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Foreword

Continual change has become the hallmark of global markets, leaving enterprises, communities and workers searching for new ways to improve their security – the security of their competitiveness, of their employment base and of their own livelihoods. Economic resilience has always required capacity to deal with change effectively. What seems to be newer is the pace of change and the growing importance of human assets in determining competitiveness - labour quality, labour relations, inter-firm relationships, and the ability of local institutions to continually improve these factors. In response, communities are experimenting with many kinds of initiatives to improve the ability of local enterprises to manage change and to participate in global markets in ways that are more to the advantage of local economies.

The purpose of this report is to document the variety of such initiatives that have emerged in European countries, whether instigated by local governments, by enterprises and networks of enterprises, or by labour unions or civic organizations. As such, the paper provides a useful stocktaking. It describes the types of new institutions that are emerging, assesses their development and reviews the indications thus far of their effectiveness. In particular it documents some of the new ways in which communities are trying to strengthen connections between local businesses and multinationals, promote partnerships among enterprises, and help employers and workers develop workplace practices that foster both security and flexibility. The paper draws together information from a variety of sources - media accounts, European Union programme documents and discussions with practitioners in local development agencies.

The report was written by Frank Pyke, Honorary Research Fellow at the Department of Applied Economics, University of Cambridge. The report was prepared as part of the background research undertaken for the Action Programme on Globalization, Area-based Enterprise Development and Employment. One purpose of this Programme is to demonstrate how national and local policy and good working relationships among levels of government and with the social partners can be instrumental in bringing about successful local adjustment to change caused by globalization, where success is defined in terms of enterprise development and preserving or creating jobs. Activities under this Programme have been coordinated by Christine Evans-Klock.

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1. Introduction

Over the last 15 years or so Europe has witnessed major changes in the way enterprises are organized. This has included major downsizing both in advanced market economies and in economies in transition; new patterns of internal organization involving the reduction of hierarchies, more decentralisation of authority and collective bargaining at local and enterprise levels, and new workplace participation schemes with workers increasingly organized in teams or work groups; and outside, new horizontal and vertical forms of inter-firm organization, involving, for example more outsourcing and innovations in supply chain relationships and logistics systems, and utilising a range of information technologies. Further, increases in international sourcing, production and marketing strategies are bringing more parts of the world into global trading patterns, in the process creating new international divisions of labour and new regional and local divisions of economic prosperity. Regional trading blocs such as the North American Free Trade Area and the European Union, and the dismantling of trade barriers in general, have contributed to the process. Along with changes in the economic sphere “proper”, we are also seeing major innovations in West, Central and Eastern Europe, in regulatory frameworks, institutional organization and practices. A generalised feature of the changes has been the heightened salience of locally based small firms as creators of employment, as quality suppliers to larger firms in supply chains, and as competitive units in their own right, invoking the need for new practices and policies appropriate to these kinds of enterprises.

At the same time, there has also grown a new importance for regional and local action. Small firms in particular are requiring locally defined and delivered support, whilst with increasing globalization even local economies have become susceptible to international competition. Top down, central government directed development policies have been increasingly perceived as inadequate, and more and more the impetus has been taken up by local and regional authorities and other agencies attempting to cope with the economic and social effects of downsizing and change; trying to move their economies up to higher value ends of international supply chains; and trying to create the conditions for developing existing, and creating new, small firms.

Such trends are to be found globally, but it is perhaps in Europe that the movement towards decentralised local initiatives has gone furthest. These are being accompanied by new roles for the social partners as partnership strategies at the local and regional levels become a means of responding to an increasingly unstable world. Such new roles are not occurring in isolation; indeed they can be seen as part of a general reorganization of a whole range of economic and social institutions and practices geared to new industrial needs. Labour is a central part of the new scenario that is developing, as industry develops new patterns of organization both within the firm and between firms, as competitiveness requires new and changing skills and more flexible labour markets, and as the issue of the adequacy for social security of existing regulatory bodies and practices rises to the fore.
2. Growing instability and constant change

Possibly the key challenge for local practitioners now has become how to manage positive change in a context of growing concern about stability and flux. Five trends in particular, more evident in some countries and sectors than in others, seem to be pushing questions associated with increased instability, labour mobility and social cohesion to the forefront of policy concerns:

S one is a continuing problem in Europe of unemployment, underemployment and the marginalization of certain social groups, raising concern about persistent problems of Social Exclusion.

S a second trend is a growth of flexible or variable hours working and contingent forms of employment (including self-employment, part-time employment, temporary work, and others) which is encouraging more labour mobility and raising questions in particular about the adequacy of existing social security systems to cater for a more mobile, flexible labour force. In Europe, countries like the Netherlands and the United Kingdom appear to have moved further than others along the “flexibilisation” path. In the case of the Netherlands, 37 per cent of Dutch employees are now said to work less than a full week, and such “non-typical” working patterns are increasing. What are called “flex-jobs” - ranging from temporary contracts to on-call jobs - are reported in the newspapers as representing about 15 per cent of all Dutch employment, and in the past three years such forms of employment are said to have increased by about a third, with the number of temporary contracts alone rising by 75 per cent (Smit,1997a). During 1996, the Dutch temping market is reported to have grown by nearly 24 per cent, with annual growth of 10 per cent forecast to continue (Smit, 1997b). In the United Kingdom, working patterns are also said to be “changing dramatically” (See Box 1).

S a third related trend is a flattening of hierarchies in large organizations at the same time as a rise to prominence of small firms - which also encourages labour mobility between places of employment. Thus such developments encourage increased concern with questions of geographical and horizontal movement amongst a number of employers, and less on single employer stability and vertical “internal market” career progression;

S a fourth trend is a continuing instability in the way firms are organized both internally and with other firms, leading people to talk about an era of continuous change. There are indications that the downsizing and turbulence experienced through the years of the 1980s and now well into the 1990s is not a transitory phenomenon but may be becoming a more permanent feature of the working of economies;

For example, Capelli et al., (1997) suggest that for the United States at least, there are indications that downsizing might not be a single “one-off” event, but might be part of a new strategic way of responding to the need to be flexible. That is to say, it is possible that staff reductions, and the instability and insecurity that accompanies it, might be a much more typical part of the activities of the flexible firm (and the flexible economy) of the future.

