City Regions have publicised their expected outputs and impacts e.g.:

- Sheffield City Region's £77.3 million (€91 million) Skills Made Easy Programme aims to create 4,000 new apprenticeships;
- Liverpool's £32 million (€38 million) Skills for Growth Bank is expected to help 6,000 local people into work and create up to 4,000 apprenticeships;
- Newcastle City Council anticipates a 15 percent increase in apprenticeships (500) within three years;
- Greater Manchester foresees the following impacts: an average of 10 percent per annum increase in apprenticeships for 16-24 year olds over two years; directly funding for 6,000 apprenticeships in SMEs over two years; 100 employers potentially benefiting from the tax incentive pilot over two years; a new Science Academy for young people; higher levels of engagement with skills by SMEs; and higher levels of employer investment in skills.
- Birmingham City Deal has made over 3,500 apprenticeship grants to businesses employing a 16–24 year old.

## **11. SUPPORT FOR THE REGIONAL SUPPLY OF HUMAN CAPITAL PLUS SOCIAL WELL-BEING**

### **11.1 Poland: Regional Action Plans for Employment**

#### **11.1.1 Explicit goals**

The annual Regional Action Plans for Employment (*Regionalny Plan Działania Rzecz Zatrudnienia*) define the priorities, aims and implementation of labour market policy in given regions, including social groups requiring special support and priority actions. They aim to provide policy-makers and beneficiaries with information on actions undertaken, funding levels and expected results. The objectives covered by the Plans include:

- creating attractive and accessible job opportunities;
- enhancing the employment and educational activities of the inhabitants of the region;
- improving the regional labour market; and
- developing active labour market policies.

#### **11.1.2 Governance**

Regional Action Plans are developed by regional self-governments and define priorities in terms of types of interventions, projects and target groups. The overall priorities of employment policy are defined by central government and set out in the National Reform Programme and the National Action Plan on Employment (NAPE). The NAPE is drafted by an inter-ministerial working group and provides the framework for the Regional Action Plans. District-level self-governments and social partners at the regional level are consulted during the process of plan development.

#### **11.1.3 Types of intervention**

The Plans cover a range of interventions, including special programmes which aim to respond to specific regional/local labour market characteristics and endeavour to unemployed and other eligible people to find work. Special programmes include:

- The 50+ Programme, which was set up in October 2008 and aims to increase employment among people aged 50 years and over, as well as to improve their skills; to reduce their labour costs; to assist unemployed or inactive people (including disabled people and women) in this group to find work. Funding amounts to c. PLZ 22 billion (€5.3 million) in years 2009-15, with 55 percent provided by the State budget and 45 percent by EU funds.
- In 2010, the Ministry for Labour and Social Policy launched the Programme for the professional activation of people up to 30 years of age, with funding from the Labour Fund. It funds vocational and general training; training and funds for business start-ups; and training and apprenticeships or work placements.

#### **11.1.4 Geographical targeting**

The Plans are funded from a range of sources that have criteria related to geographical location. This includes the national Labour Fund, whose regional allocation of resources is determined via an algorithm based on a number of variables, including the number of registered unemployed above 50

years of age and below 25 years of age at the district level; the unemployment rate; the amount of resources allocated by the region to ESF projects in the previous year; funding for local partnerships; training of employment board members; wage supplements and training for staff; the dissemination of vocational information; and labour market research. In addition, part of the Labour Fund resources is set aside so that the Minister can grant additional funding to regions where the labour market situation deteriorates significantly, or where very good policy interventions are being implemented.

### 11.1.5 Information on funding

The Plans include interventions that are funded from both domestic and EU resources.

**Table A9: Regional allocation of Labour Fund resources from the Minister's reserve, 2012**

Region	Programme for people up to 30	50+ programme
Dolnośląskie (Lower Silesia)	3,457.2	4,897.8
Kujawsko-pomorskie (Kuyavia-Pomerania)	4,612.8	4,226.0
Lubelskie	4,333.5	3,307.7
Lubuskie	2,237.0	2,422.6
Łódzkie	3,509.6	4,439.9
Małopolskie (Lesser Poland)	4,564.5	3,355.0
Mazowieckie (Masovia)	6,083.5	4,063.8
Opolskie	1,992.5	2,233.3
Podkarpackie	4,829.9	364.1
Podlaskie	2,600.4	2,568.3
Pomorskie (Pomerania)	3,124.6	3,047.1
Śląskie (Silesia)	4,757.0	5,327.8
Świętokrzyskie	3,008.3	2,720.4
Warmińskomazurskie (Warmia-Masuria)	3,801.7	3,662.6
Wielkopolskie (Greater Poland)	3,558.5	2,847.6
Zachodniopomorskie (West Pomerania)	3,529.0	4,316.0
<b>Total</b>	<b>60,000.0</b>	<b>60,000.0</b>

**Source:** Ministerstwo Pracy i Polityki Społecznej (2012) *Zasady ubiegania się o dodatkowe środki Funduszu Pracy z rezerwy Ministra Pracy i Polityki Społecznej na finansowanie/dofinansowanie programów specjalnych w 2012 r.*

### 11.1.6 Information on outputs

The Ministry of Labour and Social Policy reports annually on the effectiveness of all employment initiatives carried out with funding from the Labour Fund. Data are broken down into different activities supported across all programmes (rather than provided for individual programmes) and include:

- Placements: These are organised on an employer's premises and aim to enable unemployed persons to gain experience and acquire the skills indispensable to undertake employment.
- Vocational training: Targeted on unemployed people who: lack vocational qualifications, need to change or complete vocational qualifications, have lost the ability to work in the position occupied hitherto, or lack abilities to seek employment actively.



