

Local and regional authorities leading the way out of the global economic crisis – Examples from Europe

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Executive summary

The main points and findings of the paper are summarised below:

Background

As the level of government closest to citizens and the real economy, local and regional authorities have an important role in tackling the severe impact of the current economic crisis. The double pressures of decreasing public revenue and increasing demand for services, however, call for more efficient solutions in the course of this response. Moreover, longer-term challenges alongside the crisis also make it a necessity to combine short-term measures providing immediate relief with investments in structural changes for a sustainable recovery.

Effects of the crisis

Local and regional governments themselves have been heavily affected in the recession as well, suffering losses on shares, investments, tax income, etc. and facing rises in unemployment and business closures in their economies. In an effort to ensure that their recovery strategy will have the desired impact in all fields under their responsibility, local and regional authorities have focused their attention on the areas of employment, service provision, business support and strategic public investment simultaneously.

Local and regional responses

Regarding labour market measures, local and regional authorities have attempted to keep people close to employment, whether by earning, learning or looking, in order to retain and further improve their skills for the recovery. In the provision of services, they have aimed at making existing help more accessible and responsive to the needs of residents despite having fewer resources. Support for small- and medium-sized enterprises through facilitating their cash flow or offering advisory assistance during the crisis has been an essential part of the effort to maintain and enhance the competitiveness of the local and regional economy. Furthermore, sustained public investment targeted at green technologies and innovation has reaffirmed long-term objectives of local and regional economic development.

Conclusion

The drive for the efficient and effective implementation of the above measures has led to the integration of several existing initiatives in cooperation with local and regional partners from both the public and private sector. This proactive role of many authorities to respond to the crisis with timely and targeted measures has earned them an important position in the public eye - so much so to grant their involvement in national responses in several countries. From many perspectives - economic, social, environmental as well as political - therefore, the current crisis may provide local and regional governments with opportunities to emerge stronger from the recession.

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Preface

The financial and economic crisis that has burst into the public awareness towards the end of 2008 has since confronted local and regional governments, among other public and private actors, with growing challenges. This has resulted in the realisation of a wide range of measures at these levels, addressing a number of problems in various fields.

In the course of a 6-month internship I have spent at the Council of European Municipalities and Regions (CEMR) during the first semester of 2009 as a final part of the three-year bachelor degree course of The Hague School of European Studies, member associations of local and regional authorities have repeatedly expressed their interest in sharing experiences in relation to the current economic downturn and the ways others may have dealt with the situation, which motivated me to orientate my research in this direction.

The purpose of the dissertation, additionally to marking the completion of my bachelor degree in European Studies, is therefore to provide an account of existing response measures endorsed by local and regional governments across Europe, in an effort to facilitate the exchange of best practices among these authorities or their associations. Furthermore, the paper also intends to highlight the importance of, and thus promote, the role of these levels in an effective and sustainable response to the current crisis.

I would like to express my thanks to my supervisor and professor for his guidance and constructive remarks, the colleagues at the CEMR Secretariat for their encouragement and helpful assistance, and the members of CEMR who have contributed to this piece through concrete examples and relevant comments. I hope that my research may provide useful and interesting insights for their further work.

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Introduction

The European Union is currently facing a crisis which, although it has originated in the financial markets of other parts of the world, has now spread to the real economy, affecting businesses and households alike. Learning from previous crises, it is essential that people are supported throughout the recession, so that when the recovery comes, they are ready to take on new opportunities (J. Katainen, “Europe in the Economic & Financial Crisis” debate attended, May 4, 2009). Local and regional authorities, as the closest level of governance to citizens, have therefore an important role to play in responding to the negative impact of the economic downturn.

Nevertheless, these governments are also heavily affected by the crisis as property owners, borrowers or shareholders, and face further difficulties indirectly as employers, investors or public service providers. It is also through these traditional roles, though, that local and regional authorities hold the potential for providing adequate support to their residents and economies and helping them out of this crisis. Being “responsible for one third of public expenditure and more than two thirds of public investment in the EU, [local and regional governments] must be considered as active actors involved in the solution of the crisis and the preservation of future economic growth”, particularly because their investments are also more likely to return benefits faster than those made at other levels (Committee of Regions [CoR], 2008, p. 3).

Next to decreasing public income and increasing demands for services, however, more efficient working processes must be sought to satisfy the needs of communities. This drive, together with longer-term challenges that are simultaneously present alongside the crisis, such as demographic or climate change, call for more than isolated and reactive measures of downsizing or cutting expenses to balance budgets. The current downturn has amplified already existing structural weaknesses, which require that the short-term expenditure necessary to stimulate local and regional economies be smartly oriented towards sustainability goals in order to emerge stronger from the crisis (Hanniffy, “Fourth Territorial Dialogue on growth and jobs” attended, February 11, 2009).

Having established their role and the key principles for a truly effective response, the question is whether local and regional authorities have been able to exercise powerful leadership accordingly and implement measures that successfully combat the severe effects of the crisis while not losing sight of long-term objectives for future competitiveness after the recovery. The following pages aim at showcasing positive examples of such local and regional response strategies, most of which have been drawn attention to in recent publications or events of Europe-wide organisations, such as the Council of European

Municipalities and Regions, the Assembly of European Regions, EUROCITIES or the OECD Local Economic and Employment Development Programme.

Even though competences of local and regional governments may be quite distinct in different countries of Europe, the featured themes intend to focus on areas where most of these authorities can exert more or less influence. Based on the number of initiatives that have been launched or reinforced in the fields of employment, social service provision, business support and public investment, several sources have established these topics as relevant to the crisis response actions of these authorities. Accordingly, the transferability of these examples should not be understood as taking measures from one area and applying them in a different context, but rather the aim is to identify ideas and principles behind good practices that may be generalised to a certain extent.

Therefore, in order to explore issues that are relevant to any response, there is first of all an account of the impact of the current economic crisis on local and regional authorities with a view to factors that may influence the severity of the described effects. In continuation, the initial reactions of these governments are discussed, putting the emphasis on general aspects of local know-how and leadership. The following two chapters focus on two broad areas, namely how local and regional authorities support their citizens and how they stimulate their economies. Here, the detailed description of measures in the areas of employment, service provision, business support and targeted public investment attempts to highlight the ways local and regional authorities have tended to respond to the social and economic impacts of the crisis, considering both short- and long-term perspectives. A generally wider range of competences in the employment field and the particular importance of employment issues in the aftermath of the crisis have lead to increased attention for activities in this area; while the discussion of future-oriented local and regional investments, in turn, has remained on a more basic level, mainly establishing the potentials of the field and making mention of some existing initiatives. An overall review of the nature of these interventions and the role of governments in the process concludes, supplemented by an outlook to emerging trends that can be observed as a result.

In support of a ‘good practice’ approach, which has been chosen to feature the proactive role of local and regional authorities, a qualitative analysis is offered of a number of selected examples based on their appearance in relevant sources or platforms since the beginning of the crisis. This might also explain the scarcity of certain viewpoints that represent other, more negative experiences in the follow-up of the recession, or the absence of localities and regions of certain countries where existing initiatives are not yet as well-documented. The combination of general descriptions and case studies intends to balance theoretical background with practical manifestations and underline general lines of action. The

observations are mainly based on literature research and personal correspondence and notes from persons and events having direct bearing on the topic, which have been collected in the course of a 6-month internship at the Council of European Municipalities and Regions.

1. Understanding the context of the economic crisis at the local and regional levels

1.1 The impact of the financial and economic crisis on local and regional authorities

Considering that the current crisis is yet to run its full course, it is difficult to provide an accurate analysis of the ways it affects localities across the world. The fact that its global reach, prolonged duration and structural implications set it apart from previous crises only adds to its uncertain nature. However, it is possible already to draw on some data and gain a better understanding of the impact at the local and regional levels up till now. Among others, the surveys of the Council of European Municipalities and Regions (CEMR), the Assembly of European Regions (AER), EUROCITIES and the OECD Local Economic and Employment Development (LEED) Programme can offer a snapshot of the current situation in Europe.

Determining factors

The various surveys of relevant European-wide organisations diagnosing the impact of the financial and economic crisis on local and regional authorities have clearly showed that the downturn is affecting municipalities and regions throughout Europe. However, it is also apparent that different localities experience this impact in different ways. The depth and the rate of the recession may vary according to several factors that characterise local economies. The OECD found that variables, such as the size, economic composition, connectivity, dependence and fiscal autonomy of places all play a significant role in determining the onset rate and severity of the downturn (Allen, et al., 2009, p. 6).

Evidence suggests that larger cities, which already tend to have higher levels of unemployment and are home to a number of globally orientated industries, have experienced the onset of the recession more rapidly than other small- and medium-size local economies (Clark, 2009, p.12). Nevertheless, bigger cities are also better equipped to absorb the negative impacts of the crisis as they are likely to have diverse economies, which are more resilient to a very deep recession (ESPON, 2009, p. 2). At the same time, the size of a locality increases its importance as a hub for business and population, through which it attracts talent that it can rely on for leading the way out of the crisis (Clark, 2009, p. 12).

Regarding their economic composition, cities and regions which depend on heavily affected sectors are more vulnerable in the current situation. Whether these local economies are narrow or broader, in the end the local impact of the downturn is a function of the ratio of their healthy and poorly performing sectors, which may even result in diverse economies suffering more than others that rely on fewer but unaffected

industries (Clark, 2009, p. 13). Illustrating this observation, the city of Aarhus in Denmark, built around sectors, such as education, ICT and health, where demand is likely to remain stable, will probably avoid a deep crisis that the London economy, for example, has to face consequent to its reliance on the heavily affected financial services (Clark, 2009, p. 13). Considering the disproportionate effect on the manufacturing, construction and automotive sectors, however, “the recession has tended to reflect existing patterns of economic and industrial decline”, hitting ex-industrial areas especially hard, such as in the northern cities of the UK (Allen, et al., p. 6). At the same time, highly-skilled workers have not been spared the job losses either, for example in the financial sector that triggered the crisis itself (OECD, 2009, p. 5). In light of this, the orientation of the local economy towards the private or public sector may also be an important factor. Public sector activities seem to be more stable during the downturn and private sector oriented economies are currently more affected; however, falling public revenues and rising deficits are putting pressure on the public sector as well, and when the upturn comes entrepreneurial localities are expected to recover quicker, which can turn the tide to their advantage (Clark, 2009, p. 13).

Global connectedness, i.e. the different ways in which localities engage in global processes, is also a relevant determinant of the pace and depth of the recession cities and regions experience. Resulting from the nature of the current crisis, places relying on global flows that have been severely affected, such as financial services, tourists, manufactured goods, etc. have directly felt its impact, while those less tied into global markets and patterns may not have seen the worst of the crisis yet (Clark, 2009, p. 14). Therefore, “local economies which are not yet highly globalised such as Helsinki or Sheffield, for instance, are not over-exposed to economic instabilities beyond their municipal boundaries” and may be isolated from the most severe effects to a large extent; while more open economies such as London are “more vulnerable to these same perturbations and are likely to experience the onset of the downturn more rapidly” (Clark, 2009, p. 12). Connectivity, however, does not only play a role on the global, but also on the national and regional scales. Local economies which trade regionally and nationally are also exposed to the present instabilities manifested by a changing financial environment and decreasing demand (OECD, 2009, p. 5). On the other hand, connections beyond municipal and regional borders may well play an important role in helping the local economy through the recession by providing access to healthy sectors and possible partners (Clark, 2009, p. 15).

Closely related to their connectedness, local and regional economies experience difficulties also according to the level of their dependence on outside sources of income and investment. While the crisis originated in more developed economies, others, such as the countries of Eastern and South-East Europe, have also been dragged down through reduced foreign direct investments (Network of Associations of Local

Authorities of South-East Europe [NALAS], 2008, p. 1). On a larger scale, however, all export-oriented economies are more vulnerable to the fluctuations in the global markets and must now face general financial instability and a decrease in international demand for their products and services.