In the case of Britain, it is reported that findings from a recent extensive survey of British managers have suggested that “workplaces in the 1990s are in a state of constant change”, with 61 per cent of managers surveyed saying that their organizations had carried out a change programme in the last 12 months, involving issues such as cost reductions, redundancies, culture change, and performance improvements (Bolger, 1997).
The period of April, May, and June 1997 appeared to see a slowdown of restructuring and downsizing, but then from July 1997 the process has picked up again with major reorganizations and redundancies being announced in the USA by companies like General Motors, Woolworth, International Paper, Hasbro, Stanley Works, Kraft, Levi Strauss, Fruit of the Loom, Citicorp, Whirlpool, Food Lion and Eastman-Kodak (Stein, 1997; Waters, 1997a; Waters 1997b; Waters, 1997c; Helmore 1997; Tomkins, 1997a; Tomkins, 1997b; Editorial, 1997); and in Europe, by firms like Renault, Ericsson, UBS, Belgacom, and ABB (Simonian and Buckley, 1997; Simonian and Buckley, 1997). A fifth trend, related to the others, is an apparent loosening of commitments by employers to provide long term stable employment. A recent survey of 92 organizations, two thirds of which were based in the USA and the rest mostly in Europe, found that 27 per cent reported “no contractual or tacit understanding with employees that promised a secure job in exchange for loyal and dedicated service”; a further “67 per cent reported that they once had, but no longer have, such an understanding”. For most companies the changes in employment relationship and expectations started in the early 1990s (D. Summers, 1997a).

Box 1. United Kingdom - Growing Flexibilisation

The use of variable or flexible hours patterns in the United Kingdom is reported to have increased markedly. One claim is that over half of employees work such patterns, nearly double that of ten years ago (Casey et al., 1997).

Part-time work has continued a long term trend, and, perhaps significantly, male part-time employment has increased. According to Taylor (1997a), between 1986 and 1996 the number of UK men in part-time work doubled to one in 12, and, according to Gregg and Wadsworth (1996) since 1993 alone the number is said to have risen by 40 per cent.

Temporary contracts have also increased. According to an analysis of official figures by the House of Commons library, between 1992 and 1997 temporary employment rose by a third to 1.5,866,000 (Clement, 1997). Taylor (1997a) reports that social trends indicate that in 1995, 6 per cent of UK men and 8 per cent of women were employed in temporary work. In manufacturing, a Financial Times study has revealed a 67.5 per cent increase in five years in the number of employees on temporary contracts (P. Marsh, 1996).

Full time self-employment has also risen, from 6.5 per cent of the British workforce in 1979 to 10.2 per cent by 1996 (R. Taylor, 1997b).

A 1997 report commissioned from the Future Foundation by BT and First Direct Bank is also reported to have found that in Britain work patterns are changing dramatically. There is said to be pressure on workers to work longer hours, and more people than ever have part-time or shift work contracts or work with no fixed hours. The old “working day” is reported as becoming a thing of the past with more than 1 million people working between 9 p.m. and 11 p.m. and at least a third of a million working between 2 a.m. and 5 a.m. These numbers are forecast to double within ten years (J. Vidal, 1997).

An upshot is that in many countries instability and change have become major issues, whilst worker insecurity has increased. International Survey Research monitors employee attitudes on a regular basis, covering 450 companies in 18 European countries. A comparison of changes in employee satisfaction for 8 European countries between 1990 and 1997 found that “feelings of employment security are in free fall”. The trend was found to be particularly significant in Germany, Belgium, Italy, France and the United Kingdom, but it was also reported that “concerns about their future security are now endemic amongst employees in all the major economies of

\[1\] The period of April, May, and June 1997 appeared to see a slowdown of restructuring and downsizing, but then from July 1997 the process has picked up again with major reorganizations and redundancies being announced in the USA by companies like General Motors, Woolworth, International Paper, Hasbro, Stanley Works, Kraft, Levi Strauss, Fruit of the Loom, Citicorp, Whirlpool, Food Lion and Eastman-Kodak (Stein, 1997; Waters, 1997a; Waters 1997b; Waters, 1997c; Helmore 1997; Tomkins, 1997a; Tomkins, 1997b; Editorial, 1997); and in Europe, by firms like Renault, Ericsson, UBS, Belgacom, and ABB (Simonian and Buckley, 1997; Wagstyl and Hall, 1997; Burt, 1997, Martinson and Hall, 1997). In the case of General Motors, plans for “extensive reorganization “ are said to have been signalled, with reports asserting that as many as 42,000 jobs, a fifth of its workforce, may be scheduled for shedding in the next five years (Tran, 1997), and claims that up to 10,000-12,000 jobs maybe lost in Europe (Waters, 1997b; Simonian and Buckley, 1997).
Europe” (ISR, 1997). The report suggests that the pan-European decline in employee perceptions of employment security is “neither an isolated nor a transitory phenomenon, and reflects a fundamental change in the nature of the employment relationship (ISR, 1997, p. 12)”. In the United Kingdom, for example, there is said to have been a high rise in felt insecurity, perhaps especially amongst some groups such as middle managers, which seems to be continuing to a significant degree despite improving overall economic conditions (See Box 2). Such trends in Europe have heightened concern in particular about insecurity and focussed attention on the adequacy of existing regulatory and institutional forms in relation to labour flexibility and mobility, especially regarding matters such as welfare, pensions and training.

**Box 2. United Kingdom: Falling morale and rising insecurity**

The widespread and continuing restructuring, and shift in employment patterns, in Britain has been widely linked with falling morale and an increased level of felt insecurity. For example, the latest quarterly survey of trends by the Institute of Management reports that 59 per cent of Junior and Middle Managers feel insecure (Institute of Management, 1996); moreover, a recent extensive survey of British managers is reported to have confirmed the extensive presence of such insecurity and low morale - especially amongst Junior and Middle Managers - linked to uncertainty and the stress of coping with continuous change (Bolger, 1997).

A 1996 survey by the British Confederation of Industry of 700 firms found that stress and low morale is increasing, especially in white collar jobs, resulting in a rise in sick leave. The increase was blamed on restructuring and rationalising, and uncertainty over job insecurity (S. Ryle, 1997).

Another recent British survey has revealed that between 1990 and 1995 the number of employees reporting feeling secure with their current employer dropped from 76 per cent to 43 per cent (ISR, 1996); whilst a subsequent July 1997 random survey of 1,000 people in employment commissioned by the Institute of Personnel and Development found that despite an overall rise in demand in the economy, 25 per cent of respondents were still expressing worries about job security (D. Summers, 1997b).

Also, research amongst the 160,000 members of the ‘Public Services, Tax and Commercial Union’ has recently revealed that “almost two in every five members are ‘fairly’ or ‘very’ worried about being made redundant in the next 12 months”, and the General Secretary of the union reports that for his members “Job security is top of the negotiating agenda” (J. Sheldon, 1997).

Both protagonists of the need for increased security and increased flexibility call for a recognition of a changed labour market situation and demand appropriate adaptation from labour institutions such as those dealing with training and welfare provision. On the one hand, some call for new social security systems geared to a more mobile workforce that can encourage participation and facilitate change. On the other hand, others point out that more than ever before firms need to be able to adapt flexibly to changing market pressures and consequently demands for a return to a “jobs for life” mentality and the imposition of burdensome employment regulations must be resisted.

Offering workers increased security by making them more employable through better training has become a common refrain. Some suggest an additional need for new kinds of regulatory and collective bargaining systems, accompanied by the development of a capability for “positive flexibility” based on better skills, organizational abilities, better productivity, and better and faster product innovation.