- Intervention works: Employers which employ an unemployed person under a contract with the district-level governor can receive a partial subsidy for the costs of wages, bonuses and social insurance contributions.
- Socially useful works: This is primarily aimed at tasks that are socially beneficial and is targeted on unemployed people who are not eligible for unemployment benefit and are recipients of social benefits. Socially useful work may last up to 10 hours per week, and is undertaken under a contract between the district-level governor and the municipality where the social work is conducted.
- Funding for job creation: A one-off grant can be paid to an unemployed person to start their own business, or to an existing workplace for employing an unemployed person.

Table 2 compares the effectiveness of these different activities in Labour Fund programmes in 2011 and 2012. The indicator for effectiveness is calculated in relation to the number of people who gained employment within three months of finishing participation in the activity (i.e. were registered as employed in labour offices).

**Table A10: Assessment of the effectiveness of active labour market policies supported by the Labour Fund, 2011 and 2012**

Form of support	2012		2011	
	No. people	Effectiveness, %	No. people	Effectiveness, %
Training	80,164	42.5	53,805	43.1
Intervention works	31,779	74.4	28,490	71.4
Public works	30,384	57.3	22,771	53.2
Socially useful works	46,885	33.0	49,655	36.1
Placements	176,698	60.9	110,516	52.6
Funding allocated for job creation, including:	61,868	100.0	36,765	100.0
Subsidy to the unemployed to commence economic activity	39,410	100.0	26,108	100.0
Funding to employer for employing an unemployed person	22,458	100.0	10,657	100.0
<b>Total</b>	<b>428,298</b>	<b>60.9</b>	<b>302,002</b>	<b>55.7</b>

**Source:** Ministry of Labour and Social Policy (Ministerstwo Pracy i Polityki Społecznej – MPiPS) 2013  
*Efektywność podstawowych form aktywizacji zawodowej realizowanych w ramach programów na rzecz promocji zatrudnienia, łagodzenia skutków bezrobocia i aktywizacji zawodowej w 2012 roku* p6.

## 11.2 United Kingdom: Coastal Communities Fund

### 11.2.1 Explicit goals

The fund is intended to support the economic development of coastal communities supporting a wide range of projects such as those developing renewable energy, improving skills or environmental safeguarding/improvement.

### **11.2.2 Governance**

Coastal Communities Fund (CCF) was launched to run in the UK from April 2012. The Big Lottery Fund is delivering the Fund on behalf of the government, and applications are invited annually. Awards are made on a competitive basis.

### **11.2.3 Types of intervention**

Examples of the types of project that can be funded are skills and training projects, tourist infrastructure, small-scale sustainable transport improvements, or managing flood and coastal erosion risk where it supports local economic development.

Projects can include both revenue and capital projects, and projects approved under the first application round include regeneration projects for seafronts, harbours and quays, upgrading of tourism attractions and 'offers', including apprenticeships and training ranging from 'app' creation to website development and facilities upgrading, infrastructure and apprenticeships for the fishing industry, renewable energy projects and community involvement projects. All proposals must demonstrate how their proposals will help local economic development. Deprivation is a specific priority for projects in Northern Ireland.

Projects relating to employment and workforce skills in the first year included:

- A project aiming to create employer-led apprenticeships relevant to the low carbon energy sector in the coastal communities of Norfolk, Suffolk and Essex, plus an awareness-raising campaign to ensure that the opportunities in this emergent sector are visible and accessible to local people of all ages. Considerable growth is predicted on the East of England coast in off-shore wind and nuclear, along with skills gaps in a range of engineering-related disciplines (£700,000 or €827,000).
- A project working with Lowestoft College and Southwold Sea Training to deliver industry specific maritime training to 'NEET' young people to meet a growing need to support the renewable energy industry in East Anglia (£757,000 or €895,000).
- A two year capital and revenue project aiming to create sustainable economic growth and jobs by taking advantage of two new industries being developed in the Filey, Scarborough and Whitby area (potash mining and Europe's largest offshore wind farm). They will use CCF funding to enable local people to secure jobs in the manufacturing, construction, chemical, mining, transport and hotel/catering industries which will all service the two new sectors (£2.6 million or €3.1 million).
- Delivery of two training and employment programmes in coastal areas in Scotland. The project aims to provide training to those in the fisheries, offshore and processing sectors who have few or no qualifications, and support work experience and placement to young unemployed people (£50,000 or €59,000).
- A boat building workshop and training programme at the Scottish Maritime Museum in Irvine, upgrading facilities in the workshop and offering accredited training to apprentices (£221,000 or €261,000).

### **11.2.4 Geographical targeting**

For the purposes of the fund, a coastal community is defined as any coastal settlement within a local authority whose boundaries include the UK foreshore, including local authorities whose boundaries only include estuarine foreshore. The Fund is a UK-wide programme but has some country-specific requirements and priorities.

### **11.2.5 Information on funding**

The Coastal Communities Fund was launched in April 2012, with a budget of £27.8 million (c. €32.9 million) for 2012/13. It is financed through the allocation of equivalent to 50 percent of the revenues from the UK Crown Estate's marine activities of the preceding financial year. There are no financial allocations by region, or by any other geographic boundaries, other than the total amounts available for each country (or region in Scotland).

### **11.2.6 Information on outputs**

The Fund is expected to support around 5,000 new jobs.