The degree of control which local and regional authorities have over their finances, however, can provide an important tool to manage the situation. Although cities, such as Zurich (Switzerland), which rely heavily on local tax income, have suffered significant budget constraints in the initial phase of the crisis, they also have the necessary autonomy over their spending and the development of mitigation strategies in order to attract jobs and investment in the longer term (Allen, et al., 2009, p. 7). At the same time, the dependence on central government for local revenue has proven beneficial at the stage where it meant that local economic decline would not be paired by a decrease in finances, while the same arrangement can also turn into a constraint in the freedom and flexibility of local authorities to take action if there is a lack of access to fund-raising and financing mechanisms (Allen, et al., 2009, p. 15). Thus, dealing with the impact of the current downturn does not only raise economic, but also governance questions, which should be considered in search of the appropriate response.

Tangible impacts

In line with the way the crisis has evolved from causing a significant financial, economic and finally social impact, many local and regional governments have been struggling with difficulties in all these fields as well. Even though not all authorities share the same financial situation, the macroeconomic problems that trickled down and the increasing unemployment have generally lead to falling revenues, increasing expenditure and thus higher pressure on governments in most localities. The following broad conclusions drawn from European-wide surveys may help to reflect on the tangible impacts suffered by local and regional authorities as the result of the current financial and economic crisis. To offer some specific examples as well, some of the concrete negative effects suffered by European cities are shown in the table below.

Table 1: Tangible impacts in some European cities

Locality	Tangible impacts								
	Fiscal budget reduction	Decline in growth rates	Unempl. and job losses	Construction / Investment reduction / pause	Firms closing/ downsizing	Worsened business conditions	Financial sector turmoil	Civic unrest	Tourism reduction
Barcelona				✓	✓			✓	
Berlin					✓				✓
Birmingham	✓		✓					✓	
Bilbao			✓						✓
Brussels			✓		✓				
Cologne	✓					✓			
Glasgow	✓		✓	✓				✓	
Hamburg	✓			✓			✓		
Helsinki					✓			✓	✓
Lille					✓	✓			
Liverpool			✓		✓				
London	✓		✓		✓		✓	✓	
Lyon					✓				
Marseille	✓		✓					✓	
Munich	✓		✓						
Paris				✓			✓		✓
Prague			✓					✓	✓
Vienna	✓		✓						
Warsaw							✓	✓	
Zurich	✓		✓				✓		

Source: Huxley & Lee. (2009). OECD Local Employment and Economic Development Programme

Financial effects experienced by cities and regions have been diverse according to their investments and level of fiscal autonomy. While direct impact has been quite rare among the authorities, those with financial securities in affected banks have suffered heavy losses. Local governments in the United Kingdom have lost €1 billion on their investments in Icelandic banks, while Belgian authorities endured losses as shareholders of the Dexia bank due to falling share prices and unrealised income from dividends (CEMR, 2009, p. 62). Nevertheless, the fall in tax revenues affects local and regional authorities without exceptions, whether immediately or in the mid or long term. Due to the differing timescales for budgetary terms, in general the most severe impact regarding local taxes will be delayed for a year; however, this is not the case for some types of taxes which have already been affected by a reduction in certain activities (CEMR, 2009, p. 17). Loss on tax receipts due to unemployment and lower consumption during the crisis and decreasing income from real estate and corporate taxes because of a decline in construction and business are some of the direct effects, which may continue in the coming years. In the end, the actual loss

volume depends on the levied taxes, such as personal income tax, company income tax, etc., and the ratio of this income in the total budget (CEMR, 2009, p. 62). Additionally to falling tax revenue, local authorities also see a decrease in their income from rental costs and local parking, planning and other fees (Local Government Association [LGA], 2009, p. 10). At the same time, economic unease and especially the resulting rate of unemployment has led to a higher demand for social and welfare services universally, which has increased the expenditure of local authorities (Allen, et al., 2009, p. 6). Consequently, the pressure on authorities to deliver to their citizens is rising in the midst of growing deficits. Several local authorities have already revised their annual budget position, and claim to keep citizen's needs a priority despite significant cuts (European Social Network [ESN], 2009, "Financial Crisis hits local government", para. 7). Raising local taxes presents a similar controversy, as some of the authorities turn to such measures to increase their income, while others are minimising the tax burden in their efforts to support local residents and businesses (Allen, et al., 2009, p. 10). In order to ease the situation, some governments intend to increase borrowing, but have difficulties accessing loans in the current financial climate (ESN, 2009, "Financial Crisis hits local government", para. 5). Although the municipal sector generally has high ratings as a borrower, in the present liquidity shortage credits are not readily available or only at high cost (CEMR, 2009, p. 62). To deal with these budgetary challenges, identifying and making efficiency savings have been considered important in maintaining the quality of services in spite of fewer resources (LGA, 2009, p. 11).

Besides the financial pressures, however, local and regional governments also face economic challenges that have trickled down from the global to the regional and local levels. The decrease in GDP at the national level has gone 'hand in hand' with a slow-down in local economic growth during the past months (Clark, 2009, p. 8). Despite the different economic situation, diverse sector profiles and the varying impact of the crisis, most regions are affected by a downturn in industrial production, especially in the manufacturing and automotive industries (AER, 2009, p. 2). The finance and service sectors also experience a downturn, having an impact on services directed to both companies and individuals. Among these, the decline in tourism and retail has been most relevant at the local level in general, influencing the quality of places in a negative way (Allen, et al., 2009, p. 6). The Presov region in Slovakia has already registered a 35% decline in the number of visitors, which inevitably led to the closure of several accommodation facilities in the area (Round Table of Practitioners in Implementation [Rotopi], 2009, p. 11). The collapsing housing market sent the construction sector in recession too, at the same time when demand for affordable housing is increasing and local authorities are expected to provide support (LGA, 2009, p. 4). Besides the big companies of the above sectors, though, small- and medium-sized enterprises (SMEs) in the supply chains of these are particularly vulnerable to the effects of the crisis. Not only do

they have to manage the decrease in incoming orders, but do so in the midst of liquidity problems, such as increased interest rates, late payments and a decrease in available loans (AER, 2009, p. 2). Since local economies heavily depend on the well-being of SMEs, many authorities identified their support as a priority in responding to the crisis. At the same time, continuing local growth is also threatened by the impact of the crisis on local and regional development projects. A majority of cities have reported problems in beginning or completing projects, mostly referring to private-led, property-based or infrastructure investments (EUROCITIES, 2009, p. 2). Partly to counteract this development and create employment opportunities at the same time, continuing and speeding up public investment in infrastructure and regeneration schemes have become an important pillar of the strategic response to the crisis in many regions (AER, 2009, p. 3). In order to orientate these public works towards increasing the future competitiveness of localities, several cities and regions identified investment opportunities in renewable energy and energy-efficiency or in other innovation areas; however, such projects have also been abandoned in other cases due to the high costs of implementation or the perceived short-term best value of other projects (AER, 2009, p. 3). The challenges presented by the crisis, therefore, do not only manifest themselves in the decline of economic activity in the short term, but may also put longer-term local development to the test.

The economic difficulties described above have quickly evolved into social problems with rapidly increasing rates of unemployment as a number of firms restructure and close because of the recession (Clark, 2009, p. 9). In the face of falling public revenues, however, the public sector is not immune to job losses either (OECD, 2009, p. 5). Concerns over budget deficits have lead various local and regional authorities to decrease personnel expenditure, which in certain cases may further aggravate the social situation (CEMR, 2009, p. 63). According to the survey of the Local Government Association (2009), already 59% of authorities have made staff reductions in the UK in the past 6 months (p. 3). At the same time, people suffering job and income losses look to their local governments for help more than ever. Responding to the questionnaire of the European Social Network (2009), a local authority in France has estimated a 10-30% increase in social benefits claims, while the number of service users even doubled in some parts of Spain (para. 3-5). Besides employment and financial advice services, demand has also increased for housing and basic living costs support, care and children's services, business support activities, etc., which reflects the wide impact of the crisis on many areas of life (ESN, 2009, "ESN Members' Survey on Financial Crisis", para. 4). With fewer resources, both human and financial, and rising demand for social services, authorities are pressured to work more efficiently in order to maintain the quality of services for their citizens. Some of those municipalities that are required to make savings on their social services will most likely have to resort to measures, such as freezing recruitment, raising the

price of services for the well-off, reducing staff training, and reducing or closing services which are not required by law (ESN, 2009, “ESN Members’ Survey on Financial Crisis”, para. 7). However, Scandinavian countries, having seen the negative consequences of service cuts on young people in the previous recession, warn against cuts and highlight the importance of taking care of people during these difficult times (ESN, 2009, “ESN Members’ Survey on Financial Crisis”, para. 8). Unemployment and job insecurity has already led to more severe social impacts in some cities and regions, where an increase in crime, homelessness, the isolation of youth, alcohol related violence, domestic abuse, etc. have been observed (AER, 2009, p. 3). General uncertainty has also culminated in incidents of civic unrest as residents take their grievances to the streets and call for more effective responses to the crisis from their governments (Clark, 2009, p. 10). In this atmosphere the risk of xenophobic reactions is greater as well, and certain minority groups may easily become scapegoats of the situation (Magnusson, 2009, p. 6). Such challenges do not only require public bodies to fulfil their roles in basic service provision, but also call for effective local leadership, which authorities must step up to.

Recession framework

When considering the impact of the crisis on local and regional authorities, it is essential to understand the connections between the various effects (Allen, et al., 2009, p. 5). For example, as described above, financial difficulties directly caused by the crisis may have negative implications for the local economy, which in turn result in unemployment and further social problems. “Preventing the closure of this vicious cycle could be the key for local leaders who are both experiencing the downturn acutely and who are yet to suffer” (Clark, 2009, p. 11). These inter-relationships make it important to view the impact of the crisis in a holistic way, which later influences how appropriate responses should be sought as well. The framework below thus offers an example of identifying the impacts of the crisis according to the different areas relevant to the work of local and regional authorities and based on the nature of their influence (Allen, et al., 2009, p. 5). It also highlights the importance of combining short-term mitigation with planning for long-term resilience when it comes to responding to the impacts, if local and regional governments are to restore and maintain their competitiveness in these fields.

Figure 1: Recession Framework



Source: Allen, et al. (2009). *Recession and Recovery: The Role of Local Economic Leaders*

In light of this framework, we may go on to analyse the response measures of some European local and regional authorities in the above areas of importance. While issues of leadership and governance first appear in the description of initial actions and later on when looking at wider implications of the crisis, specific aspects of the topics on people, labour markets and the economy are discussed in detail in the following chapters. Even though the effects and responses related to the quality of place and long-term strategy are not looked at separately, these ideas also surface repeatedly in the analysis.

1.2 Initial actions of local and regional authorities in response to the crisis

According to the first one of the Barcelona principles (see Conclusions for complete list), which were elaborated by local leaders meeting to discuss the financial and economic crisis in the framework of the OECD LEED Programme (2009), “working to understand, interpret and communicate the local impact of the crisis is a fundamental first step to recovery” (p. 5). With the help of monitoring the effects, developing a response and communicating it, local and regional authorities can facilitate this recovery and step up into a leadership role to coordinate the process.

Monitoring the situation

If the crisis has been affecting different localities in different ways, as it has been mentioned before, then it is an essential first step in any response to diagnose the impact of the recession on the specific territory and map the needs accordingly. It is also on this scale that concrete opportunities and comparative advantages can be effectively identified and set into motion to facilitate recovery. In this way, local and regional strategies may be tailored to individual circumstances and “fill niches that are not sufficiently addressed by European or national recovery plans” (AER, 2009, p. 6).