In the search for an ideal “model” we can expect to see much experimentation and the study of experience, with various countries being held up as models for replication. Thus, for example, countries like Ireland and the Netherlands have been mentioned as offering positive lessons, whereby “consensus, security and social justice” is said to be “going hand in hand with flexibility and rapid growth in jobs” (van der Ploeg, 1997).

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2 The report surveyed employee satisfaction in Belgium, France, Germany, Italy, the Netherlands, Spain, Switzerland and the United Kingdom.
Awareness of the need to facilitate flexibility and change through security and equity is increasing, especially, it seems, in Europe. In Britain, a recent survey of 18 (apparently larger) companies found that they were introducing “employment security agreements” with trade unions specifically to create an atmosphere of partnership and cooperation that will help the companies introduce new practices and thereby facilitate change.

However, as valuable as such single employer agreements may be, there might be doubt as to whether they can adequately reach the many, and growing, numbers of small firms, and whether they are sufficient to cater for what appears to be a growing proportion of lateral and contingent labour market activity. Consequently, we might see a growing search for new kinds of industrial relations systems that have the capability of being more encompassing, possibly targeting inter-firm networks and communities.

Such an endeavour is likely to go hand-in-hand with local and regional measures to raise competitiveness as advantage is increasingly perceived as being more than ever community based. Small locally-based firms in particular are dependent on the enabling regulatory and institutional environment they inhabit, as well as on the quality of the relationships they have with other firms - both small and large. Consequently, it is no surprise to see that issues of competitiveness, instability, security, change, and regional and local development are becoming inextricably intertwined.

In such circumstances the whole character of the kind of development desired has risen to the forefront of policy debate. Of particular concern is the capability of economies to provide jobs, evaluated not only in terms of quantity, but also quality, and this question of capacity has in turn focussed attention on the capability of countries, and regions within countries, to compete in increasingly competitive world markets. At the same time, achieving competitiveness in a globalized economy could now imply continual modernisation and reorganization, and therefore change. Consequently, managing positive change, increasingly at the intra-country regional and local levels, has become a key issue.

3. Local initiatives and the social partners

Responses to issues of raising competitiveness whilst addressing matters of instability and threats to social cohesion are occurring in Europe in association with, and as part of, new decentralised development initiatives at the local level - the level of the region, the town, and the enterprise. Such initiatives are increasingly forming part of broader strategies to raise the level of competitiveness at the local and regional levels.

In general, employers’ and workers’ organizations have shown increased interest in moving beyond traditional representational and bargaining roles to becoming involved in more developmental capacity-raising activities such as organizing training, promoting new entrepreneurial activities, helping firms modernise their production organization, strengthening inter-firm networks, and introducing new ideas and technology.

For example, a recent worldwide ILO survey of over 65 governments, and even more employers organizations and workers organizations, found strong support for the proposition that employers’ and workers’ organizations should provide SME-targeted developmental services, and should become involved in industry and community based councils, fora and other bodies concerned with a range of economic and social aspects of SME development (See Box 3).
Box 3: Employers’ and workers’ Organizations and development involvement

Widespread support has been voiced by governments, and employers’ and workers’ organizations to become active in SME development issues by:

- becoming involved in campaigns to raise quality, productivity and ethical standards and to achieve gender equality;
- participating in the monitoring of social and labour market issues regarding SMEs, including terms and conditions of employment;
- participating in councils, task forces and other bodies at central, regional and local levels established to deal with important economic and social issues, including policies and programmes affecting SMEs;
- providing direct support services such as training, consultancy, facilitating access to credit, marketing support, promoting linkages with larger enterprises and similar services;
- becoming involved in the governance of national, regional and local SME-oriented institutions which provide support in such areas as training, consultancy, business start-up and quality.


In Europe, there is evidence, some of it to be presented in this paper, of such aspirations increasingly being realised at the local level. Some developmental activities are being carried out directly by employers and workers organizations themselves; others are being carried out by special intermediary agencies, many of which include representatives of employers and workers organizations in their governance structures; whilst others are being carried out through Public-Private Partnerships which might include a broad range of actors.

3.1. EU programmes

Local development initiatives are intended to be locally driven, but higher level authorities can facilitate the conditions by which this can come about, and this role they indeed seem to be taking on. In Europe an important “facilitator” is the pan-national European Commission of the European Union, through its agencies and programmes. In particular, mention should be made of the Territorial Employment Pact programme, first initiated in 1996 and now in the phase of receiving project proposals. In this programme the aim is to utilise the Union’s Structural Funds to promote at the local level a coordinated public/private approach to development, with the overall aim of creating more employment. By July 1997 over 80 project proposals had been received from right across the countries of the Union.

In order to be recognised by the European Commission, Territorial Employment Pacts must satisfy three criteria (Berg, 1997):

1. there must be a “bottom-up” approach whereby initiatives should come from the local level;
2. there should be the involvement of a partnership that brings together all the local actors involved: administrations and the public sector; social partners; private organizations and associations;
3. an integrated approach should be followed, based on a detailed analysis of the local situation, to be used to develop an integrated strategy with innovative measures (called an Employment Action Plan).
For those Pacts selected, the development and organization of the Pacts, and employment initiatives carried out, may be eligible for financial support from the Union’s Structural Funds (Berg, 1997). ³

Even apart from the actions of the European Commission, local development initiatives utilising various kinds of public-private partnerships are growing throughout Western, Central and Eastern Europe, as well as elsewhere. Some innovative examples are presented below, distinguished broadly between initiatives that are essentially area or geographically-targeted, and those which are more focussed on particular sectors, networks or individual enterprises, although in practice the two categories can and often do overlap.

3.2. Examples of area-based local development initiatives

In the organization of local development initiatives involving a social partnership approach, we find in some cases existing institutional structures taking on new roles, whereas in other circumstances local partners come together and create brand new executive institutions or project committees to manage specific initiatives; in other cases again there appears to be more of a mix of a “top down” and “bottom up” approach, such as where a central authority helps (from the top) to establish a network of local intermediary development institutions but then encourages local management of those institutions by local partnerships.

In the case of Belgium, it is reported that old local and regional structures such as local employment committees, established in the 1970s, that included the social partners, formed the basis for active roles in industrial restructuring in the 1980s in the coal, confection and textiles industries (OECD, 1997).

In the Czech Republic it seems that existing institutions might be taking on new roles in developing local partnership initiatives. In future, the 77 district labour offices of the Ministry of Labour are likely to play increasing roles. It has been reported (in 1996) that these offices will be responsible for preparing revitalisation plans for areas of high unemployment. These plans will form the basis for central government funding and they must provide evidence of cooperation between the labour offices and municipalities, the private sector and non-governmental organizations.

Through means such as these, planning and implementation of development strategies is being decentralised, with district labour office directors providing local leadership and coordination amongst local organizations. Assisting this is the fact that the directors will be advised by boards made up of representatives from employers and workers organizations, local government and other actors (OECD, 1996).