## **11.3 United Kingdom: Youth Employment Strategy in Scotland**

### **11.3.1 Explicit goals**

The strategy aims to address the difficulties faced by young people in entering the labour market. It builds on the Scottish Government's 2012 'Opportunities for All' commitment to provide a place in learning or training to all 16-19 year-olds not in work, education or training.

### **11.3.2 Governance**

The strategy is designed and implemented by the Scottish Government. It is led by the Scottish Government's Minister for Youth Employment who was appointed in December 2011.<sup>83</sup>

### **11.3.3 Types of intervention**

Announcements on the use of the funding have so far included:

- £1.5 million (€1.8 million) over three years to support 1000 of the most disadvantaged young people to find employment, including young people leaving social care and young people with family caring responsibilities;
- £6 million (€7 million) to support 1,000 work placements in Community Jobs Scotland (the Scottish council for voluntary sector organisations) in 2012/13;
- £2.5 million (€3 million) for a fund to which third sector organisations can apply on a competitive basis, for projects that provide opportunities to young unemployed people;
- £9 million (€11 million) to the six local authorities with the greatest number of young people facing the biggest employment challenges (i.e. Glasgow, North Lanarkshire, South Lanarkshire, North Ayrshire, East Ayrshire and Renfrewshire).

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<sup>83</sup> Scottish Government (2012) *Action for Jobs. Supporting Young Scots into Work: Scotland's Youth Employment Strategy*, Edinburgh.

In addition, the Minister for Youth Employment is engaging with individual employers and is also undertaking a series of regional Youth Employment Action Forums which involve young people, employers and national and local delivery agencies with the aim of taking action at a local level to support youth employment.<sup>84</sup>

#### **11.3.4 Geographical targeting**

This is an all-Scotland approach.

#### **11.3.5 Information on funding**

As part of the Youth Employment Strategy, a Youth Employment Fund of £30 million (€35 million) to support this agenda has been launched to run from 2012-15 (includes an ESF contribution). Of the £30 million (€35 million), £18 million (€21 million) has been allocated for 2012/13 and £1 million for the following two years. Of the money committed, £9 million (€11 million) is enabling six local authorities with particular youth unemployment challenges to enhance the support they offer, and £8.5 million (€10 million) has been made available to the third sector to fund a range of opportunities to support young people.

Moreover, in response to the economic downturn, the Scottish Government has made significant use of the ESF to help address rising unemployment, with a specific focus on youth unemployment in recent years. In particular, £64 million (€76 million) has been allocated to support the development of the strategic employability pipeline which has funded training places, additional college provision and a wide range of local authority support for young people.<sup>85</sup>

#### **11.3.6 Information on outputs**

The additional funding for youth employment is intended to provide incentives for employers to support up to 1,000 young people facing the greatest disadvantages over the next three years and to create 1,000 subsidised jobs for 16-19 year-olds.

### **11.4 Finland: ELY funding for the promotion of employment**

#### **11.4.1 Explicit goals**

In 2013, the Government allocated a total of €499.9 million to the regional ELY-Centres for the promotion of employment-related services. The funding is set to focus specifically on reducing youth and long-term unemployment. One of the initiatives is the youth guarantee, which was started at the beginning of 2013. The youth guarantee extends the social guarantee for young people which has been implemented since 2005. Under the youth guarantee, each person under 25 years and each recent graduate under 30 years of age should be offered work, a traineeship, or a study, workshop or labour market rehabilitation placement, within three months of becoming unemployed. The aim of the youth guarantee is to promote education and employment, to prevent long-term unemployment, and to prevent the exclusion of young people.

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<sup>84</sup> <http://www.employabilityinscotland.com/employability/youth-employment/>

<sup>85</sup> <http://www.scotland.gov.uk/Publications/2012/06/9210/8>

Another initiative is a local-level partnership-based model for reducing structural unemployment, which started in September 2012 and will be implemented until the end of 2015. This initiative emphasises the role and responsibility of municipalities in the active care of long-term unemployed. This also set to transfer the funding responsibility for labour market support to the municipalities from the beginning of 2015.<sup>86</sup> In addition to domestic funding, EU funding is directed towards employment and training measures. Also funding of other ministries is targeted at reducing unemployment.<sup>87</sup>

### **11.4.2 Governance**

ELY-Centres play an important role in the labour market by ensuring that the necessary employment services are in place and available to all those who need them. ELY-Centres are responsible for developing and coordinating employment services and they help to promote employment opportunities and prevent discrimination and social exclusion by supporting the Employment and Economic Development Offices (TE-Offices) in their regional role. In accordance with their service pledge, ELY-Centres make coordinated efforts to ensure that all statutory services are available to all customers of TE-Offices. TE-Offices are responsible for providing the services. The implementation of the youth guarantee is supported by regional cooperation.

### **11.4.3 Types of intervention**

The youth guarantee entails that each young person looking for work will be offered support services within three months of starting their job search. The youth guarantee includes an educational guarantee, a knowledge programme for young adults, youth workshops and outreach youth work. The education guarantee ensures that every person who has completed comprehensive school is entitled to a training place. The knowledge programme for young adults offers the opportunity to obtain professional qualifications for people under the age of 30 who have previously only completed comprehensive school.

The TE-Offices can offer the following: employment, education, apprenticeship, job search-related training, funding, vocational guidance and career planning services. If unemployment is prolonged, the active service provision continues throughout the period of unemployment.

### **11.4.4 Geographical targeting**

The youth guarantee is available across the country. In September and October 2012, events were organised across Finland to promote the initiative, and see how cooperation in the municipalities and in the regions could be enhanced with respect to the implementation of the youth guarantee.