The starting point for this diagnosis lies in the gathering and interpretation of relevant local area intelligence, thus local and regional governments that have robust assessments of their socio-economic environment are better able to make strategic decisions based on this information (Improvement and Development Agency [I&DeA], 2009, p. 21). Nevertheless, collecting specific data may be inevitably hampered by the time-lag in accessing and communicating these, in which case qualitative information gained from regular dialogue with staff, businesses, residents and partners becomes important when creating a real time picture of the dynamics of the situation. Existing consultation mechanisms, therefore, are well suited to provide this complementary data. Additionally, available information generated regularly, such as customer and performance information, private sector predictions on businesses and property markets, etc. may also be utilised (I&DeA, 2009, p. 22). The analysis should also extend to reviewing one’s own finances and services in order to explore how these are currently affected and how they could contribute to addressing the impact of the crisis on the local community and economy (Association of Basque Municipalities [EUDEL], n. d., p. 7). At a later stage, monitoring also implies the assessment of the response actions already implemented and of the constantly evolving situation in light of these measures. In this respect, local and regional governments must understand the longer-term impact of

their current actions, and that unless overlooked, the crisis may also present opportunities for them to shape longer-term structural change and prepare the economy and the people for the upturn (I&DeA, 2009, p. 4). Initial surveys have already revealed that authorities do see opportunities presented by the crisis, generally referring to the chance to form and improve partnerships, assume a leadership role, buy cheap land, promote the 'green' economic growth or increase efforts in regeneration (EUROCITIES, 2009; I&DeA & LGA, 2008).

Understanding the importance of a thorough assessment, several authorities have relied on their regular data experts for providing up-to-date information, while others even designated separate staff to fulfil this task. In various cities monitoring has been carried out by the financial, economic or development departments as the inquiry of EUROCITIES reflects (2009, para. 14-18). The Bristol city council, for example, is one of many local authorities in the UK that started producing a monthly economic bulletin and quarterly analyses of the impacts and trends (Jones, Lee & Morris, 2009, p. 43). At the regional level, Zealand in Denmark has put in place a specific rapid task force group to identify effects and short-term needs in specific areas, such as in skills development, re-schooling and other issues related to the labour market (Rotopi, 2009, p. 4). Nevertheless, local governments already further on in the process have warned against isolated efforts focused too narrowly and called attention to the interrelated nature of the effects of the crisis and thus the importance of studying a wide range of fields at the same time (Fretwell, 2009, p. 22). Several authorities, therefore, coordinate the information gathered by different departments at the central level in their executive or management committees (EUROCITIES, 2009, para. 14-18). The Basque association of municipalities advised its members to integrate elected representatives as well as technical staff from various departments into these reflection groups (EUDEL, n. d., p. 13). Paris, for example, has improved the coordination of responses between various local government units through undertaking a continual monitoring of the situation (Jones, Lee & Morris, 2009, p. 65). For a more complete overview of the situation, it has also been recommended to conduct widespread surveys and establish expert panels with the participation of partners, businesses, etc. (I&DeA, 2009, p. 28). The involvement of private sector employers and investors, as well as of trade unions is crucial to understanding the conditions they face and ensuring that response measures do have the desired effect (OECD LEED Programme, 2009, p. 8). As an example of this, the council of Glasgow has set up an Economic Advisory Board in order to engage with high-level stakeholders of the Scottish business community in support of local policies to combat the recession (Jones, Lee & Morris, 2009, p. 44). Similarly, in the UK around half of the local authorities have already held an event or summit with their partner organisations to reflect on the effects, discuss issues raised by the crisis, and gather feedback, according to the joint survey of the Improvement and Development Agency and the Local Government

Association (2008, p. 15). In various countries, with Finland among these, associations of local and regional authorities have taken charge of monitoring the situation at the national level and coordinating benchmarking and mutual learning efforts in order to support their members in their activities or prepare them for the coming years when the severe impact of the crisis is expected to hit some areas harder (B. Andersson, personal e-mail, May 14, 2009).

Developing a response

Based on these assessment activities, local and regional authorities have gone further designing concrete response measures and even complete strategies not only to counteract the negative effects of the crisis, but also to anticipate these and become proactive. The greatest risk to take, when the effects are not yet or only partially felt, is to wait or avoid making important decisions (EUDEL, n. d., p. 12). Instead, assuming the leadership role and formulating a specific local or regional response can maximise the capacity of authorities to respond effectively and help these localities stay resilient in the face of the crisis (Clark, 2009, p. 20). In all cited surveys the majority of respondents have reported to have already been engaged in or planning on easing the effects of the recession by developing specific new measures or adapting and intensifying existing ones.

Because of the broader and longer lasting impact of this crisis, local and regional governments are also urged to outline a vision for the future of their localities in the mid and long term besides having a clear picture of the present situation and possibilities (I&DeA, 2009, p. 4). This ideally leads to response plans which combine short-term mitigation actions with longer-term structural measures in order to reduce the burden on local residents and the economy while strengthening them to emerge stronger from the crisis (Allen, et al., 2009, p. 13). Furthermore, both short- and long-term interests point towards finding and implementing innovative solutions, as these may help authorities perform more effectively to satisfy increasing needs with fewer resources and can also put the local economy on a sustainable track to be competitive in the post-recession world (Jones, Lee & Morris, 2009, p. 5). This perspective has been made obvious by the crisis, since it has had an even more severe impact on localities already struggling with entrenched structural challenges (OECD LEED Programme, 2009, p. 2). The difficulties have thus only increased the already existing drivers for economic change and the need to set the economy on a sustainable course, which requires regional and local authorities among other levels of government to rethink their development plans. This, however, can best be addressed by joint actions across a number of different policy fields considering the widespread impact of the downturn (Froy, n. d., p. 2). In particular, measures are called for in the areas of employment, services, business and public investment, which are

believed to have the capacity to create the necessary opportunities for mitigating the effects already suffered and not going back to 'business as usual' after the crisis. "Integrated policy [across these areas] is therefore necessary to ensure that [they] cross-fertilise to meet business needs while providing sustainable solutions to the problems of the disadvantaged on the labour market" as well (Froy, n. d., p. 2). Although the realisation of such policy interventions may be challenging because of existing working relationships and organisational cultures, the holistic approach it enables is better suited to tackle diverse aspects of the problem simultaneously and provides for an efficient way of working to exploit local resources by avoiding duplications and filling gaps (Froy, n. d., p. 1).

In order to deliver a coherent and comprehensive response to the crisis in line with this vision, local and regional authorities are well-placed to provide direction and a sense of coherence between measures and any stakeholders involved (Clark, 2009, p. 17). Especially if the political leadership is fully involved in addressing the crisis and framing a response strategy, this may encourage participation and engagement in the process and raise the reputation of regional and local governments (I&DeA, 2009, p. 6). A number of authorities, for example in London, Lyon and Rotterdam, have already developed and published overarching strategies to respond to the recession (Clark, 2009, p. 17). When drafting an integrated plan, besides acting across policy fields and departments, it has also been seen as an important step to bring together all relevant actors and involve them in the response. Since "few leaders have control over all of the levers of local economic performance, by fostering this sort of collaboration and achieving influence they are better able to achieve coordinated and integrated action against the recession" (OECD LEED Programme, 2009, p. 5). The vast majority of cities surveyed by EUROCITIES (2009) highlighted increased engagement with stakeholders and decision makers from across the public sector and at other levels of government to better develop responses and initiatives (p. 2). In this respect, the crisis has not been entirely negative, as the example of Bilbao illustrates as well, where "concern about the downturn has created a new spirit of cooperation between the public and private sectors" (Allen, et al., 2009, p. 7). Involving local stakeholders also ensures that the territory's response is backed by all the available local resources and capacity (I&DeA, 2009, p. 8). Nevertheless, the ambiguity of roles, narrow mandates and the fear of conflict may become obstacles to such cooperation, which should therefore be adequately addressed, mainly by clearly defining roles and responsibilities that partners can be accounted for (Froy, n.d., p. 5). Besides the other fora created in Glasgow already mentioned, a wider Economic Partnership established to oversee the development and implementation of the city's strategy is a good example for such a governance arrangement. Involving representatives of all key business sectors, the Council, Scottish Enterprise, the chamber of commerce, a federation of small businesses, the city marketing bureau and other agencies, the Joint Economic Strategy assigns specific responsibilities to all actors, with each

action plan theme having a clear ‘champion’ (EUROCITIES, 2009, p. 2). Already existing multi-stakeholder platforms can also provide a suitable forum for this kind of cooperation, such as in the case of the county of Norrbotten in Sweden, where the regional partnership, made up of representatives from the county administration, the Council, the association of local authorities, the chamber of commerce, the Public Employment Service, the rail and road administrations and trade unions, coordinates regional development initiatives and currently focuses on priorities jointly agreed to mitigate the impact of the crisis (Rotopi, 2009, p. 14). Other regions, such as Cornwall and Lower Austria, surveyed by the AER, also mentioned hearings and round tables with regional stakeholders as important events when developing regional strategies (AER, 2009, p. 6). These authorities can make an important contribution by making sure that local response plans are complementary and tailored to regional specificities, and at the same time may also align these with national policies (Jones, Lee & Morris, 2009, p. 8).

Communicating the response

In order to achieve positive feedback for any response, however, it is also essential to communicate the effects and measures internally as well as externally towards the citizens, partners and other levels of government. Since the recession closely relates to a lack of certainty and confidence, displaying effective leadership and providing direction is the key to unlocking the capacity necessary to emerge from the crisis (Clark, 2009, p. 17). Several authorities recognised the importance of this step integrating communication packages and information strategies into their recovery plans (AER, 2009, p. 6).

Expressing political support behind these moves, a recognised figurehead of the locality may be best suited to communicate a unified response to the downturn effectively (Jones, Lee & Morris, 2009, p. 65). In this respect, the power of speeches, which can create a sense of unity and purpose to inspire the actions of stakeholders, should not be underestimated (Clark, 2009, p. 17). Furthermore, the response strategies of various cities already mentioned cater for this function as well, providing an understandable and accessible record of how the public authorities intend to tackle the crisis. Whether in written or oral form, it is an important task of local leaders to inform residents and relevant actors about the impact of the crisis in their territory and the initiatives undertaken to combat this impact (Clark, 2009, p. 20). As much as it is an obligation, the crisis also presents this as an opportunity for local and regional governments to catalyse change and unite citizens and stakeholders behind local development agendas (Allen, et al., 2009, p. 23). At an initial conference to discuss the recession, several Swedish municipalities emphasised the importance of this chance and illustrated their devotion by own examples of accepting the leadership role and prioritising dialogue (K. Danerlöv, personal e-mail, June 1, 2009).

Such interaction must ensue in several directions and target all relevant actors in the process. First of all, local and regional governments must work together with their employees effectively in order to develop an adequate response plan. Communicating the assessed effects and intended measures towards workers and providing regular updates is essential if authorities are to clarify concerns over cutbacks and involve their employees in the execution of the plan (Fretwell, 2009, pp. 21, 23). Secondly, local and regional governments must relay information to the public about the impact the crisis has on the area, the steps they are taking in the short term and their vision for the future. These messages can relieve the uncertainty of people and businesses awaiting a common direction, and more practically can direct them towards available services and support (I&DeA, 2009, p. 7). Thus, providing reassurance, localities may continue to celebrate their communities and balance the gloomy national and international economic perspectives (Solace, 2009, p. 5). In line with these ideas, several cities have admittedly maintained a positive ‘story’ of their localities emphasising their capacity as engines of the economy and framing the crisis as a challenge rather than an obstacle (EUROCITIES, 2009, p. 5). In third place, local and regional authorities also engage in dialogue with the national government in order to gather intelligence, align local and national strategies, call for support in their response efforts, and prove local capacity by highlighting their contribution towards recovery. Since the recession is as much of a national phenomenon as it is a local challenge, regular exchange between these levels ensures that national responses are sensitive to local variables and are deliverable on the ground as well (OECD LEED Programme, 2009, p. 10). On the other hand, cooperation may not only imply the alignment of policies and objectives, but is also often based on the allocation of funds to the local or regional level from the regional or national levels, thus exploiting the leverage support these governments can provide through their resources (EUROCITIES, 2009, p. 2). The government in Sweden, for example, has offered a temporary grant to be spent in 2010 and also proposed an increase in government funding for 2011 and 2012 in order to cushion the consequences of the recession and enable local authorities to secure the provision of fundamental services and maintain jobs (K. Danerlöv, personal e-mail, June 1, 2009). While proactive engagement with higher tiers is likely to prove easier for leading local economies that can make a case for government investment and support, smaller localities may find this more difficult and are forced to passively await central guidance and resource allocation (Clark, 2009, p. 18). In various cases, however, associations of local and regional authorities assumed the role of intermediaries between the two levels, interacting actively with the national government and lobbying for support. In order to ensure that the role and interests of local and regional authorities are taken into account, these associations have participated in several negotiations discussing guarantees for access to funding, loan interests and lifting limits on loans, various grants to balance municipal budgets and cover EU co-financing requirements, the simplification of public procurement and budgetary rules, the launch of support programmes, etc. (CEMR, 2009, p. 63). More

specifically, to facilitate the joint programming of countercyclical spending, local and regional authorities have also been recommended to contribute to the dialogue by pointing out most needed capital investment projects, which higher-level governments may decide to finance as part of their anti-crisis programme (NALAS, 2008, p. 1). As an example of this, local authorities in Spain have been called on to nominate local public investment projects which would be provided funding by the government, resulting in a list of more than 30,000 approved projects in the end (Spanish Federation of Municipalities and Provinces [FEMP], 2009, p. 27). Engagement with the central government, therefore, also serves to raise the profile of local and regional authorities by highlighting the contribution they can make towards recovery with national support and their individual capacity to respond effectively to the crisis at their level. Authorities in several countries recognised this as an opportunity to push the agenda of acquiring more freedom and flexibility from the national level, as for example in the UK, where the pilot programmes of the Manchester and Leeds City Regions experiment with the devolution of certain powers and are hoped to be extended to other city regions as well (Jones, Lee & Morris, 2009, p. 7).