In the Republic of Ireland, new executive institutions and project committees are being created by partnerships of local actors, engaged in Area-based Partnerships, where the context has been ten years of national level agreements between the Social Partners, addressing a range of economic and social issues. In 1991 the Irish Government, with the support of the Social Partners, and the Structural Fund of the European Union, initiated the first of 38 Area-based Partnerships in urban and rural communities, which served to extend national level tripartite cooperation down to local level tripartite projects aimed at tackling social and economic issues such as enterprise development, long term unemployment and social exclusion. ⁴

³There are other European Commission programmes touching on local and regional development issues, for example, about 40 European regions were expected (in 1996) to participate in two programmes aimed at promoting regional innovation; the Regional Innovation and Technology Transfer Strategies and Infrastructures (RITTS) programme, and the Regional Innovation Strategies (RIS) programme. In these programmes, again a decentralised “bottom-up” approach is pursued, involving a broad range of local actors, including the social partners, research institutes, local and regional governments and others, in a process of developing strategies to promote innovation at the regional level (Corvers, 1997).

Typically, an Area-based Partnership will have a board of 18 members including representation from national government departments (concerned with areas such as training, or welfare issues or economic development), workers’ and employers’ organizations, and the community sector (groups involved in community issues such as unemployment, or welfare or tenant rights). The kinds of activities such partnerships promote can be seen from the following examples. These include urban-based initiatives such as The Tallaght Partnership, which has been involved in projects such as training young people, helping disabled people voice their needs to service providers, and in enterprise-to-enterprise mentoring programmes; The Northside Partnership, based in north Dublin which hires and trains local long-term unemployed to work in a specially established commercially operating plant, and which also provides a job placement service both for these workers and others; The Dundalk Employment Partnership, which aims to improve the employability of the long-term unemployed, by, for example, helping the establishment of new enterprises that employ the long-term unemployed, and helping the long-term unemployed to start their own businesses; and The People Against Unemployment in Limerick (PAUL) Partnership which, amongst other things, is involved in welfare rights issues and advocacy on behalf of the unemployed.

There are also rural-based initiatives such as: The Ballyhoura Development Partnership which is involved in rural enterprise promotion such as encouraging new agricultural and agriculture related activities, and broader community development such as making available low cost housing to local village people; and The South Kerry Partnership which seeks to retain populations in rural areas by, for example, assisting enterprise creation in areas such as speciality food products, and by helping to develop community and cultural services.

In Poland, over 60 regional and locally-based intermediary institutions called Regional Development Agencies have been established. Typically, such agencies are set up by a consortium of community governments, agencies, banks and other public and private actors.

For example, in 1991 a group of trade unionists at the PZL-Mielec Aircraft Factory Committee began arguing for a common effort to solving the area’s economic problems. The following year a consortium of public and private entities founded the Mielec Regional Development Agency, for which, in 1996, the shareholders were: PZL-Mielec, the Agency for Industrial Development in Warsaw: the city of Mielec; and the Factory Committee of NSZZ-Solidarnosc PZL-Mielec. Since then, this Agency has been active in local development initiatives aimed at creating jobs and diversifying the economy, including, for example, providing small business loans; establishing a small business incubator; involvement in professional training courses; advising on business plans; and helping attendance at trade fairs (OECD, 1996).

Also, in Hungary, the Hungarian Foundation for Enterprise Promotion has developed a nationwide network of local enterprise promotion institutions for small firms, known as Local Enterprise Agencies. All 19 of Hungary’s counties are covered, with each agency having a directing board with representation from a range of public and private actors, including employers and workers organizations, state enterprises, and local and county governments.

LEA activities and technical services vary according to particular local needs and circumstances, but could include: attracting inward investment; export promotion; promoting self-employment; facilitating access to funds; carrying out local studies; organising training; and promoting technology and innovation. Some LEAS are sectorally-focussed, others more broadly active (OECD, 1996).

In Italy, the “Patti Territoriali” and “Contratti D’Area” initiatives were started in 1995. Like the European Union Territorial Employment Pact programme, the aim of these Italian initiatives is to encourage a process of “concertation” or partnership at the local level. One

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5 This section is based on interviews with local Italian experts and practitioners.
informed estimate is that there are currently (end of 1997) at least 30 Patti Territoriali and 12 or so Contratti D’Area agreements in the process of formation, of which about a dozen of the former have been formally approved by government but have not yet received financing, and two or three have reached the stage of receiving government approval and also financing. None of the Contratti D’Area agreements had yet been formally approved or financed. Both types of pact or agreement are restricted to disadvantaged areas, which in the Italian context means a tendency towards the south of Italy. Both kinds of instrument are expected to grow in use.

At the local level, in both kinds of initiative, representatives of employers’ and workers’ organizations, local administrations, specific enterprises, financial institutions and other interest groups come together to elaborate a strategic development plan of action, in writing, to which all “partners” formally agree to contribute, and from which all are expected to benefit. Through such means, it is said, partners are given greater confidence to proceed with investments or other commitments; development strategies can be better focussed and coordinated; and more rational use made of possible funds and resources.

In such a pact or agreement, different institutions can agree to do different things, appropriate to their competence. For example, provincial and municipal administrations might promise to reduce bureaucratisation and agree to specific times for providing authorisation from different regulatory bodies for new investments; or to provide specific physical infrastructures such as roads or telecommunication improvements. Trade unions might agree to new flexible working practices, or maybe assistance in training programmes. Employers could agree to make specific investments such as new plants, or new production lines, or new machinery to improve productivity or quality, or to take on more workers. Financial institutions might agree to provide credit, and provide it at favourable rates. Each agreement or pact is sent to the responsible government ministry for approval which must decide whether it is an acceptable project, and whether supporting funding should be given.

There are two main differences between the types of pact or agreement. Firstly, in the case of the Patti Territoriali, the promoter or initiator of the pact is a public body such as a provincial administration or, perhaps, a consortium of municipalities, which then brings in other actors, including the social partners; whilst in the cases of the Contratti D’Area, the promoters and initiators are always employers and workers organizations, who are then again joined in the agreement by other actors, such as local authorities and others.

Secondly, the Contratti D’Area differs from the Patti Territoriali in that the former are essentially employer-worker led agreements created in response to specific, likely sectorally specific, crises - such as might be caused by the closure of a major employer or the decline of a local industry - resulting in specific tailored plans of action in response; this is different from the Patti Territoriali which are oriented to geographical regions which might contain a variety of situations and which therefore might require a range of differentiated actions. Once the pacts or agreements have government approval, and finance, local coordinators must be appointed with the responsibility for making sure the agreements and commitments entered into are implemented. One possibility is for the partner institutions to jointly create such a body. An example of a Patto Territoriale underway in the province of Ferrara, Emilia Romagna, is presented in Box 4. Another example of the concertation approach, in the Czech Republic, is presented in Box 5.