### **11.4.5 Information on funding**

In 2013, the Government allocated €499.9 million to the ELY-Centres for promoting employment-related services, particularly to address the goal of reducing youth and long-term unemployment, including through the youth guarantee. Approximately €56 million has been reserved for the implementation of the youth guarantee annually, with the employment guarantee accounting for €28

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<sup>86</sup> Ministry of Finance (2013) *Finland's National Programme*, 10c/2013.

<sup>87</sup> [https://www.tem.fi/ajankohtaista/uutiskirjearkisto/uutiskirje\\_24.1.2013/tyollisyysmaararahat\\_ely-keskuksille\\_paino\\_nuoriso- ja pitkaaikaistyottomyyden\\_alentamisessa.109314.news](https://www.tem.fi/ajankohtaista/uutiskirjearkisto/uutiskirje_24.1.2013/tyollisyysmaararahat_ely-keskuksille_paino_nuoriso- ja pitkaaikaistyottomyyden_alentamisessa.109314.news)

million, the educational guarantee €20 million, and outreach youth work and workshop activities €8 million. In 2013, the spring Government decision on spending limits increased the youth guarantee appropriation by €10 million in 2014 and 2015 and by €14 million in 2016 and 2017.

**Table A11: Allocation of funding to the ELY-Centres in 2013**

	ELY-Centre	Funding in 2013 ('000)
South	Uusimaa	107,767
	Varsinais-Suomi	44,431
	Häme	37,192
	Kaakkois-Suomi	37,073
West	Satakunta	20,768
	Pirkanmaa	47,379
	Central Finland	32,181
	South-Ostrobothnia	13,929
East	Kainuu	8,796
	South-Savonia	15,286
	North-Savonia	23,974
	North-Karelia	24,000
North	Ostrobothnia	17,732
	North Ostrobothnia	44,461
	Lapland	24,936
	<b>Total</b>	<b>499,905</b>

### 11.4.6 Information on outputs

The youth guarantee is one of the key projects of the Government expected to provide quick results to improve the situation of young people. The implementation of the initiative, which was launched at the beginning of 2013, has started in the regions and municipalities and results are expected in stages.

## 11.5 Italy: Labour and Development (Lavoro e Sviluppo 4)<sup>88</sup>

### 11.5.1 Explicit goals

The scheme, which started in 2009 and is co-funded by the ESF (Convergence NOP ESF 'Systemic Actions' 2007-13), aims to promote the training and subsequent employment of 6,000 unemployed residents in the four Convergence regions, by funding apprenticeships. By the end of 2012, 4,885 apprenticeships had been undertaken, and a further 2,400 will be completed by 30 June 2015.

<sup>88</sup>

[http://www.italialavoro.it/wps/portal/!ut/p/c5/dY5Nb4JAGIR\\_kb67sLBwRPkuIF1QgQtBFEJ1gaAI9tdXb7VJZyZzmiwZyODptrg3dXFrura4QAKZnDPmYxm7ArKirYoc5sjYD7dYCEXYQ2o\\_K3vN0D\\_SEAR2x0-QQkZ\\_wUyilyc2VMRMw7YkCjGkJriQNQe-nEq-REtZwqJCZKKoAiUKESCx\\_ILeL7nkRXHeKZKlXWdkrFKqyBjD3k7HWb86k67t8z4Nk7n24wqvg-89p62VxcNutz0vJohO\\_eomhfo1HvRPH\\_OxKuj-XhYAxgg4muRts-u5Z9vCGMho-Q33Tts28cvOatqohFjW0R9StAn6zQvPcH84VGz88a9dvFhdrRblQNRydkKkch8exMW/kxLiav1XRxhp7feyWoAmmQ6h80nkgw/dl3/d3/L2dBISEvZ0FBIS9nQSEh/](http://www.italialavoro.it/wps/portal/!ut/p/c5/dY5Nb4JAGIR_kb67sLBwRPkuIF1QgQtBFEJ1gaAI9tdXb7VJZyZzmiwZyODptrg3dXFrura4QAKZnDPmYxm7ArKirYoc5sjYD7dYCEXYQ2o_K3vN0D_SEAR2x0-QQkZ_wUyilyc2VMRMw7YkCjGkJriQNQe-nEq-REtZwqJCZKKoAiUKESCx_ILeL7nkRXHeKZKlXWdkrFKqyBjD3k7HWb86k67t8z4Nk7n24wqvg-89p62VxcNutz0vJohO_eomhfo1HvRPH_OxKuj-XhYAxgg4muRts-u5Z9vCGMho-Q33Tts28cvOatqohFjW0R9StAn6zQvPcH84VGz88a9dvFhdrRblQNRydkKkch8exMW/kxLiav1XRxhp7feyWoAmmQ6h80nkgw/dl3/d3/L2dBISEvZ0FBIS9nQSEh/).

### **11.5.2 Governance**

The scheme is administered by *Italia Lavoro* SpA, an agency established in 1997, which is funded entirely by the Ministry of Economy and Finances and which, in the case of this scheme, works as an operational entity on behalf of the Ministry of Labour and Social Policies.

### **11.5.3 Types of intervention**

There are two types of funded interventions:

- a) *In loco apprenticeships* – on-the-job training for a maximum of 6 months, in a ‘target firm’ operating in a Convergence region (NB: Target firms are firms that already benefit from other schemes funded by the Ministry of Economic Development and included in a list by the Ministry of Economic Development);
- b) *Mobility apprenticeships* - on-the-job training for a maximum of 6 months, in a ‘host firm’ identified on the request of a ‘target firm’ (NB: ‘Host firms’ can be non-target firms, research centres and innovation centres of excellence, mostly located in Convergence regions but also, where relevant, in RCE regions).