All in all, even though the effectiveness of existing local and regional response strategies can not be measured until later, “the negative impacts of the recession are likely to resonate more strongly in local economies [without fully articulated plans] than in those that do have anti-downturn strategies” (Clark, 2009, p. 16). By taking charge and inserting themselves openly, local and regional authorities may not only gain reputation for their active involvement and response, but also prevent more severe social effects stemming from lack of action.

2. Supporting people through the economic crisis

2.1 Tackling the employment crisis

As the financial crisis has trickled down through the real economy and to society in the end, local and regional governments have to now face negative records in unemployment rates across Europe. In the first instance, employment is threatened in the financial sector that triggered the crisis itself and in the property-related service industries due to the slump in the housing markets of many countries (OECD, 2009, p. 5). More indirectly, sectors sensitive to consumer demand reductions, such as the automotive industries and retail trade, are particularly vulnerable to the current economic downturn, jeopardising jobs along the supply chains right down to small businesses; however, “in a cyclical downturn all sectors are affected by a changing financial environment and declining demand, even if certain industries are more sensitive to cyclical change than others” (as cited in OECD, 2009, p. 5). Confronted with this situation, local and regional authorities may engage in a variety of ways to alleviate the severe labour market impacts of the recession and maintain the competitiveness of their workforce for the upturn through their traditional roles as employers, local economic actors and service providers.

Managing own workforce

Since local and regional governments are important employers in Europe with approximately 17 million employees, the impact of their management of this workforce should not be underestimated (CEMR, 2009, p. 1). While the negative effects of the crisis on their budgets may force some authorities to prepare for lay-offs, there are also others who have identified opportunities to become more cost-efficient, recruit newly unemployed qualified workforce or offer work experience through apprenticeships in this difficult period.

Considering the number of authorities already making or planning staff cuts, guidelines and recommendations as to how to best carry out this downsizing have been widely reviewed. As a general rule, job insecurity is best eliminated as early as possible in order to focus remaining employees on their increasingly challenging tasks during the recession (Fretwell, 2009, p. 21). However, as this is obviously a sensitive process, employers may turn to certain solutions that can minimise forced redundancies and help to avoid negative impact on morale and performance, such as offering voluntary redundancy terms, taking advantage of ‘natural wastage’ or cutting back on temporary and agency staff (Chartered Institute of Personnel and Development [CIPD], 2009, “How to manage your workforce in a recession”, para. 6). According to the Audit Commission’s survey, in the UK close to half of all local authorities have begun or are planning a recruitment freeze, while almost 20% had or planned voluntary redundancies and only 5-

6% resorted to mandatory cuts (as cited in I&DeA, 2009, p. 59). Being well-prepared for possible workforce reductions by developing a strategy and equipping the human resource team, therefore, can alleviate several issues that may make the process even more difficult. Furthermore, the role of consulting with employees or their representatives and communicating a clear and regularly updated message is essential. In order to offer similar guidance and additional options to avoid redundancies as much as possible, the Commission for Local Authority Employers in Finland published recommendations on human resource management in times of financial constraint, focusing on improved personnel planning, workforce flexibility, effective use of working time and wage systems and an assessment of working processes (B. Andersson, personal e-mail, April 28, 2009). Even though such measures are considered by several authorities, the introduction of changes in most of these cases requires agreement between the social partners, i.e. representatives of employers and employees, which may be difficult in some countries. In Finland and in the UK, for example, local government pay negotiations are expected to be difficult, preventing short-term savings and leaving local authority employers with limited choices that do not require support from social dialogue negotiations (J. Palola, European Sectoral Social Dialogue Committee in Local and Regional Government, meeting of July 5, 2009; CEMR, 2009).

Since the crisis does not only have a negative impact on the budget of authorities, but at the same time also increases demand for services, human resource measures do not sufficiently address the situation without parallel efforts to optimise work processes. According to the Swedish Association of Local and Regional Authorities, “not even an upward adjustment of government grants would lead to the achievement of the objective of healthy finances” and so “the constant process of rationalisation and improving efficiency must be intensified” (K. Danerlöv, personal e-mail, June 1, 2009). Instead of simply looking at it as a budget-cutting exercise, therefore, a number of local and regional authorities view the crisis as an opportunity to reaffirm their commitment to quality and cost-effective service delivery and consider major internal changes, such as organisational realignment, staff reassignments and the fundamental review of all services and departments in general (Fretwell, 2009, p. 20). Furthermore, to respond to financial pressures and create immediate savings, some of the most popular measures have been the reduction in the consumption of gas, electricity and transport fuel (I&DeA, 2009, p. 59). Many local and regional governments have recognised that a task of such dimensions requires totally new ways of thinking and a team effort on behalf of the political leadership as well as the staff if they are to tackle this challenge. Thus, uniting local leaders and creating opportunities for employees to share their ideas may well lead to several cost saving solutions which have so far been hidden, as the example of Iceland also illustrates (Fretwell, 2009, p. 23).

Iceland, city of Reykjavik

As Iceland has been particularly hit by the crisis and the economy of the country and its capital are closely linked, the city of Reykjavik was faced with an 8% rise in unemployment and a projected fall in revenues by 20% already the end of last year. In the spirit of cooperation which characterises this approach, consultation in the city council has lead to uniting councillors across political parties in a common task force and laying down an action plan in line with agreed budgetary principles. The established messages of secured basic services, unchanged user fees and no layoffs among the city's employees have called for radical actions. Nearly half of the workforce in the city administration has participated in workshops and generated around 1500 ideas to make cost cuts, hundreds of which are already being implemented in the budget for this year resulting in targeted savings and enhanced cost awareness. With additional savings from cutting back on overtime payments, other extra wage costs and the salaries of city councillors and officials, the city budget for 2009 in Reykjavik have been balanced (H. B. Kristjánssdóttir, CEMR General Assembly attended, April 23, 2009).

Going even further than avoiding staff cuts, local and regional authorities are also recommended to consider new opportunities to recruit qualified personnel who are recently made redundant and are therefore available in the labour market during the crisis (NALAS, 2008, p. 3). In Denmark, for example, shortages of staff in public services have meant a problem for some time, which is now expected to ease due to the decrease in employment opportunities elsewhere (CEMR, 2009, p. 21). The city of Gent also intends to attract the newly unemployed by offering the security of public sector positions and providing a simple online application procedure, similarly to the Finnish example described below (Desomer, 2009, p. 16). However, local and regional authorities, as major public employers, can not only offer more secure jobs in times of crisis, but are also expected to lead by example and provide opportunities for the disadvantaged or discriminated who are even more vulnerable to the effects of the recession (I&DeA, 2009, p. 2). Recognising their important role, more and more authorities in the UK launch transitional labour market schemes dedicated to this purpose or sign up for Local Employment Partnership agreements, which aim at involving these local governments in the provision of work experience for long-term benefit claimants (Dove, Houghton & Wahhab, 2009, p. 45).

Finland

With the goal of finding a nation-wide solution for municipal recruitments and improving municipal employer branding in Finland, the project for designing an innovative online recruitment portal for the sector was launched in 2008. Besides securing the workforce supply and ensuring a better match between

vacancies and job seekers, the portal also increases the efficiency of the process by lowering the amount of mechanical work in recruitment and selection (CEMR, 2009, p. 4).

Even though the present difficulties limit the chances of local and regional authorities to promote jobs, employment initiatives must continue to a certain extent in order to ensure the future employability of individuals and retain the skills base of the economy in preparation for the recovery (I&DeA, 2009, p. 62). In light of this, increasing the number of apprenticeships offered by local and regional governments can serve the double purpose of providing opportunities to young people particularly hit by the crisis and qualifying them for the upturn when a new generation of skilled workers will be sought (CEMR, 2009, p. 1). The German city of Dortmund, for example, offers 100 training places in 24 different professions for the recruitment year of 2010, and has launched an advertising campaign to attract young people and disseminate adequate information about the programme (Dortmund. de, n. d., “Qualified talents wanted for 2010”, para. 1-3). Similarly, discussions with key councils who are championing this agenda in the UK have pointed to existing possibilities to create more opportunities, and have lead to a commitment to double the number of apprentices in local governments by 2011 through a number of targeted initiatives across the country (Dove, Houghton & Wahhab, 2009, p. 44). Among several others, local and regional authorities in Greece have also recognised the potential of this direction:

Greece

Even though increased financial pressures hamper the capacity of local and regional governments to implement special projects in response to the crisis, they do play an important role in a nation-wide programme as major employers of the country. The pilot project, titled ‘A beginning, a chance’ and financed by the Greek Manpower Employment Organisation, provides an opportunity for 40,000 young people to strengthen their skills and qualifications in both the public and private sectors. The programme allows young people between the ages of 16 and 25 years, who do not continue their studies after high school to acquire work experience in specific occupations according to the needs of the participating authorities, and have access to integrated counselling during this period. In light of the success of the first eight months of this project, it has now been lengthened to continue the support of young people during the recession (CEMR, 2009; D. Birbas, CEMR Employment Platform meeting attended, 4 June, 2009).

Responding to redundancies

Besides managing their own workforce, local and regional authorities can also offer assistance to struggling businesses in their area which face closures or significant redundancies. Swift interventions responding to the immediate aftermath of such announcements may serve to make resources and services available to those affected and possibly even save jobs. It is estimated that in the long run substantial savings can be made by preserving jobs and keeping skilled workforces intact instead of creating new jobs (I&DeA, 2009, p. 2). Therefore, it is desirable to prevent people from falling into unemployment, and react early to company closures or lay-offs when their impact may still be lessened.

Local and regional governments may contribute in various ways in this situation. Having a holistic view of their area, they may pick up intelligence about possible closures or redundancies before they happen and can often move more quickly than other public sector agencies to address the problem (I&DeA, 2009, p. 2). Considering the current difficulties of many companies, local and regional authorities have especially been advised to “monitor large employers that may be at risk of lay-offs or plant closures and engage in proactive measures to deal with any serious shifts on the local labour market” (NALAS, 2008, p. 3). Once the issue is identified, it is a common concern for the local or regional authorities, their partners and the employer to manage their relations effectively and arrange targeted help immediately. The Rapid Response Service operated by a government agency in the UK since 2002, for example, explicitly requires a partnership approach in any proposed package of support, calling for cooperation between the employer, trade union representatives, local authorities, the chamber of commerce, the regional development agency, and various other agencies in the field of employment according to the needs of the company and its employees in question (Jobcentre Plus, n. d., p. 1). This sort of collaboration among the relevant actors ensures that services and other kinds of support are readily available and coordinated in order to best accommodate the situation. The recent case of Swedish regional and local authorities responding to redundancies in their area, described below, similarly takes into account the positive effects of such proactive cooperation.