In Germany, the state of North-Rhine-Westphalia is pursuing a new decentralised local approach to development, with actors in the 15 regions taking a central role and the state government carrying out a facilitating, coordinating and monitoring function. At the heart of the strategy is the promotion of concertation and consensus building amongst key local actors, who collectively participate in the design and implementation of their own development strategies.
The process of concertation takes place through “Regional Conferences”, the members of which formulate broad strategies for their areas known as “Regional Development Concepts”, and decide on specific projects to further development needs. Proposals are then sent to the State government. A precondition for the submission of proposals and Concepts is that there should be a regional consensus about them.

Box 4. Patto Territoriale, Ferrara, Emilia Romagna

In the region of Emilia Romagna, the process of concertation amongst a group of social actors and institutions is an important part of the region’s development approach of pursuing the achievement of “systemic competitiveness”. The application of a Patto Territoriale in Ferrara province could perhaps be seen as a more formal example of the process at work.

In this case, the territory concerned covers almost all the province, and addresses two very different situations: a situation of industry experiencing some difficulties; a situation of a rural area with no industry. Consequently, the Patto Territoriale for Ferrara has differentiated programmes to address the two situations.

The promoter of the pact is the Provincial government of Ferrara together with the governments of 12 municipalities covered by the territory of the pact. Other partners include: the Regional Government of Emilia Romagna; three trade unions; three employers organizations; several financial institutions; the chamber of commerce; two local development agencies; and a number of individual enterprises.

The organization of the pact is supported by a Technical Support Group, as well as advice when needed from experts in the relevant national government ministry.

The promoters have developed the pact by moving through a series of steps:

(i) firstly, they organized a General Meeting of local interest groups in order to explain the purposes of the initiative. This was followed by,

(ii) an analysis of the problems and issues of the territory, which included in depth individual discussions with each of the partners involved. Subsequently,

(iii) another General Meeting was held to discuss the results of the analysis, and to discuss possible strategies. Then,

(iv) the process of creating agreements with each of the participating organizations, or partners, was started. For example, with the 12 municipalities it was agreed that they should follow a certain laid down procedure in order to reduce the time needed for firms to obtain authorisation for new investments. Then,

(v) a formal agreement was drawn up, which all the partners sign before it is sent to the relevant Ministry for approval. And finally,

(vi) a local coordinating body is appointed to monitor the pact and ensure that all the agreements and commitments are implemented.

All the aspects of the agreement of the Patti Territoriali must be implemented within three years.

Source: interviews with local Italian experts.

Each Regional Conference has a different membership according to local conditions but common or “core” to all of them are local government, trade unions, Chambers of Industry and Commerce, and the local labour offices. Other members can participate from a broad range of community groups, such as women’s groups, welfare services, environmental protection organizations, church groups, cultural associations, etc.

In the more successful examples, according to one point of view, “the process of negotiation, bargaining and consensus finding” within the region “is being used to commit actors to cooperative and collective action”. In these regions, typified by industrial structures composed of small and medium-sized enterprises, the aim of encouraging self-organization and mobilisation of endogenous resources is said to be working (Potratz, 1997).
Box 5. Concertation approach, Ostrava-Karvina, Czech Republic

The steel and coal producing region around Ostrava-Karvina, on the border with Slovakia, is pursuing a local concertation approach in a common endeavour to restructure the economy and manage change. A key institution in this is the Union for the Development of Northern Moravia and Silesia (UDNMS), formed in 1995. It has (1996) 82 members, including all larger enterprises located in the region, financial institutions, the Regional Chamber of Trade Unions, all regional universities and research institutions, the cities of Ostrava and Karvina, regional associations of municipalities, and several other institutions.

This organization is reported to be leading change in the region, promoting major regional development projects such as improvements in transport infrastructure and energy production, promoting international links with other regions, helping to establish new institutions such as a regional bank, a regional development agency, a university and other projects, and encouraging cooperation and coordination amongst the region’s institutions and initiatives. A Regional Development Agency (RDA) was established on the initiative of UDNMS, and is said to be an executing agency for projects organized by UDNMS. It is one-third owned by UDNMS, one-third by an association of municipalities and one-third by the Czech Ministry for Regional Development. The RDA is involved in managing major projects such as, for example, the creation of Ostrava Airport Business Zone, and the Technology Park Ostrava, and carries out a range of other development activities, such as training and the provision of support for small- and medium-sized businesses. In cooperation with the UDNMS, the RDA is updating a regional development strategy valid for the next eight years, called REGVIS 2005.

There is a range of regional development institutions cooperating, most prominently the Regional Entrepreneurial Fund, which provides venture capital primarily to small- and medium-sized private firms. Other agencies involved include the Business Development Institute Ostrava, the Ostrava-Mosnov Airport Business Centre, the Technology Park Ostrava, the Regional Information Centre, the Chamber of Commerce and Industry, and others. These regional institutions are reported to work in close cooperation on regional restructuring and development, with a leading role by UDNMS in coordinating activities.

Unlike many similar regions, Ostrava-Karvina is reported to be “developing relatively well” (Nesporova, 1998). Researchers attribute the strength of the region to the ability of key local actors to come together to discuss problems and possible solutions, reach consensus on what to do and how to do it, and to put these plans into practice. Consequently, this has been one of the reasons why “restructuring thus far, has proceeded fairly smoothly and without major social conflict” (Nesporova, 1998).

4. Network initiatives, and high value locals

A second category of initiatives can be loosely referred to as those that are targeting improvements in organization within firms and between firms, and also relationships with a range of support institutions. Such initiatives may in practice be encompassed by, or at least integrated with, “area initiatives” described in the previous chapter, or they might also “stand alone”.

The context for network initiatives is the increasing integration of localities into global structures and processes and the realisation that competitiveness is increasingly being achieved at the level of whole networks of firms and institutions, and more broadly communities, rather than just individual enterprises. The roles of, and relationships between large and small firms are important aspects of this context of competitiveness.

In Europe and elsewhere there is a trend towards the restructuring of supply chains with, typically, the overall number of suppliers being reduced and major companies entering into longer term strategic alliances with first tier firms often known as “Systems Suppliers” or “Systems Integrators”. Such developments have important implications for locally based firms, likely smaller firms, which risk being excluded from the new organizational structures.

This restructuring is being accompanied by new international divisions of labour organized along cross-border supply chains. This trend is in part being promoted by individual enterprises themselves which are seeking to locate plants in, and source from, locations offering particular
production or market advantages. But also it is being strengthened by attempts by local and regional authorities, specially established intermediary institutions, and local partnerships, to actively try and capture and develop the high value parts of chains. For this, agencies are seeking to develop and to integrate branch plants of multinational companies into, high value locales. To this end, the aim is to utilise the knowledge, international connections, and buying power of the multinational firm to help raise local standards, provide access to foreign markets, and induce the creation of new local sub-contracting and supplying enterprises, with attendant jobs. At the same time, local authorities are targeting the creation of an infrastructure of high quality local small suppliers, supporting institutions, and labour forces which will both attract new multinational firms and integrate existing ones, as well as promote an indigenous enterprise capability. Moreover, new approaches by intermediary institutions are seeking to actively link up the branch plants to local small firms by brokering new kinds of network relationships and vertical supply chains.