In addition, the scheme supports the elaboration of the methodologies and techniques necessary for the effective delivery of the project, and their delivery to the operational network of public and private operators involved in administering the scheme (e.g. Labour Agencies, and Centres for Employment).

The scheme provides financial support to the apprentices and also to the firms. First, the apprentices receive a monthly bursary of €500 if the apprenticeship is within 50 km of the apprentice’s place of residence, or a monthly bursary of €1,300 if the apprenticeship is beyond a 50 km radius from the apprentice’s place of residence. Second, the firms receive €250 per month for tutoring the apprentice, as well as an employment incentive, depending on the type of employment contract signed:

- a) €6,000 for each full time open-ended contract;
- b) €4,000/3,500 for each part-time open-ended contract (30 or 24 hour/week);
- c) €5,500 for each apprenticeship contract entailing qualification and professional diploma;
- d) €4,700 for each vocational or ‘professionalising’ apprenticeship contract.

### **11.5.4 Geographical targeting**

Funding is available in the four Convergence regions (Campania, Calabria, Apulia and Sicily).

### **11.5.5 Information on funding**

No information is available.

### **11.5.6 Information on outputs**

No information is available.

### **11.5.7 Other information**

In June 2013, the national government announced a law decree on employment, which includes a number of employment-related measures to be implemented with a further reprogramming of Cohesion policy programmes, including<sup>89</sup>:

- a) Training measures for NEET youth. With an allocation of c. €168 million, the training scheme is intended to support c. 80,000 young people, with a view of favouring their access into the labour market.
- b) Funding of c. €10 million to support student traineeships in public or private entities.

## **11.6 France: Future-oriented jobs (emplois d'avenir)**

### **11.6.1 Explicit goals**

The scheme aims to respond to the specific difficulties faced by young people with low levels of qualification, to provide job opportunities for 16-25 year olds (up to 30 years for disabled workers), and to open up access to qualifications in order to enhance young people's vocational opportunities.

### **11.6.2 Governance**

The *préfets* of the regions and the *départements*, together with the regional offices of the State Ministries for the Economy and Labour (DIRECCTE) are involved in managing the scheme. They work with the regional councils to develop a regional strategy and a method for identifying priority sectors. The scheme must be submitted to the regional coordination committee for employment and vocational training (CCREFP). In addition, all actors involved in the provision of training (including regional councils) contribute to the funding of training measures and provide related support.

### **11.6.3 Types of intervention funded**

Support is mainly provided for the creation of jobs (of between one and three years), particularly in the non-commercial sector for activities with a significant social component. Funding amounts to 75 percent of the gross minimum wage in the non-commercial sector (i.e. associations, non-profit organisations, sub-national authorities, healthcare and medico-social bodies) or 35 percent of the gross minimum wage in the commercial sector (or 47 percent for businesses undertaking rehabilitation and training). Commercial businesses must also provide additional support, e.g. training.

### **11.6.4 Approach to geographical targeting**

The scheme is available across France, but special conditions apply in Rural Renewal Zones (ZRR), Sensitive Urban Zones (ZUS) and overseas regions. These three types of area were taken into account when calculating the regional funding allocations: of the 100,000 jobs to be created in 2013, 9,000 were allocated to overseas regions, 25,500 to ZUS and 8,500 to ZRR (while the remaining jobs are allocated to other regions according to qualification levels). In the specially targeted zones, funding is not only available to young people with no qualifications but also to those with up to three years spent in higher education (Bac +3). The largest financial allocations are for the Ile-de-France, Provence-Alpes-Côte d'Azur, Nord-Pas de Calais and Rhône-Alpes regions

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<sup>89</sup> II Sole 24 Ore, 27 June 2013, p. 4.



### ***11.6.5 Information on funding***

For the period November 2012 (when the scheme was launched) to end 2013, financial allocations amount to €2.26 billion in authorisation credits and €430 million in payment credits (see Table 5.6).

### ***11.6.6 Information on outputs***

The scheme aims to create 100,000 future-oriented jobs in 2013 and 150,000 jobs in 2014. By the end of May 2013, 25,000 future-oriented jobs had been created. The target group of lowly qualified young people is well represented with almost 90 percent of jobs awarded to those without A-levels (bac). However, young people from Sensitive Urban Zones are not well represented (only 15 percent compared to the target of 30 percent). With almost 15 percent, results from Rural Renewal Zones are higher than the initial target of 10 percent. 53 percent of jobs are short-term contracts over three years, 28.6 percent are short-term contracts over one or two years and 7.1 percent are open-ended contracts.