Sweden

Redundancies and closedowns have affected many municipalities and counties in Sweden as a consequence of the crisis. In the first wave of massive lay-offs, small localities with a strong dependence on a few bigger companies have been particularly exposed, while overall the western part of the country has suffered most because of its relatively strong connection to the automotive industry. Under the coordination of county governors and chairs of regional executive committees, therefore, the government has been promoting a broad cooperation among various actors to respond to redundancy notices and

closures. Representatives of affected companies, trade unions, municipalities, the Public Employment Service, the Swedish Agency for Economic and Regional Growth, the Social Insurance Agency, employment security councils and several others have been included in the collaboration exercise in order to effectively respond to these announcements in the short term and at the same time strengthen the competitiveness of the economy for the upturn. Regional coordinators are, first of all, responsible for reporting developments in the municipalities and counties of their area, and identifying obstacles and needs in the course of the work. At the same time, partners at the local level have been engaged in forming different action groups to achieve additional empowerment of the employed and unemployed, and have also been involved in the coordination between companies closing down or downsizing and different kinds of educational training or coaching by various employment services. This regional and local approach coupled by the wide range of participating agencies allows rapid responses that are targeted and sensitive to the specificities of each situation (K. Danerlöv, personal e-mail, June 1, 2009).

Upon learning of possible closures and redundancies, the support offered by local and regional governments and their partners may be twofold: on the one hand the company itself can be offered assistance, while on the other hand employees under threat of losing their jobs should be able to access various services even before they are actually laid off. In the current economic climate where many businesses are dragged down by borrowings or late payments but are otherwise viable, arranging buy-outs and spinning off new enterprises may be considered, in which case the involvement of local or regional authorities can ensure that the community's interests are represented and as many jobs as possible are saved in the process (I&DeA, 2009, p. 8). Additionally, struggling businesses may be directed towards available services which they can consult for further help. London's Rapid Response service, launched recently in response to the crisis, targets specifically small and medium enterprises in need of help to dissolve their business, and offers a single point of access 24 hours a day from which companies can acquire tailored advice on insolvency and a range of government business, employee and financial support packages (Business Link, 2009, p. 1). In other cases, companies need to be advised on how to manage the redundancy process itself, as employment agencies and other local partners have more experience with this issue (Jobcentre Plus, n. d., p. 2). Local leaders in this context may use their leverage to minimise the consequences of lay-offs, such as in the city of Belfast, where councillors have lobbied to achieve improved redundancy packages for the workers (Jones, Lee & Morris, 2009, p. 38). Furthermore, consulting other businesses in the supply chain may be necessary as well if these are also affected by the closure or redundancy (I&DeA, 2009, p. 8).

Nevertheless, as the above example from Sweden also shows, most interventions of existing rapid response services are aimed at helping the individual workers who are in danger of losing their jobs. These may include advice about vacancies, job search, and self-employment, training opportunities, skills assessment etc. especially arranged for those laid off and thus offering more than regular employment services (Jobcentre Plus, n. d., p. 2). Cardiff Council together with other relevant agencies in Wales, for example, provides a holistic redundancy support package, including an action fund to help people attain skills and identify employment opportunities following redundancy (Jones, Lee & Morris, 2009, p. 38). Another scheme in the UK similarly brings together a range of partners in order to provide joined-up advice and help the newly unemployed at regular events in networking, identifying career options or improving professional skills (Jones, Lee & Morris, 2009, p. 38). According to the city of The Hague, through arranging training activities, for instance, they may play a supporting role by lending personnel, tools and expertise to keeping high-skilled workforces intact (Municipality of The Hague, 2009, p. 12). Regional authorities in other parts of Europe also realise training initiatives, though in a different direction, with Alsace (France) targeting specific programmes at low-skilled workers most at risk of losing their jobs, or Baden-Württemberg (Germany) and Lower Austria supporting other vulnerable groups, such as temporary workers or employees over 50 years (AER, 2009, p. 5). Workshops are organised by the mentioned service in London for people who have recently been made redundant to provide training on starting up a business and promote this form of job creation as well (Business Link, 2009, p. 2). In certain cases jobs may even be offered to those recently laid off: namely, over a third of those given a redundancy notice in the Swedish region of Norrbotten were employed in the public sector consequently (Rotopi, 2009, p. 14). These and other support mechanisms may enable the proactive involvement of local and regional authorities and their partners in the course of company closures or lay-offs by helping people into new jobs or at least keeping them close to employment.

Creating jobs through public investment

Even though many local and regional governments have noted a negative impact on their existing or planned projects, at the same time a substantial number also reported new projects being developed and started as a key pillar in their response to the crisis. During the recession when private investment in infrastructure has been generally put on hold, the ‘place-making’ role of local and regional authorities, as landlords and through their planning powers, becomes more important and so do the economic opportunities that may stem from their development initiatives (Jones, Lee & Morris, 2009, p. 45). Representatives of these authorities mostly agree that speeding up projects can also help to prevent

unemployment, echoing national and international arguments for stimuli (EUROCITIES, 2009, p. 3). Certain regions in Sweden, for example, have started or are currently planning major investments, which “largely overarch the downturn” and already resulted in the creation of more new jobs than the number of the newly unemployed up to December 2008 (Rotopi, 2009, p. 13). Besides, other potential benefits for the locality and its citizens include a more equal and inclusive place, an increase in skills levels and personal income, and consequently a multiplier effect on local residents and businesses in general (All Party Urban Development Group [APUDG], 2008, p. 8).

Recognising the importance of public investment, therefore, several international localities are opting for continuing their plans for investing in the physical infrastructure where possible (Jones, Lee & Morris, 2009, p. 65). The association of municipalities in the Netherlands specifically advises against postponing such projects and highlights the positive impact of accelerating local plans, namely that investments at the local level can be launched faster thus producing more timely results than national ones (VNG, 2009, p. 4). Accordingly, more than a hundred local governments have already named investment projects which could be speeded up to help combat the crisis by creating and retaining jobs (VNG, 2009, p. 2). Working along the same lines, the network of associations in South-East Europe has also recommended the compilation of projects that could be implemented rapidly, in order to promote the role of local authorities in supporting the efforts of the national governments (NALAS, 2008, p. 3). In Spain, where the central power itself has apparently lent its support to this approach, a special fund is available for local development projects, as it is further detailed below. However, various obstacles may stand in the way of continuing local and regional investment plans in several countries. On the one hand, authorities generally face budget constraints and problems around credit availability, while those who do decide to increase spending on infrastructure can expect “a significant public spending squeeze” as a consequence (APUDG, 2008, p. 4). A number of local governments resort to loans to fund their projects, with Munich, for instance, borrowing money to ensure the implementation of its €3 billion investment plans (Jones, Lee & Morris, 2009, p. 64). In another arrangement currently under negotiation in Greece, a 3-year programme creating 20,000 jobs in environmental protection, social services and local infrastructure maintenance will be co-financed by the national employment organisation, transforming unemployment allowance into job subsidies, and by municipalities through the enhancement of national taxation (D. Birbas, CEMR Employment Platform meeting attended, 4 June, 2009). Some localities, however, lack the financial powers and leverage necessary to make such investments, and many are constrained by budget requirements or not having access to funding mechanisms (Allen, et al., 2009, p. 14). This lack of flexibility over financing and the vast range of frameworks local and regional authorities find themselves in may prevent them from taking control over their own investments (OECD, 2009, p. 22). In the current

downturn, a wider recognition of the positive impact of regeneration projects is therefore needed, supported by a more sustainable and effective approach to finance (APUDG, 2008; OECD, 2009).

Spain

As part of its national recovery plan in response to the crisis, the so-called '*Plan E*', the Spanish central government has designated € 8 billion directly for the financing of municipal projects to generate employment and maintain economic activity, and thus doubled the amount of local public investment in comparison to a 'regular' year. The State Fund of Local Investment (Fondo Estatal de Inversión Local) was announced in November 2008 as one of the primary tools to combat the negative impact of the recession, granting a special role and responsibility for local authorities in the process. With the main goal of creating jobs in the short term to alleviate the worst effects, projects are required to offer opportunities specifically to unemployed persons and may stretch until the first trimester of 2010. Following a large-scale campaign to communicate the possibilities and conditions, more than 30,000 applications have been filed electronically by local authorities representing 99.9% of the population. The online system has ensured the rapid evaluation of these investment plans, out of which 99.5% has been approved and more than 17,000 have already been launched by May. Most initiatives are oriented towards the regeneration of public spaces, the renewal of basic service infrastructures and building activities in educational, cultural, social, healthcare and other installations, but many projects include the promotion of mobility, the conservation of historic or municipal buildings or energy efficiency measures too. The intervention has already created approximately 80,000 new workplaces, while the implementation of the public works involves another 200,000 people directly and 400,000 jobs altogether (G. Sánchez Mora, CEMR Working Group on Employment and Social Policy, meeting of February 2, 2009; FEMP, 2009).

Although public investment projects are considered a catalyst for job creation and economic productivity, various factors determine whether the locality and its citizens may actually benefit directly from the increased opportunities. The city of Lisbon, for example, have pledged to broaden the scope of public consultation with local companies in order to ensure that the recently agreed large package of investment in urban regeneration works would be carried out mainly by the small- and medium-sized construction firms that could thus avoid bankruptcy and generate local jobs and wealth (Municipality of Lisbon, 2009, "News: Reunion of the Board", para. 4-5). Some concrete approaches that local and regional authorities may adopt in order to maximise the potential of linking up local residents to jobs created through local investment are: securing commitment to local employment objectives, building partnerships with employers, educational institutions and employment agencies, forecasting possible opportunities at the different work stages, and using targeted strategies to link training to employer demand (APUDG, 2008, p.

4). In this respect, only a holistic and long-term view to getting people into work can ensure “that regeneration leaves a positive employment legacy” (APUDG, 2008, p. 4). In its message to the Employment Summit, CEMR has also emphasised the importance of respecting all three dimensions of sustainable development (economic, environmental and social) when creating new jobs through investments (CEMR, 2009, p. 2). A short-term rationale of job creation as a main priority in response to the crisis may be counter-productive if it is not accompanied by a long-term alignment with the development objectives of the locality, through which authorities can use public works for the promotion of wider goals (OECD LEED Programme, 2009, p. 8). In this context, investments in innovation, energy efficiency, renewable energy, etc. can be a lever of economic growth and job opportunities which are sustainable in the long term as well (AER, 2009, p. 3). While the growing contributions of these sectors already illustrate the economic opportunities they offer, their employment records reveal a real potential in further expanding these activities at the local and regional levels (OECD, 2009, p. 12). Supporting this approach, Germany has specifically earmarked €10 billion of its economic stimulus plan for investments in education and infrastructure at the local level in order to optimise the energy efficiency of buildings and expand broadband infrastructure (CEMR, 2009, p. 5). This perspective can not only allow local and regional governments to create jobs and boost economic activity through public investment, but also to modernise their economies and emerge stronger from the crisis (AER, 2009, p. 3).

Stepping up employment support services

Besides the above areas where the role of local and regional governments has especially come to the fore in the course of the crisis, regular employment services also needed to be broadened and intensified to deal with the severity of the situation. Several authorities report to have increased the number of staff or have opened new offices in order to handle the increased demand. Additionally to the newly unemployed, who are themselves of very diverse backgrounds as a result of the widespread crisis, those most vulnerable to the labour market situation have been the long-term workless and young people (Jones, Lee & Morris, 2009, pp. 16-17).