Thus by such means, and by pursuing a strategy of continually raising standards, and developing functions such as design, quality, research and development, marketing and other capabilities, the long term aim is to develop a high value locale capable of supporting rising wages and work conditions.

4.1 Network initiatives

Interest in developing strategies to integrate branch plants of multinational companies into local economies is increasing. For this, some initiatives are pursuing a strategy of encouraging the development of new vertical cooperative relationships between local small firm suppliers and large customers, utilising some kind of public or private intermediary institution to broker the new linkages. Programmes may simultaneously seek to strengthen small firm suppliers’ capabilities, as well as independence, by also encouraging new kinds of horizontal cooperative relationships, between small firms and between small firms and supporting institutions.

In the Netherlands, for example, locally initiated programmes are under way that utilise intermediary institutions and consultants to facilitate the development of new vertical and horizontal network capabilities, to reorient the strategies of local small firms towards higher value adding activities, and to promote the integration of large firms into local economies through greater local sourcing.

For example, brokers from a Dutch technological institute have simultaneously helped to establish in the Twente area a regionally-based “horizontal” cooperating group of small firm specialists, and also a new separate and independent company (collectively owned by the small firms) which acts as a “Systems Supplier”, mediating or linking “vertically” between the group and leading final manufacturers. Some 65 small regional specialist firms, in metalworking, electronics, plastics and other areas are all shareholders of Twente Modulen Groep (TMG), a legally formed separate company that acts as a Systems Supplier, coordinating the design and production by its 29 shareholders of complete assembled units. TMG cooperates closely with customers over the design of products, and is then able to call upon small cooperating networks from within the group of 65 specialist firms to produce the products (Praat and Geerdink, 1995).

In Emilia Romagna, as in the Netherlands, attempts are being made to raise enterprise capabilities, develop a high value locale, and move the region towards the higher value end of production chains. This includes a growing interest in integrating large firms into the local economy to mutually beneficial ends.

\[^6\] One aspect is the tendency for less developed, lower labour cost areas of Central and Eastern Europe, Southern Europe and North Africa to attract investments at the lower value-adding stages of production chains; whilst locations in Western and Northern Europe are more likely to be the locations for higher value-adding, more complex production and marketing functions.
The process of supply chain restructuring, with large customers preferring to source from reduced numbers of suppliers, via a first tier of enterprises that have organizational and scale capabilities, could cause particular problems for a region like Emilia Romagna where most firms are small or very small. Aware of this, an artisan entrepreneurial association in the province of Modena is acting as an intermediary, and has proposed to large companies to help develop horizontal networks or “clusters” of small firms which, in the manner of the Dutch example above, will work together to supply big customers. Consequently, a pilot project is underway involving the international company, Tetrapak, the artisan entrepreneurial association, and a group of small firms which will collectively create a separate “first tier” network company to take the lead in cooperating with the lead customer.

Also, in Wales, the Welsh Development Agency (WDA) is an intermediary institution that has been playing a facilitating or brokering role, encouraging inward investment and seeking to integrate firms into the local economy by strengthening vertical inter-firm linkages. An important element in the strategy has been to promote vertical and horizontal cooperation through the creation of first tier horizontal “Supplier Associations”, which, similar to Japanese practices, group together key suppliers of Original Equipment Manufacturers and branch plants of multinational companies for the purpose of mutual upgrading (Morgan, 1996). 7

In Austria the OECD (1995) reports on an initiative in the Steyr area which is aiming to create an innovative, high research regional strategy that includes integrating important large firms into the local economy through, amongst other things, the development of a strong research and development oriented small- and medium-firm sector.

Here, a key institutional development has been the creation of the Steyr Round Table set up to promote labour market and regional endogenous development actions in tandem. The Round Table includes representatives from the Chamber of Labour, Chamber of Commerce, and Chamber of Agriculture, the Trade Union Federation, political parties, the mayor, and local entrepreneurs. The forum discusses and supplies ideas on a range of labour market and regional development issues, such as helping the unemployed become entrepreneurs, attracting new investment, regional development strategies, and other matters.

A second key intermediary institution is the Steyr Training and Research Centre (FAZAT), which is involved in a range of regional development and technology and knowledge transfer activities, including the encouragement of closer research and other links between large industries (such as BMW) and the numerous small, highly specialised craft manufacturers in the area. As a general strategy, FAZAT is seeking to develop small- and medium-sized enterprises which can act as suppliers to BMW and other multinational manufacturers and by so doing help to integrate the MNC affiliates more strongly into the regional economy.

To further strengthen the R&D emphasis, FAZAT has established a research centre that links local universities with the private sector research facilities in the area. Also, FAZAT is involved with several large investment projects including a fachhochschule (technical college) and a Regional Information System for which the centre acts as the location and facilitating body. According to the OECD report, an important factor in the future success of FAZAT and other similar

7 There are other European examples of initiatives to develop horizontal cooperative networks amongst small firms for the purposes of better accessing large firm supply chains, as well as acting on final markets in their own right. For example, in Germany, in Baden-Wuerttemberg, Morgan (1994) reports on the efforts of authorities to encourage small firms to cooperate together in order to respond to the restructuring of automobile chains; and in another example, Corvers (1997) describes the activities of the region of Sudbrandenberg which is participating in the European Union RITTS programme (see above), and which is in the process of developing an action plan which features promoting horizontal inter-firm cooperation amongst small metalworking and electrical engineering firms so that they can improve their competitiveness and gain access to the supply chains of large firms which are increasingly requiring “complete assembled systems” rather than single components. Also, mention can be made of other initiatives such as those in Norway, to promote vertical cooperation in supply chains, such as through the Business Networking programme and the UNIKE supply chain programme; and in Sweden, the intermediary agency NUTEK is promoting horizontal small firm networks which include cases of small firms coming together specifically in order to be able to act as “systems suppliers” for large firms, as well as act on final markets themselves.
development initiatives in Steyr will be the input from the Round Table which gives an opportunity for close coordination between actors and helps build consensual support for long term projects from a wide range of local actors.

Also, in Scotland, the Scottish Enterprise Agency is seeking to develop a whole sectoral cluster in electronics, computers and associated products. Already, thanks largely to inward investment by multinational companies, the cluster employs around 55,000 people and is estimated to produce about 35 per cent of all Europe’s branded personal computers. However, recently there have been calls to move the cluster higher up the value chain.

A prominent response has been the creation of a Scottish Electronics Forum composed of about 30 representatives of indigenous and multinational companies that are cooperating over the development of strategies to address the cluster’s weaknesses. Through working groups the Forum is looking for ways to better integrate the leading multinational firms into the local economy and solve common problems, such as strengthening vertical linkages and raising the proportion of locally acquired components, improving quality, raising the standard of training for the industry, and developing better links with universities (Buxton, 1995).

Further, commentators have suggested a need to carry out other activities such as: filling in the high value missing gaps in research and development, design and marketing; and promoting more indigenous entrepreneurship and own product development.