**Table A12: Regional funding for future-oriented jobs (November 2012 - December 2013)**

Region	Share of total (%)	Number of jobs to be created	Commitment authorisations (€million)	Payment credits (€million)
Alsace	2.3	1,979	47.7	9.1
Aquitaine	5.0	4,275	103.2	19.6
Auvergne	2.4	2,017	48.7	9.2
Brittany	3.1	2,618	63.2	12.0
Burgundy	3.2	2,742	66.2	12.6
Centre	4.4	3,750	90.5	17.2
Champagne-Ardenne	3.4	2,907	70.2	13.3
Corsica	0.5	390	9.4	1.8
Franche-Comté	1.8	1,529	36.9	7.0
Ile-de-France	16.5	14,003	337.9	64.1
Languedoc-Roussillon	5.2	4,423	106.7	20.3
Limousin	1.5	1,273	30.7	5.8
Lorraine	3.6	3,045	73.5	13.9
Lower Normandy	2.0	1,731	41.8	7.9
Midi-Pyrénées	4.3	3,646	88.0	16.7
Nord-Pas de Calais	9.0	7,647	184.5	35.0
Pays-de-la-Loire	4.7	3,981	96.1	18.2
Picardy	3.7	3,154	76.1	14.4
Poitou-Charentes	2.7	2,306	55.6	10.6
Provence-Alpes Côte d'Azur	9.1	7,744	186.9	35.5
Rhône-Alpes	8.5	7,197	173.7	33.0
<b>Continental France</b>	<b>100</b>	<b>85,000</b>	<b>2,051.1</b>	<b>389.3</b>
French Guinea	7.2	650	14.8	2.7
Guadeloupe	16.7	1,500	34.1	6.2
Martinique	16.7	1,500	34.1	6.2
Mayotte	3.6	325	7.4	1.3
Reunion	55.6	5,000	113.6	20.5
Saint-Pierre-et-Miquelon	0.3	25	0.6	0.1
<b>Overseas regions/départements</b>	<b>100</b>	<b>9,000</b>	<b>204.5</b>	<b>37.0</b>

## 11.7 Norway: Support for the Action Zone

### 11.7.1 Explicit goals

These instruments are seen as addressing various dimensions of the labour market problem – such as the attraction and retention of women and families to northern Norway and the attraction of skilled personnel. The Action zone was established in the 1990s in response to various crises, notably in the fishing sector, and sought to address high unemployment and generally poorer living conditions. The current objective is to make the area more attractive as a place to live, work and settle.

In the last 20 years the business and demographic structure has changed, with higher in migration, lower outmigration and a small natural population surplus. However, the demographic structure remains weak with small cohorts of child-bearing age groups and an aging population. Note also that there are considerable internal disparities, with population and employment growth concentrated in Hammerfest and Alta.

### 11.7.2 Governance

Assistance is administered in an automatic fashion directly through the tax and social security systems. There is therefore no discretion and no direct administrative intervention.

### 11.7.3 Types of intervention

Several labour market instruments are available in the Action Zone (in addition to the highest rate of the social security concession). These include a reduction in personal income tax, the partial write-down of student loans, an increase in child benefits and an exemption from VAT on electricity.

### 11.7.4 Geographical targeting

The Action zone covers the county of Finnmark and the seven northern most municipalities of Troms in the very far north of Norway. In practice, this area is diverse in terms of employment opportunities and consequence unemployment rates. The public sector employment is significant.

### 11.7.5 Information on funding

**Table A13: Estimated revenue foregone in tax, social security and other concessions**

	NOK million	€ million
Regionally-differentiated social security concession (ALL eligible areas)	13,000.0	1,741.0
Personal income tax concessions (Finnmark and North Troms)	781.0	104.6
Lower surtax (Finnmark and Northern Troms)	35.0	4.7
VAT exemption on electricity (Finnmark and Northern Troms)	820.0	109.8
Write-down of student loans (Finnmark and Northern Troms)	114.7	15.4
Child benefit supplement (Finnmark and Northern Troms)	76.5	10.2
Electricity consumption tax exemption (Finnmark and Northern Troms)	180.0	24.1

**Source:** Props 1 S (2012-13) Budget proposal of the Ministry for Local Government and Regional Development.

The figures for the social security concession refer to all eligible areas, not just the Action Zone. It could be estimated that the Action Zones might account for around a quarter of the revenue foregone.

### **11.7.6 Information on outputs**

A recent study of the measures in the Action Zone of Finnmark and North Troms<sup>90</sup> assesses the range of measures offered in the region. As noted earlier, this includes an assessment of the social security concession which is available more widely. This analysis suggested that the immediate effect of withdrawing the social security concession would be to reduce the rate of employment in the region. This would appear to be especially so in the service sector where the concession is more likely to be 'converted' into more jobs than in industry where the proceeds are more likely to result in higher wages (or profits). Over the longer term (five years) the impact of withdrawing the scheme would, according the study, be 'indistinct'. At various times the usefulness of the concession has been called into question, but there is currently political consensus for its retention and a landmark report from 2004<sup>91</sup> concluded that it was a highly accurate way of targeting labour market support with minimal administrative costs.

The study also undertook an analysis of incentives targeted at individuals – write-off of student loans child benefits and personal tax reductions – with a focus on the 18-40 age group resident in the region in 2000 and a comparison with those who moved away from the region within five years (2005). The study concluded that the personal incentives have a clear stabilising effect on the population, and especially so in relation to the most mobile groups, namely those without a personal connection to the region and highly-educated people. The study also considered that these incentives were successful in stimulating recruitment to the whole of the Action Zone, mostly to the municipalities with larger urban centres, but also to the coastal and inland municipalities. Reflecting the fact that the current situation in the north has more to do with lack of labour than lack of jobs, the study recommended increasing child benefit and student debt relief with a view to encouraging families with children and those with higher education. It also suggested simplifying immigration rules to ease labour supply from Russia and the reinforcement of Norwegian language teaching provision to facilitate the integration of immigrants.

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<sup>90</sup> Angell, E *et al* (2012) *Tiltakssonen for Finnmark og Nord-Troms - utviklingstrekk og gjennomgang av virkemidlene*, Norut and Menon, report no 2012:2.