Cities are using their position close to both employers and citizens to develop and implement labour market support schemes in a bid to counteract the crisis and secure skilled workers for the recovery at the same time (EUROCITIES, 2009, p. 4). To achieve this, local and regional authorities have been advised to keep people close to employment, whether by earning, learning or looking. In this context, continuity of support between job search, training and work experience is essential. However, to ensure this kind of ‘employment sustainability’ and offer targeted solutions for a variety of obstacles that clients face,

authorities must engage in interventions that are holistic and personalised in their nature, rather than simply focusing on one specific aspect of employability (Dove, Houghton & Wahhab, 2009, p. 20). Since unemployment is often made more difficult by accompanying hardships, local authorities are recommended to take these into account and offer various services that can alleviate these problems, for example by offering debt and benefits advice, housing support, childcare services, adult education, social and healthcare, outreach services, issues of travel and transport, etc. Additionally, the current downturn affects low-skilled and low income workers as well as high income professionals, which therefore requires several complimentary approaches providing adequate assistance to the different needs of these groups (I&DeA & LGA, 2009, p. 24). In order to give clients a simple offer of help that responds to their demands, “integrating services is best planned at the local level, allowing local areas to determine the right mix of services and the best use of available resources” (Dove, Houghton & Wahhab, 2009, p. 21).

Nevertheless, holistic interventions do not only require better coordination of existing services, but also call for cooperation between the relevant actors. Evidence from Scottish councils even suggests that “the [current] economic situation has provided a catalyst for partnership working in this area, reflected in a range of new interventions to coordinate and join up approaches across planning partnerships” (Convention of Scottish Local Authorities [COSLA], COSLA submission to CEMR, 2009). Aberdeen city, for example, has launched a Work Forum in order to “direct resources to ensuring [that] a comprehensive pipeline of training and skills is in place to respond to needs”, with the involvement of national and regional employment and other service agencies, voluntary and civic organisations and major local employers (COSLA, 2009, p. 45). However, the wide range of funds, frameworks and restrictions existing across the different geographical levels where employment and skills provision is planned can place real constraints on such approaches. Even so, joint working can mutually improve the knowledge of partners about the services delivered and can lead to the alignment of funding, integrated offers of support or services wrapped around mainstream provision (I&DeA, 2009, p. 2). Roundtable discussions in a Dutch region have revealed opportunities for better skills matching in order to balance surpluses and deficits in different sectors, which is promoted through the umbrella of a regional labour mobility network bringing together work centres, educational institutions, employment and gatekeeper centres, etc. (H&S Adviseurs, 2009, p. 9). Besides working together with relevant national and regional authorities and agencies, the local level is also advised to build on the expertise of voluntary and community organisations when combating worklessness. These partners can not only display a significant track record in delivering support for people facing additional barriers to employment, but are also relevant in promoting volunteering as a way for the unemployed to gain skills and experience and contribute to their local community while seeking a new job (Cooke, Potter & Vyas, 2009, p. 25). Furthermore, the involvement

of the local business community can ensure that initiatives are demand-led and focused on delivering greater levels of 'job readiness' that leads to long-term employment (Hector & Keating, 2009, p. 18). As an example of this approach, partners in Rotterdam, among which educational and care institutions, representatives of industry and retail, small- and medium enterprises, etc. have been called on by the local council to join forces, and have consequently signed a declaration of their intention to, besides other goals, create employment opportunities for the residents of the city (Municipality of Rotterdam – Development Agency, 2009, "Economic crisis", para. 1). In Békés County (Hungary), goals of synchronising the supply and demand side of the labour market have led to the conceptualisation of an online system that would provide flexible mediation between actors (AER, 2009, "Regional policy to tackle the economic crisis: Good practice profiles"). Companies may help in various practical ways to deliver outcomes in the labour market, for instance by offering apprenticeships and work experience, contributing to local regeneration plans, or by mentoring social enterprises and start-ups (I&DeA, 2009, p. 3). This kind of cooperation, however, is significantly hampered if barriers of bureaucracy, slow-decision making and jargon prevent businesses from getting involved. To overcome these obstacles and cooperate fruitfully, local authorities in the UK have been urged in the context of the crisis to work with local businesses in city-regional Skills and Employment Boards, thus ensuring that labour market support is relevant to local economic needs (Centre for Cities, 2009, p. 25).

Ideally, such coordination also takes into account the skills demands of the local economy, thus leading to a longer-term view with the objective of reinforcing the capacity of the locality to attract and retain jobs and enhancing its future competitiveness (OECD, 2009, p. 12). Since there has been an obvious connection between how localities performed in the crisis and their skills levels, previous evidence has been strengthened that "higher concentrations of the skilled, [who] find it easier to switch from declining sectors into new ones, make cities more robust to economic change" (Jones, Lee & Morris, 2009, pp. 21-22). The fact that low-skilled workers have been disproportionately impacted by the downturn points to the importance of response measures such as skills provision and re-training programmes for the newly or temporarily unemployed, which have been implemented by various local and regional governments. Besides immediately increasing the job prospects of those participating in such projects, fostering skills to respond to and invest into sectors with labour shortages, like the care sector, and/or emerging markets, like 'green' technologies, can even help localities emerge stronger from the crisis. "It is [therefore] important to ensure that initiatives in relation to employment and skills are strongly interlinked", so that supply-side efforts match local demands and jobs are secured (Allen, et al., 2009, p. 14). All in all, the abovementioned key principles of providing integrated support services and promoting employment sustainability in partnership with relevant actors have been important drivers in concrete interventions

during the recession, targeted especially at the newly unemployed, young people, and those furthest from the labour market.

Rising unemployment rates since the start of the crisis have called for, first of all, increased attention to those recently laid off. Growing demand has not only required authorities to increase their capacity accordingly by extending their services, but also made it necessary to offer more effective approaches to the problem. In the Netherlands, for example, several municipalities have launched new ‘mobility centres’ which offer integrated and personalised ‘work-to-work’ support for the increased number of clients. Regarding this group of newly unemployed, in order to ensure that qualified workers avoid falling into long-term unemployment and will thus be available on the labour market when the upturn comes, support services must offer active help with the search for a new job or any other temporary solution, such as training or work placements. Early intervention and preventive measures are therefore at the heart of keeping people close to employment and responding to the needs of those recently laid off. In line with this approach, Newcastle City Council and its partners have been working together in partnership to open three new ‘Resource Centres’ by June 2009, which provide timely support on employability, skills assessment, debt advice and mental health through a ‘customer offer’ that contains an induction session, several core modules and job search facilities and advice (Jones, Lee & Morris, 2009, p. 39). The action plan of Ghent, described below, also puts the emphasis on prevention and rapid reaction. Focusing specifically on helping the redundant into new jobs quickly, cities in Scotland have identified areas of employment growth, such as the service and care sectors, and deliver a fast-track development programme to increase the employability of the newly unemployed in these sectors (COSLA, 2009, p. 38). Similarly, the city of Tallinn (Estonia) has aimed its efforts at creating temporary job opportunities in municipal companies and public works (Tallinn City Council, 2009, p. 4). Thus, whether by offering services, training or job opportunities, etc., European localities strive to keep the newly unemployed close to the labour market and away from entering the vicious circle of long-term unemployment.

Belgium, city of Ghent

Together with the Flemish Public Employment and Vocational Training Service (VDAB) and the Public Centre of Social Welfare (OCMW), the city of Ghent has launched the Action Plan Work programme, planned to last between April 2009 and March 2011 on a budget of +/- €700,000. Excluding specific target groups of other support mechanisms, the plan targets every citizen that loses its job due to the current economic crisis. In the spirit of prevention, a crucial element of the new service is the invitation of unemployed persons merely two weeks after their registration as such. The focus is then on direct matching in order to support clients and lead them towards new jobs through offering frequent face-to-

face and semi-collective meetings during the process of job search and applications, next to which, if extra help is needed, intensive counselling is available to address issues, such as childcare, mobility, debt advice, etc. The aim of the programme is to provide these services to a minimum of 2000 job seekers and place at least 75% of these in new jobs or trainings by the end of the counselling period (City of Ghent, presentation of the Department of Work & Economy, 2009).

Programmes to help those furthest from the labour market, however, should not be abandoned either or diluted by pressures to help the newly unemployed. On the contrary, focus on disadvantaged groups must be maintained and even strengthened in order to successfully address their vulnerability in the current downturn. Following the observation that the long-term unemployed, migrants, single parent families, young people, etc. are hit hardest by the crisis and risk falling into worse situations, CEMR (2009) also highlights the important role of local and regional authorities in providing assistance to these groups, thus pointing to both their capacity and responsibility for addressing the issue in this difficult period (p. 2). In order to prevent disadvantaged people from losing out disproportionately in the recession, it is exactly in the pockets of high unemployment that “local partners should be concentrating on new forms of service delivery that integrate support and access to opportunities” in order to break down multiple barriers (Dove, Houghton & Wahhab, 2009, p. 28). Emphasising the importance of such measures, several local and regional governments have launched new programmes or intensified existing ones with a focus on deprived areas. To help the unemployed into training and sustained employment, authorities in the UK have made efforts to reach out to the residents of these areas by offering more flexible, targeted and holistic support than what is provided by regular employment services, while engaging with employers on the demand side to generate a range of opportunities, including work placements (CEMR, 2009; Cooke, Potter & Vyas, 2009). Strengthening the effectiveness of resources, however, has not only required more adequate services, but has also meant that authorities must be able to help more people. In the midst of handling the rising number of benefit claimants, the city of Madrid has managed to maintain the focus on targeted action to address complex reintegration issues through its ‘Personal Attention Programme’, offering personalised, direct and free information to 27,000 people only in the first trimester of 2009, a significant ratio of which has been further interviewed and tutored (Madrid, 2009, “Personalised help to find work”, para. 1-2). In order to provide temporary help to those who cannot yet be mediated to regular jobs directly, some Dutch local authorities have made plans to increase the number of subsidised jobs through the use of a flexible system of wage subsidies, which allows more people to get closer to self-reliance while working for a regular employer (Municipality of The Hague, 2009; Municipality of

Rotterdam, 2009). These measures, among other similar ones, aim to prevent disadvantaged groups from sliding even lower on the 'participation ladder' in the course of the crisis.

Inside these groups that face increased difficulties in the current labour market situation, young people are particularly vulnerable. Based on the experiences of previous recessions, several countries fear the rise of a 'lost generation' if young people do not find work or adequate education soon after finishing their studies, and instead fall into long-term unemployment, crime and social care services (Rotopi, 2009, p. 15). Besides fresh graduates encountering obstacles when entering the market, young people in temporary contracts or new employment are the first to receive redundancy notices, raising the unemployment rate in the age-group of 18-24 even higher (Rotopi, 2009, p. 17). Accordingly, several local and regional governments report the greatest increase in unemployment among the population aged in this range, even compared to other disadvantaged groups (Jones, Lee & Morris, 2009; Rotopi, 2009). Casting a shadow on their chances, it is more likely in the short term that existing vacancies will be filled by those with greater experience and job histories, who also find themselves on the labour market as a result of this crisis (Jones, Lee & Morris, 2009, p. 17). To manage this competition and increase the job prospects of young people, many local authorities work with agencies and educational institutions to provide final year students with a variety of support, including career fairs and related events, online information and intensive programmes to assess and equip them with work-related skills or orientate them towards employment (Jones, Lee & Morris, 2009, p. 40). With the dual aim of creating opportunities immediately and ensuring higher skills for the upturn, several local and regional governments have also funded apprenticeship schemes and succeeded in keeping more young people close to employment in this way (Jones, Lee & Morris, 2009, p. 55). To achieve this, authorities in several European countries have created more favourable conditions and encouraged enterprises to take on young trainees. In France the region of Loire, for example, plans to launch a large-scale communication campaign to promote professional training and mobilise companies to host apprentices (Loire region, n. d., p. 4). Lower Austria, among other regions, has pledged to support businesses who offer traineeships specifically for school leavers (AER, 2009, p. 5). At the local level, the Scottish city of Glasgow even guarantees an apprenticeship to every qualified graduate in 2009 through the provision of financial incentives to organisations committed to creating new places (Jones, Lee & Morris, 2009, p. 56). Going further, Westminster Council (UK) has supported the establishment of the London Apprentice Company, which will source, recruit, employ and train apprentices on behalf of employers in various sectors, offering them a low cost and low risk opportunity to get involved in training and access a wider skills base (I&DeA, 2009, p. 44). Cities in the Netherlands (see below) also consider the creation and maintenance of apprenticeship places in the framework of several additional measures aimed at tackling youth unemployment.