Finally, in the North East of England, the Northern Development Company (NDC) is a tripartite-owned (trade unions, the private sector, and local authorities) intermediary institution that has been very active in working in partnership with other regional institutions to attract the plants of multinational companies and integrate them into the local economy. Incoming multinational companies include names such as Nissan, Siemens, Samsung and BASF. Nissan, for example, established a new plant for car manufacture in Sunderland in 1984 and (in 1997) has been reported as spending over $600 million locally each year, sustaining a growing supply chain of over 39 first-tier suppliers, and over 200 second and third tier suppliers.

Moreover, it has been claimed that inward investment did not just bring jobs but also introduced new products, new processes, new markets, new skills and new management systems, which have “had a positive and profound effect on the indigenous business base”, leading to the development of supply chains between major producers and the local supply base, and the upgrading of local company performance (Bridge, 1997).

Regional agencies are now trying to build upon the inward investment strategy to raise the competitive capabilities of the whole region, including, in particular, indigenous small firms. To such ends a number of inter-related initiatives have been inaugurated. These include the creation within the Northern Development Company of a specialised team of Business Development Managers who are working to link up branch plants to indigenous firms and thereby develop local supply chains. It has been reported that the NDC’s Strategic Supply Chain Programme helped generate in the 1994-95 period almost £100 million in contracts for regional companies (Tighe, 1995).

Also there has been established within the Region’s five universities, industry-led research centres focussed on industrial and commercial processes. These research centres network with one another and other regional service providers and access agencies, such as the Business Links organization and the Northern Development Company itself, to form part of a comprehensive technical support service for the Region’s small firms and inward investors.

Also, 1996 saw the launching of an initiative which is said to be providing a mechanism for broad public-private partnership, called the “Raising Regional Competitiveness Project”, financed

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by a range of partners - including central Government, and regional institutions and organizations such as Training and Enterprise Councils, Business Links organizations, Local Authorities, Higher and Further Education institutions, the private sector and the trade unions. This project is carrying out a range of activities which include: analysis of industrial organization and trends; the provision of technical support programmes for enterprises including aspects such as encouraging human development, investment, market opportunities, and innovation; and the carrying out of benchmarking of company and regional performance.

4.2. Raising Competitiveness and Standards Within the Workplace

Many initiatives have focussed largely on improving relations between enterprises, and between enterprises and institutions. There are now signs, however, of increased awareness of the need to also address the adequacy of work organization within the enterprise, and also within public administrations. Issues such as raising innovatory capacities, involving workers in the process of improvement, and managing change in the workplace are coming to the fore.

In Norway, a tradition of social partnership has resulted in employers’ and workers’ organizations collaborating in “Joint Action Programmes” aimed at promoting broad involvement by workers (such as through team working) in enterprise improvement initiatives. Under the Programmes individual firms and networks of firms can obtain financial and technical assistance to help them raise their quality, improve their productivity, or otherwise manage change positively. The latest initiatives are seeking to link up inter-firm networks or groups with research and development institutions in order to improve enterprises’ innovative capacities. The explicit aims of the programmes are to have both economic and social benefits (International Labour Office, 1996).

In Ireland, an initiative called the New Work Organization Programme aims to promote, in line with a new national level Social Partner agreement, called PARTNERSHIP 2000, social partnership initiatives at the level of enterprises. In the spirit of this agreement, the New Work Organization Programme is being undertaken by the Irish Productivity Centre (IPC), in conjunction with the Irish Business and Employers’ Confederation (I.B.E.C.) and the Irish Congress of Trade Unions (I.C.T.U.), with the aim of developing enterprise partnerships for introducing new forms of work organization and managing positive change.

In each of ten participating enterprises Partnership Forums are being established which will be involved in planning, designing and implementing “competitiveness improvement” programmes. The idea is that all stakeholders will gain from the partnership. It is felt that such an institutional arrangement can better respond to and manage change, which in the future, may need to include responses to changes that are occurring in patterns of working time, as the proportion of atypical workers such as part-timers and temporary workers, and new kinds of employment contract increase (Savage, 1997).

An action in Emilia Romagna sees the imminent creation of a new regional Labour Institute, managed by a Scientific Committee of five, and advised by a Consultative Committee on which the Social Partners sit. The aim of this institution is to carry out research on, and diffuse best practice on, organizational change at the level of individual enterprises, at the level of networks of enterprises, and at the level of public and welfare administrations. Issues include how to improve innovation and competitive advantage by encouraging the involvement and participation by workers in the workplace and how to improve the provision of welfare services within public administrations.

Eventually, the Labour Institute will act as an autonomous body providing research services, and information and advice, on organizational issues. Thus, for example, employers and workers organizations may jointly request the institute to address itself to solving specific problems of how to best manage change in individual firms, networks of firms or public administrations. In such
cases the Institute could be seen as a kind of intermediary institution that helps to facilitate organizational change in a manner that reduces the potential for conflict that change might threaten.

It may be that the initiative in Emilia Romagna is symptomatic of what could become an increased demand in Europe generally for specialised institutions which can study and facilitate positive modernisation and organizational change, in which case we might expect a growth of similar labour institutions.

4.3. Facilitating flexibility, security and change amongst small firms

Finally, another initiative in Emilia Romagna is suggestive of a means by which collective agreements to facilitate change through security and the maintenance of labour standards can encompass large numbers of small firms at the regional and local levels. This is the **Ente Bilaterale Emilia Romagna (EBER)**.

The EBER initiative\(^9\) is the outcome of an agreement between four employers’ organizations and three trade unions in **Emilia Romagna**. It has been in operation for six years and was specifically established to cater for the needs of artisan enterprises employing 20 or fewer workers, in Emilia Romagna. Approximately 38,000 artisan enterprises, employing about 145,000 people, are currently involved. Funding for the initiative comes from the enterprises themselves.

Three main sets of activities of EBER can be distinguished, each with separate funding and implementing structures managed on a joint Social Partner basis:

1. **The conducting of a system of industrial relations pertaining to artisan firms**

   The EBER institutional arrangement facilitates the conducting of industrial relations, and the management, at the local territorial level, of sectoral collective bargaining agreements for artisan firms. EBER has offices and representatives from employers’ and workers’ organizations in each of the ten provinces of Emilia Romagna. Having trade union representation in each of the micro enterprises involved has not been considered feasible, but geographical representation not far from the enterprises has been seen as a workable solution. Thus by this means small firms and their workers are encompassed “laterally” into territorial industrial relations structures.

   The system of industrial relations is supported by the services of an observatory which collects data about a range of labour trends in the small firm sector, including changing occupational profiles, wage levels, and types of employment contracts.

2. **The Overseeing and Promotion of a System of Safety Training and Regulation for Small Firms**

   EBER provides learning material and manages a system of training for safety procedures, and also laws pertaining to the contractual relationship between enterprise and worker. EBER has created bodies and staff to coordinate all the safety measures, which include area safety representatives who may enter and inspect workplaces to check conditions.