<sup>91</sup> *Effekter og effektivitet*, NOU 2004: 2, <http://www.regjeringen.no/nou/dep/krd/dok/nouer/2004/nou-2004-2/2.html?id=383678> (accessed July 2013).

## **12. SUPPORT FOR REGIONAL SOCIAL WELL-BEING**

### **12.1 Italy's new social card**

#### ***12.1.1 Explicit goals***

The new social card aims to address child poverty by increasing the disposable income of households with children, where the adults are out of work.

#### ***12.1.2 Governance***

The legal basis for the new social card is set out in the law decree on employment of June 2013 which includes a number of other employment-related measures which will also be implemented via a further reprogramming of Cohesion policy programmes.

The municipalities are in charge of administering the scheme and for selecting the households that receive the new social card. They are also responsible for integrating support from the new social card with other types of support for low income households, provided by mainstream social services provided by the municipalities, as well as the services of employment agencies, health boards and schools. This integrated approach is supposed to take the form of a personalised plan which targets all members of the household, particularly children, and which aims to address the household's poverty and social inclusion and to facilitate labour market participation.

#### ***12.1.3 Types of intervention***

The instrument provides low income households with a card which they can use to pay their energy and food bills. Italian, EU and non-EU nationals are eligible to request the card, as long as they meet criteria relating to low income, and as long as they have long-term residence permits and have lived in the municipality for at least a year.

#### ***12.1.4 Geographical targeting***

The card was introduced in January 2013 as a pilot initiative in twelve cities with more than 250,000 inhabitants, namely Bari, Bologna, Catania, Firenze, Genoa, Milan, Naples, Palermo, Rome, Turin, Venice and Verona.

#### ***12.1.5 Information on funding***

The pilot initiative introduced in twelve cities in January 2013 had an initial budget of €50 million in central State funding, but the Employment' law decree of June 2013 allocated a further €167 million to this intervention. The amounts allocated to each city range from €1.1 million in Verona to €11.76 million in Rome.

The card will has value between €231 and €404 per calendar month, depending on the conditions of the beneficiary.

#### ***12.1.6 Information on outputs***

No information available.

### **12.1.7 Other information**

In addition to the new social card, there is an existing social card (carta acquisti ordinaria) that was introduced in in 2008 (law decree 112/2008) with the aim of supporting households with young children or elderly people which were living in a situation of absolute poverty. The existing social card provides €40 per month to support grocery shopping and the payment of energy bills. Households can benefit from the new social card instead of the existing social card but not both cards.

## 13. REGIONAL POLICY COORDINATION AND PILOT ACTIONS FOR EMPLOYMENT

### 13.1 Austria: Territorial Employment Pacts (TEP)

#### 13.1.1 Explicit goals

Territorial Employment Pacts (TEPs)<sup>92</sup> are regional partnerships which aim to enhance links between employment policy and other policies and thereby to improve the local/regional employment situation.

#### 13.1.2 Governance

TEPs were initially set up in 1997-2000 under an EU pilot programme which funded TEPs in Salzburg, Tyrol, Vorarlberg and Vienna. In the 2000-06 ESF programme, TEPs were established in all *Länder*, and they have been continued in the 2007-13 ESF programme. TEPs are contractual agreements between the Austrian Employment Service (*Arbeitsmarktservice*), the *Länder*, the social partners, the Federal Social Welfare Office (*Bundessozialamt*, BSB) (in some cases) and other agencies to achieve common objectives. A national TEP network body has been set up, namely the Coordination Office for the TEPs in Austria (*Koordinationsstelle der Territorialen Beschäftigungspakte in Österreich*, Kooo), located at the Centre for Social Innovation (*Zentrum für Soziale Innovation*, ZSI). The TEPs in the regions are often perceived as the ESF-equivalent of LEADER (EAFRD) and regional management offices (mainly ERDF), i.e. the key actor at the regional level.

#### 13.1.3 Types of intervention

The TEPs develop regional employment strategies, identify local and regional labour market needs, and implement relevant measures. The current priority of TEPs is to develop and test innovative measures (e.g. new practices, concepts, tools, collaborative and organisational forms, methods, processes and regulations) aimed at improving the integration of people distant from the labour market (including people with a migration background).<sup>93</sup> Examples of successful projects include a new scheme providing advice to new firms set up by immigrants, and a project setting up more general advisory and support facilities.

#### 13.1.4 Geographical targeting

TEPs exist throughout Austria but the approach to implementation varies in the different *Länder*. TEPs have been further regionalised in Styria, Upper Austria and Vienna (18 city districts). In Styria, for instance, the 6 TEPs are linked to the regional management offices. For a 2009 overview of TEP implementation in the 9 *Länder*, including priorities and measures, see: [http://www.pakte.at/attach/TEPs\\_2009\\_en.pdf](http://www.pakte.at/attach/TEPs_2009_en.pdf)

<sup>92</sup> More information at <http://www.pakte.at/>

<sup>93</sup> Austrian Strategic Report 2012, [http://ec.europa.eu/regional\\_policy/how/policy/doc/strategic\\_report/2012/at\\_strat\\_report\\_2012.pdf](http://ec.europa.eu/regional_policy/how/policy/doc/strategic_report/2012/at_strat_report_2012.pdf)

### **13.1.5 Information on funding**

The budget of the measures implemented by TEPs was over €870 million in 2012. Some funding is allocated by the ESF OP 2007-13, which has a separate Priority for the TEPs, with €13.6 million (including €6.2 million from the ESF and €7.3 million of national co-funding).