Netherlands, cities of Rotterdam, Utrecht and The Hague

Dutch local authorities engage in various efforts in the fields of education, professional training and employment simultaneously to prevent their youth from becoming the victim of the crisis. Rotterdam plans on stimulating the extension of training periods, financing the participation of an increased number of students in labour-market oriented courses, and guiding young people towards sectors with labour shortages, such as care, engineering, education and retail. Additionally to similar activities under its crisis response plan, the municipality of Utrecht has also opened the School of Utrecht in support of young people who struggle with multiple problems. The Hague, on the other hand, aims to take advantage of the opportunity offered by the recession to lay the foundation for the knowledge economy of its future and become the international city of peace and rights by strengthening higher education courses and the student culture. Furthermore, to increase the job prospects of young people in the current economic climate, these authorities increasingly work together with local partners to maintain the number of traineeship offers and provide better matches between the labour market and the unemployed youth. Through launching designated service points and engaging in agreements with employers, these cities are able to offer young people vocational training in the form of work placements, with a view to helping them acquire further qualifications and guaranteed regular jobs even at the participating businesses (Municipality of Rotterdam, 2009; Municipality of Utrecht, 2009; Municipality of The Hague, 2009).

While no single model of intervention is highlighted exclusively, the importance of holistic approaches, partnership working and skills development appear to be key principles to provide efficient and comprehensive employment support programmes with a view to the future, both to the newly unemployed and vulnerable groups. Besides the other areas of action discussed in the first place, which play an important role in the short and medium term in particular, employment initiatives must also look past the current crisis and increasingly take account of longer-term challenges that call for the sustainability of the workforce on which competitive local and regional economies can be built when the upturn comes.

2.2 Providing services in times of crisis

The current economic and financial crisis is creating new challenges to the delivery of public services, mainly through a fall in the income of local and regional governments at the time when demand is rising for their support. While downsizing and cutting down expenses and services may be seen as a way to short-term relief by some localities, the combination of pressures “pose serious questions to the sustainability of public service provision in the absence of reforms” (European Policy Centre [EPC], 2009, p. 1). Thus, authorities must strive to combine approaches that immediately alleviate the most severe effects of the recession on their residents and at the same time lead towards more efficient delivery, enabling them to provide high quality services with fewer resources in the future.

Informing residents of the available support

Effective communication is an essential element of any response strategy during the downturn, not only to voice the leadership role of local and regional authorities, but also to signpost available support for affected residents. Even before focusing on the quality and capacity of services or planning new ones, the provision of adequate information about existing forms of assistance can contribute significantly to the improvement of the situation in many lives. Information and guidance to local support services has therefore played a central role in many public authorities’ early response, ensuring that people are aware of what is available and know how to access it (I&DeA, 2009, p. 7).

Since regions of the UK in particular have registered strong negative impacts on private households, a number of actions have been developed here to support citizens by signposting advice on financial assistance, housing issues, various savings options, etc. (AER, 2009, p. 6). To do this, a wide range of methods are used from information campaigns and printed guides to awareness raising events and targeted websites. Several local authorities have designed and disseminated informational leaflets or complete guides containing practical advice on alleviating negative effects, basic information on available services and contact details for further questions (Jones, Lee & Morris, 2009, p. 36). Furthermore, regular forms of local media have also been adapted to temporarily serve this purpose with local partners publishing press releases and frequent newsletters in community magazines or advertising council services in local radio channels (West Midlands LGA, 2009, p. 18). Events, such as open days or awareness-raising road shows have also provided an opportunity for local authorities and their partner organisations to equip their residents with tips to manage their problems and steer them towards sources of help at the same time

(I&DeA, 2009, p. 8). However, one of the most popular methods to provide easily accessible information and a first point of contact with the public sector has been through the internet. Whether in the form of recession features on their existing home page or a wholly new website, many local authorities have chosen this platform to communicate their response and assemble all the resources relating to the recession (West Midlands LGA, 2009, p. 18). Besides offering a cheap, comfortable and easy way of access to a large number of people, online support may provide further advantages, if pages are adequately adapted to the specific needs of certain groups or encourage users to engage with each other and share ideas for fighting the downturn (I&DeA, 2009, pp. 8-9). Themes in all information materials listing relevant advice and contacts may include personal finance and benefits, business support, care and health, employment and skills, housing, etc., which localities can adjust to their needs and highlight specific community initiatives on top of well-known support services (I&DeA, 2009, p. 1). Thinking beyond the key issues emerging from the crisis, several authorities have also included references to a broader range of topics, such as free activities, events and places to go in their area, in order to maintain and nurture community life during the recession (Jones, Lee & Morris, 2009, p. 36).

Additional measures to promote residents' access to available services can supplement the above information campaign. Various initiatives aimed at identifying problems early enough for support to be effective are in place in many localities. Offering telephone and face-to-face advice, for example, can be important means to achieve this, while a proactive approach to delivering support to the most vulnerable through home visits and community-based appointments can further enhance the requisition of services (LGA, 2008, p. 26). For those who seek advice themselves, a simple and clear process through the myriad of support services and agencies can provide the shortest and fastest way to targeted and timely solutions. As it has been mentioned before, individuals may struggle with multiple difficulties in the current situation with the need to access a wide range of public services, however, this should not force them to be passed around the system endlessly or search for and request support separately in each case. Ideally, there is 'no wrong door' when requesting services but they should be accessible in a number of ways (I&DeA, 2009, p. 5). Therefore, many local authorities now build on existing partnerships to link up information about services in demand, increase and improve referrals among agencies and coordinate appropriate advice provision (COSLA, 2009, p. 30). This approach is "strongest when all front-line workers, who are working together within an area, have a clear understanding of their respective roles and are able to wrap services around individuals and families", including council support and other sources of assistance from partner organisations according to the needs (I&DeA, 2009, p. 5). To further enhance the customer journey from the first point of contact to resolution, many authorities have opened 'one-stop shop' centres, invited agency representatives into their offices or seconded staff into various local organisations, so that

local partners can provide joined-up information and a variety of related advice and other support services in an integrated way and in one common location (Cooke, Potter & Vyas, 2009, p. 20). Informing residents of the help available and guiding them through the process is, thus, a necessary first step in the timely and targeted support of people through the downturn.

Offering financial assistance

The widespread negative effects of the crisis have called for responses with an equally broad focus from local and regional governments. Therefore, besides guiding local residents and businesses towards existing sources of help, many of these authorities have also designed and implemented integrated packages of support in order to tackle the variety of difficulties their clients face. These include new or enhanced measures and services in the most relevant areas, such as employment and business support, welfare and housing assistance, etc. The following example of the strategy of Tallinn (Estonia) similarly highlights this line of action as an overarching response presented to the citizens.

Estonia, city of Tallinn

As a result of the crisis the unemployment rate in Tallinn has increased five times, while the number of people receiving benefits has risen 63% in the course of the past year. In order to combat these effects, the city council has devised the Economic Recession Assistance Package for Residents and Entrepreneurs. The 41 support measures, among which mostly new and a few existing initiatives modified in their focus or volume, are principally aimed at enabling people to cope and preventing a downward spiral into unemployment and poverty. The focus is on six key areas: relieving unemployment, benefits and social assistance, counselling services, reduction of housing expenses, support for the business sector and consumer protection. Besides fostering the creation of new jobs, diverse assistance provided to the disadvantaged occupies an important place among the proposed measures. The implementation of the package is planned for 2009 and 2010 from financial resources which are “obtained by redirecting the resources in the city budget without any decrease in social benefits” (Tallinn City Council, 2009, p. 2).

In the midst of a general increase in claims for public assistance, financial advice provision has still been one of the services with the highest rise in demand because of the severe impact of the crisis on money, housing and labour markets and consequently on personal balances. Supporting this observation, eighty per cent of councils in the UK have registered a significant number of additional requests for debt and welfare advice in particular (LGA, 2009, p. 5). Even though a combination of measures is necessary in an

effective response, as we have also seen from the above example, financial assistance has taken a prominent role among the different services local authorities offer. Such initiatives are not only essential for helping residents overcome growing financial problems, but also for upholding consumer demand throughout the downturn to stimulate the local economy. Increased demand for money advice has thus made it necessary to enhance the capacity of several types of financial assistance services. Next to rising unemployment and failing money markets, the number of those facing problems with repaying debts is growing, and many people have to fear repossessions as well (Jones, Lee & Morris, 2009, p. 41). Several local authorities, therefore, have allocated increased amount of funding to launch prevention publicity campaigns or recruit extra staff to provide financial management support and expert advice on these issues (Jones, Lee & Morris, 2009, p. 41). Help is primarily aimed at increasing the financial literacy and skills of residents and assisting them in opting for solutions that increase their financial stability and reduce risks (Cooke, Potter & Vyas, 2009, p. 19). Often these services have been offered in conjunction with other types of support, such as employment programmes, providing complementary assistance to those who are hampered by financial barriers to make a transition in other walks of life or have become vulnerable to financial instability as a result of the negative effects of the crisis (I&DeA & LGA, 2009, p. 11). Moreover, many local governments also intend to improve existing provisions through cooperating with organisations of the voluntary and third sector, which may lead to the delivery of services that are more sensitive to the needs of certain target groups and offer comprehensive assistance in a coordinated manner (Cooke, Potter & Vyas, 2009, p. 20).

In line with informing residents of available support, more specifically in a financial perspective, local and regional governments also work towards ensuring that citizens have access to the benefits they are eligible for and do not fall below the poverty line. In the course of benefit take-up campaigns at the local level, councils may use housing and tax records to find and contact potential claimants or cooperate with local partners to communicate what kind of help is available and assist with applications (I&DeA, 2009, p. 53). At the same time, regional authorities may collect and channel claims to the national level in the case of state benefits. Through such a pro-active outreach to identify eligible residents and inform them of their possibilities, several authorities have already increased the uptake of financial support especially among vulnerable groups (West Midlands, 2009, p. 5). As calls on the service increase, however, it will also become important to speed up the processing of these benefits (I&DeA, 2009, p. 53). Given the current economic climate, supporting citizens to receive what they are entitled to may well provide them with a financial lifeline.

Nevertheless, local and regional authorities can offer other kinds of direct financial support as well. Local governments, for example, may consider reducing the local tax bills of vulnerable households, thus providing immediate relief to a limited extent (I&DeA, 2009, p. 53). Furthermore, authorities can take steps to give residents better access to credit in an effort to balance the current freeze in financial markets and satisfy demand for microfinance. Although much of the bank rescue packages are beyond the control of public service providers and possibilities of local or regional authority banking activities may be limited, they can work towards the creation or expansion of community-sector local credit unions, which can offer a reputable source of lending and low-cost loans, even if only on a small scale (LGA, 2009, p. 8). The rise in the number of customers in these unions during the past year, at least in the UK, also suggests that residents seek an alternative and more localised credit source as borrowing from mainstream banks becomes increasingly problematic (I&DeA, 2009, p. 56). Credit unions, in this context, can also provide affordable options to those who are not homeowners, are not currently working or have a poor credit history, and are therefore unable to borrow from banks and in risk of turning to illegal door-to-door 'loan sharks' with their needs (LGA, 2008, p. 12). Besides funding, local authorities can facilitate the activities of credit unions by sponsoring the promotion of their services, developing stronger links with other money advice services, sharing facilities or offering premises, bidding a reduction from rent and local tax expenses, and helping to increase their capacity to satisfy higher demand or extend the range of financial services (COSLA, 2009; LGA, 2009). Where such initiatives are less likely to be launched, negotiations with mainstream banks can still lead to the increased financial inclusion of those with no credit options, for example by offering the possibility to individuals with high debts to open a bank account on certain conditions in order to re-integrate them into the regular financial workings of everyday life (Municipality of Rotterdam, 2009, p. 14).