   Firms may engage workers on a special form of contract which allows entrepreneurs to engage workers at lower rates in exchange for cooperating in the provision of training on safety and contractual regulations issues. Also, EBER provides financial assistance (in the form of grants) to firms introducing organizational or technological measures to improve the working environment, safety procedures, and quality systems. For this, training costs may be included although the training itself will be provided by specialised agencies outside the EBER system. This kind of assistance is said to be particularly attractive to small and micro-firms that are more likely to have problems obtaining credit for such investments.

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\(^9\) This section is based on interviews with local Italian experts and practitioners.
As well as promoting workers’ well being, such initiatives are also seen as benefiting the competitiveness and economic development of enterprises. For example, the attainment of high quality standards, and the acquirement of certification such as ISO 9000, is not only an aspect of good working conditions but an increasingly necessary requirement for small firms, such as those in Emilia-Romagna’s metalworking industry that wish to become suppliers to major automobile and other companies.

3. The provision of a labour market and economic security system for small enterprises and their workers

EBER aims to provide a framework of security. There are two foci of attention. **One focus is on the workers.** Several funds are available as sources of financial assistance to unemployed workers. For example, one fund provides assistance to workers who are suffering from a complete closure of work, whilst another fund is oriented to supporting workers who are temporarily suspended or laid off from work. The amount provided, and the length of period of support, varies according to the specific purpose of the fund.

Whilst such schemes are of obvious benefit to workers, they are also perceived as helping entrepreneurs. For example, in a situation of assistance to temporarily suspended workers, entrepreneurs benefit from the retention of a skilled labour force which would otherwise risk being lost should workers without adequate unemployment income support change jobs and occupations. This could be a particular risk for industries such as Emilia Romagna’s clothing manufacturing sector which might have fluctuating labour needs in accordance with seasonal variations in demand.

**A second focus is on the enterprises.** In particular, there is a fund to help enterprises in situations where there is forced stoppage of activities due to unforeseen external events, such as fires, major power interruptions or floods. Thus EBER provides a kind of insurance service for small and micro firms, which are particularly likely to be financially vulnerable.

The EBER initiative is still developing, and experimenting with, new services, including some promotional activities (such as organising attendance at trade fairs), and new responsibilities for the observatory which may in the future use its data collection capability to help identify criteria in different industrial sectors that can form the basis of a flexible element in wage bargaining tied to performance aspects such as productivity or high quality.

More generally, the social partnership structure of EBER, organized on a local (provincial) territorial basis, would seem to lend itself to a variety of possible labour market and economic security, welfare and economic development initiatives. Some actions might be carried out solely within the EBER framework itself, whilst others might be designed to complement, or occur in concertation with, activities of other specialised agencies, such as those focussed on training or technology transfer. Thus the potential for EBER, or similar institutional frameworks, to promote both “social” and “economic development” issues in tandem is highly promising new way of facilitating positive change amongst small firms.

Already in Italy, certainly, the basic idea of the agreement is said to be spreading, with similar initiatives catering for equally small firms now being reported to have been established in other Central and Northern Italian regions.
5. Conclusions

Decentralised local development initiatives involving the social partners are increasing. These can take the form of employers and workers organizations, either separately or together, becoming involved in specific targeted initiatives, or, possibly, in the governance of an intermediary institution responsible for particular projects. For example we saw the Joint Initiatives in Norway, and the attempts by the Modena employers association to help members access large firm customers, as well as many examples not presented, such as the role of the Vicenza Artisans Association in Veneto in providing many capacity-enhancing services to its small firms as well as promoting export consortia.

There also seems to be a trend towards the social partners becoming engaged in local systems of concertation involving a broader range of actors. In a system of concertation the social partners contribute their own particular competences to a community effort to address developmental problems. Thus we saw variations of this in the examples of the Patti Territoriali in Italy, the Regional Conferences of Northrhine-Westphalia, the Area Partnerships of Ireland, the Union for the Development of Northern Moravia and Silesia in the Czech Republic, the Steyr Round Table, and the Raising Regional Competitiveness Project in North-east England. The Territorial Employment Pacts programme of the European Union also appears to be conceived along similar lines.

In local systems of concertation the objective is to create networks of coordination and cooperation amongst a range of institutional actors. One obvious problem with the approach is that it may presuppose a certain coverage and capacity of local institutions. That is to say, concertation initiatives may aim to bring together, and make more effective use of, existing institutions, including employers and workers organizations. However, in areas most in need of development it may very well be that a major problem is precisely a lack of local institutional capacity. Already in Italy in recognition of this problem some northern Italian regions are engaged in agreements with southern areas to transfer knowhow of institutional capacity building.

Nevertheless, despite the possible difficulties, local concertation offers great attractions of facilitating both local economic initiative and social cohesion. As localities seek to develop their economies along high value lines it becomes important that a range of promotional, modernising and standards raising initiatives are moving generally in the same direction, complementing and supporting one another.

There are, for example, clear benefits to be derived from practitioners from different institutions working together to develop innovative products and production methods. This could involve, for example, employers and workers organizations concerned with work organizational matters, research institutes and universities, training institutes, financial institutes, and others. Such concertation does not derive benefit simply from better coordination but, perhaps just as importantly, from an improved circulation of knowledge and the creation of a process through which different perspectives can be combined to develop new ideas and projects.

Moreover, as the proportion of workers in small firms increases, at the same time as the range of contingent or non-typical working patterns expands, and as horizontal mobility increases, it may be that community-wide approaches could open up new opportunities for addressing the issues of coping with instability and the need to manage positive change. Through concertation, issues of security and social cohesion, affecting people both inside and outside the workplace, can be tied to issues of innovation and economic change.
Innovative initiatives such as EBER suggest means by which very small firms and their workers can be incorporated into local and regionally based industrial relations systems that can complement other developmental activities. Moreover, some versions of the concertation model, such as the *Patti Territoriali* and the *Contratti D’Area* initiatives in Italy, could themselves be thought of as including aspects of a kind of industrial relations at the community level, involving negotiation and bargaining, obligations, concessions and benefits to the parties concerned - relating to both work and non-work issues, and possibly including a broader range of actors than the traditional social partners.

Of course, local development initiatives do not occur in a non-regulatory vacuum. It is important therefore, that laws and regulations, and macro monetary and fiscal policies are in tune with development actions. It is significant that in Europe there appears to be a general trend towards welfare and social security regulatory reform, which has implications for the major issue of promoting change, and flexibility, through security.

Moreover, local level initiatives do not act outside the influence of international processes and structures. Thus the issues of raising local firm capacity to compete on world markets and the strengthening of international connections have become very important. In meeting this challenge, the roles of agencies which make the connections between the “local” and “international” may now feature more prominently in policy makers’ minds - agencies such as trading companies, export consortia, and multinational firms. As far as the last of these is concerned, as was shown in this paper, integrating such organizations into innovative high value locales has become of particular concern.
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