### **13.1.6 Information on outputs**

TEPs have been extensively evaluated and are often presented as one of the success stories of Cohesion policy impact in Austria. Nevertheless, it is difficult to measure impacts and results, not least because the main effect of the TEPs is seen in terms of increased policy effectiveness and efficiency due to partnership working and the coordination of the various programmes. Furthermore, the strategies and goals of the individual TEPs are wide-ranging as they are tailored to regional needs.<sup>94</sup> Evaluations include:

- The ex-post evaluation of the ESF OP 2000-06, which noted that the TEPs contributed to the integration of policy areas, an acceleration of decision-making, and efficiency gains on the labour market, and significant synergies with other EU programmes;
- A mid-term evaluation of the TEPs, carried out in 2010;<sup>95</sup>
- TEPs are part of an
- The on-going evaluation of the ESF OP, which includes a focus on the TEPs, with some results being presented in 2011;<sup>96</sup>
- A 2011 evaluation of coordination and synergies between the ERDF, ESF and EAFRD, which emphasised the role of the TEPs in integrating support from different EU Funds at the regional level;<sup>97</sup>
- A 2013 publication comparing partnership broker organisations such as TEP structures in Austria, Germany, Ireland and Sweden.<sup>98</sup>

Overall, the perceived success of TEPs means that they will be continued in the 2014-20 period.

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<sup>94</sup> BMASK (2009) *op. cit.*, p. 119.

<sup>95</sup> Kooo (2011) *Territoriale Beschäftigungspakte in Österreich. Zwischenbilanz*, Wien.  
[http://www.pakte.at/attach/11TEP\\_2010\\_web.pdf](http://www.pakte.at/attach/11TEP_2010_web.pdf)

<sup>96</sup> [http://www.oerok.gv.at/fileadmin/Bilder/3.Reiter-Regionalpolitik/2.EU-SF\\_in\\_OE\\_07-13/2.1\\_Nationale\\_Strategie/STRAT.AT\\_plus/STRAT.EVA\\_2011/PPP\\_AINZ.pdf](http://www.oerok.gv.at/fileadmin/Bilder/3.Reiter-Regionalpolitik/2.EU-SF_in_OE_07-13/2.1_Nationale_Strategie/STRAT.AT_plus/STRAT.EVA_2011/PPP_AINZ.pdf)

<sup>97</sup> Ecker et al. (2011) *SYN.AT. Koordination, Kooperation und Synergienutzung zwischen ESF, EFRE und ELER in Österreich. Endbericht an das Bundesministerium für Arbeit, Soziales und Konsumentenschutz (BMASK)*, 9.12.2011, Wien.

<sup>98</sup> Stott L and Scoppetta A (2013) 'Employment and Social Inclusion Partnerships in Europe', *The Journal of Partnership Brokering*, Issue 1, 8 May 2013. Available at: <http://partnershipbrokers.org/w/journal/employment-social-inclusion-partnerships-in-europe/>



## **13.2 France: Territorial management of employment and skills (GTEC)**

Several different titles are used for this instrument, which relate to the same approach: Territorial management of employment and skills (*Gestion Territoriale de l'Emploi et des Compétences*, GTEC), Forward-looking management of employment and territorial skills (*Gestion Prévisionnelle de l'Emploi et des Compétences Territoriale*, GPECT) and Territorial management of human resources (*Gestion Territoriale des Ressources Humaines*, GTRH).

### **13.2.1 Explicit goals**

GTEC aims to pool the employment-related initiatives of different actors in the same target area with a view to setting up activities that anticipate business needs in terms of the labour force and future skills. More widely, this instrument aims to help anticipate structural change and to maintain economic growth within the target area, especially in the context of the current crisis.

### **13.2.2 Governance**

The approach must be led by an actor which has the required capacity, legitimacy and credibility (e.g. a local job centre [*Maison d'emploi*], business cluster, chamber of industry and commerce, or employment zone committee). The structure of the GTEC is further determined by the co-financing bodies, namely the socio-economic actors and the State's sub-national offices for employment and training. GTEC must be based on a wide local/regional partnership.

### **13.2.3 Types of intervention**

GTEC-related interventions are implemented in three stages, namely an analysis of business needs, the implementation of an action plan, and the evaluation of the effectiveness of the action plan. Action plans can include a wide variety of measures, e.g. strategic restructuring, the promotion of certain job opportunities, the transfer of skills, mobility networks aimed at the ex-ante management of potential lay-offs, inter-firm cooperation aimed at pooling human resource management, the promotion of business networks, steps to reduce the dependency of SMEs on the economic cycle or single customer, or the improvement of social dialogue or of working conditions. Interventions should target future-oriented key sectors and mainly involve SMEs, since firms with over 300 employees are instead legally obliged to negotiate strategic forward-looking workforce plans (*Gestion prévisionnelle de l'emploi et des compétences*, GPEC) that aim to reduce the likelihood of radical restructuring and redundancies.

### **13.2.4 Geographical targeting**

According to a 2008 national agreement between socio-economic partners, the most suitable level for designing coherent strategies for employment and skills development is the 'territory'. The territory covered by the GTEC is defined by the partnership, and generally coincides with the travel-to-work-area (*zone d'emploi*).

### ***13.2.5 Information on funding***

There is no explicit funding source; instead, funding can be provided by a number of different actors, including the State, sub-national authorities (notably the regions), socio-economic actors and the Structural Funds.

### ***13.2.6 Information on outputs***

No information available.