Additionally to causing increased financial difficulties in many households, the current crisis has also sent the housing market plummeting, and so many people need additional assistance with paying their rent or mortgage to avoid becoming homeless. In these cases, first of all, a preventive approach of identifying and delivering assistance to those in risk of losing their homes is essential, informed by mortgage providers or local housing associations, for instance (I&DeA, 2009, p. 52). Debt advice services in the early stages of arrears can contribute by developing a realistic and sensible debt repayment programmes for tenants and house owners, including budget and income management advice and engaging with those whom individuals owe money to for the renegotiation of payments (West Midlands LGA, 2009, p. 15). The launch of mortgage rescue schemes, through purchasing the freehold, opting for government support programmes or providing interest-free loans, have also been considered in several localities (LGA, 2008; I&DeA, 2009). Measures to tackle financial problems related to mortgage and rent payments are

supplemented by housing market interventions in order to satisfy higher demand for affordable homes. Besides making use of governmental funding to build new homes for social rent, engaging with developers to buy up unsold houses or encourage them to sell these to housing associations have been some of the steps taken by local and regional authorities to ensure that housing developments are not abandoned (Jones, Lee & Morris, 2009, p. 49).

Even in this difficult period, illustrated by the many financial issues citizens now face, local and regional authorities have been able to identify opportunities for longer-term changes through the delivery of certain advice services. It is exactly the financial pressures placed on individuals by the crisis that induce the need to make savings and reinforce less resource demanding behaviours. Increased energy efficiency, more recycling and reductions in car use among people are some of the by-products of the current situation, which targeted actions may turn into long-term improvements to sustainable behaviours (EUROCITIES, 2009, p. 6). Therefore, under the goal of securing household income and decreasing expenses, many local authorities also raise awareness of and provide advice on saving energy together with their partners. This can include both small-scale low-cost solutions, such as practical tips on lower consumption, switching to energy efficient appliances or improving insulation, and more significant changes, such as making one's own energy with the help of solar panels or wind turbines (LGA, 2008, p. 17). Regarding similar advice services, a targeted approach is in place in the city of Frankfurt (Germany), as described below, reaching low-income households more effectively. To further combat fuel poverty and inefficient heating systems, authorities also promote subsidies on offer in the field of energy efficiency, and even provide grants or loans themselves for heating improvements in the framework of home insulation schemes, for instance (Cooke, Potter & Vyas, 2009, p. 27). Financial inclusion, fuel poverty and other problematic issues are thus linked up in several localities, which do not only aim at ensuring that their residents are able to cope with the current situation, but also strive to put them on sound footing for achieving sustainable finances and practices even after the upturn.

Germany, city of Frankfurt

Low income households in particular have been struggling with rising energy and heat prices in the past years, with little help from existing energy advisory services that failed to reach out to them or meet their specific needs. In cooperation with the Social Welfare Office and the Energy Department of the city of Frankfurt, the Rhein Main Job Centre and a local energy supplier, the Caritas organisation has been operating the Cariteam Energy Saving Service, which offers free and targeted support to low income households to reduce their energy costs. Considering its local success and the need to respond to the increased financial difficulties of many people as a result of the crisis, the concept of the service has been

transferred with federal support to 54 other German localities since February 2009. Assistance includes a “comprehensive check of appliances and use patterns, recommendations to reduce electricity and water consumption, [and] in addition, small energy saving appliances, such as energy saving bulbs or interruptible frame connectors, are disposed for free”. Since the advice service is based on a job qualification programme designed to train long-term unemployed persons to become consultants in energy and water savings, the scheme aims at reducing fuel poverty and unemployment at the same time (Energie-Cités, 2009; Institute for Social-Ecological Research [ISOE], n. d., “Energy efficiency and energy saving in low income households”).

Doing more with less

The twin pressures of rising demand for services and constrained local and regional finances resulting from the crisis inevitably mean that localities must strive for better value for money in delivering services to the public if they want to shield residents from increased charges or significant cuts in available support.

Traditional approaches to making efficiency savings for balancing budgets “have tended to focus on the staffing levels, processes and infrastructure of individual public service organisations” (Local Government Delivery Council [LGDC], 2009, p. 11). Accordingly, certain authorities have implemented strict budgetary controls or commenced the rationalisation of premises and a review of contracting, commissioning or staffing structures in an effort to reach budget savings targets (Leadership Centre for Local Government, n. d., p. 24). However, besides making such managerial changes, there is also a need for reassessing existing service delivery. In order to maintain the focus on the experience of those who receive services even when resources are reduced, it is recommended to consider a wider range of options through engaging with service user groups, staff and partner agencies when reshaping services (The Guardian, 2009, “Under constant observation”, para. 2). Existing or new fora bringing together local public service providers have already played an important role in this respect by mapping provision and identifying gaps, overlaps and opportunities in delivery based on the specific perspectives and understanding of participants about clients’ problems and needs (Cooke, Potter & Vyas, 2009, p. 22). Further to this line of action, new thinking is already emerging to aim at higher efficiency through local collaboration and shared services that could simultaneously provide more integrated assistance for customers (LGDC, 2009, p. 11). Evidence supports the business case for mergers, co-located services or the secondment of staff to partners, suggesting that targeted intervention on behalf of all the various services in a single referral yields better results for citizens than participation in multiple programmes, and

also has the potential for major savings, for instance “through staff efficiency, channel transfer or improved use of corporate accommodation” (Leadership Centre for Local Government, n. d., pp. 24, 26). Networks linking public services to community development will therefore be especially vital to deliver better services at a lower cost. The creation of such clusters have not only been attempted among diverse local partners, but some local authorities have also agreed to begin the development of a merged group of services among them, which will help maintain public support with improved efficiency (Leadership Centre for Local Government, n. d., p. 16). Recent Finnish experiences suggest as well that local authorities may achieve a better organisational structure through cooperation, and that municipal structural reforms will therefore be key issues in the coming years in the context of efforts to provide more productive and effective services (M. Jalonen, CEMR General Assembly attended, April 23, 2009). However, this radical way of “changing the traditional risk-averse, silo-based, service-centred culture of public services at a time when resources will inevitably be reduced” sets out a serious challenge for many local leaders and calls for innovative solutions during this difficult period in particular (The Guardian, 2009, “Under constant observation”, para. 4).

Therefore, more are now recognising the need for a broader perspective when it comes to ‘recovery through innovation’, highlighting the role of social innovation in particular, i.e. “new strategies, concepts, ideas and organisations that meet social needs of all kinds – from working conditions and education to community development and health” (as cited in Walker, 2009, p. 1). Social economy organisations, which exist between public and private sectors including associations, social enterprises, co-operatives, etc., and engage in non-profit activities for the production of goods or services in various fields that benefit their community, often harbour social innovation and may also help provide new ways of tackling both the economic and social challenges of the current crisis (OECD, 2009, p. 24). Besides having the capacity to provide accessible local services or even create jobs, these third sector partners can be especially effective in identifying and reaching certain target groups that are increasingly vulnerable in the crisis and can thus provide “an efficient delivery vehicle for public policy” (Cooke, Potter & Vyas, 2009; OECD, 2009). However, community organisations currently struggle with similar negative impacts as local authorities, seeing a growing demand for their services while their income is drying up, not least because of the lack of public grants that are among the first to be pulled out by some governments when looking for savings (Walker, 2009, p. 1). Even so, many countries do recognise the contribution these organisations can make in the current context, and are adopting measures to foster their development (OECD, 2009, p. 24). Besides, it has also proven more cost-effective for local authorities to target aid at existing providers in a devolved approach to delivery, rather than attempting to create a similar new service (Leadership Centre for Local Government, n. d., p. 28). Support for the social economy most often

takes the form of direct funding, reducing or abolishing rates and charges, providing training opportunities or developing other allotments (Cooke, Potter & Vyas, 2009, p. 28). Furthermore, training courses in how to establish and manage social economy organisations have been launched in Belgium, Italy and the UK, and in its crisis response Slovakia also intends to make public procurement more open and accessible for social enterprises (OECD, 2009, p. 25). Although this kind of cooperation and support has received well-deserved attention since the beginning of the crisis, assistance to the non-profit sector is not without its risks and cannot replace in itself mainstream public service innovation either. Additionally to short-term demands in the aftermath of the crisis, public services also face emerging long-term challenges of demographic and environmental changes in particular, which question traditional delivery models and simple 'service solutions' (Leadbeater & Meadway, 2008, p. 18). At the same time, progress is made more difficult by the lack of funding earmarked for innovation, strict regulations that inhibit local initiatives, complex procedures separating customers from providers and a lack of cooperation, motivation and flexibility that could drive creativity in this area (Leadbeater & Meadway, 2008, p. 18).

Traditional responses, therefore, are not fit to tackle the situation anymore. Delivering better services at reduced costs calls for local and regional authorities to do more than putting efficiency, productivity, rigorous prioritisation and effective budget control high on the agenda (The Guardian, 2009, "Under constant observation", para. 3). Despite the current constraints, or rather in response to them, public service providers need to emerge from the recession with simpler and more integrated processes joining up authorities, departments, agencies and even sectors that wrap support around people according to their needs. Focus on citizens and the devolution of resources to support solutions closer to them is not only necessary for increasing the efficiency of services, but also in order to better influence people to live in a sustainable way and so reduce the pressure on public services in the long run (The Guardian, 2009, "Under constant observation", para. 3).

3. Supporting the local and regional economy during the recession

3.1 Helping businesses overcome the crisis

“Small and medium enterprises (SMEs) are the lifeblood of local and regional economies” creating jobs and growth, and representing a high percentage of all businesses in many parts of Europe (Hanniffy, 2009, p. 10). However, they too, face a combination of difficulties in the current crisis fuelled by falling consumer confidence, a credit crunch in the banking sphere and pressures on public spending. Local and regional authorities already support these businesses as important customers of their goods and services, or by providing a range of advisory, financial and other assistance to create enabling environments for them (Hanniffy, 2009, p. 10). Even so, in the context of the present situation, business support activities must be stepped up to ensure that SMEs survive and continue to be a driver for local and regional competitiveness after the upturn as well.

Strengthening business support programmes

In order to better understand the obstacles businesses encounter in today's economic climate and take informed business decisions, many authorities have already convened business summits in their localities. Besides collecting information and signposting businesses to existing sources of help, these gatherings have also provided an opportunity for local and regional governments to seek the views of these economic actors with the aim of finding adequate solutions to their problems and improving regulatory and supporting activities (I&DeA, 2009, p. 4). Among several others, the counties of Békés (Hungary) and Primorje and Gorski Kotar (Croatia) have also endorsed a similar cooperative approach, and have organised a series of meetings since last year engaging diverse stakeholders of their respective regional economies, such as various chambers and organisations involved in economic development, to discuss joint responses to the difficulties of businesses (AER, 2009, “Regional policy to tackle the economic crisis: Good practice profiles”). Striving for a higher level of direct business engagement, several local and regional authorities of the UK designate more visible roles for enterprises in influencing policymaking. Brighton and Hove City Council, for example, have been working together with the local chamber of commerce to bring together all support organisations and relevant associations for regular meetings, one of the results of which has been the launch of an emergency recession relief package addressing a variety of issues (CEMR, 2009, p. 9). Also, in the Greater Manchester Area, this year has seen the establishment of the Business Leadership Council with the involvement of leading members of the business community, which advises the city region on key economic questions and supports its work with targeted reviews (Hector & Keating, 2009, p. 14). Besides these new initiatives, however, existing channels of

communication may also provide adequate means to interact with relevant actors, such as through local or regional business forums or networks, which enterprises are more familiar with (VNG, 2009, p. 3). While information exchange in some form is crucial, especially in the midst of the currently impaired circumstances, the capacity and intensity of such collaboration is not only dependent on the will of authorities, but also on the local economic realities, whether the business community has the ability to organise itself and ensure high-quality representation in its relations with the public sector (Hector & Keating, 2009, p. 15).

In line with these aspirations, local and regional authorities across Europe are attempting to refocus their business support programmes or create new ones according to the present context and needs, and make them available to more businesses. Similarly to other services, with the rise in demand for advisory assistance, many governments promote the timely and widespread take-up of existing support, the integration of a variety of schemes and the improved availability of services free of charge, in one location and with flexible time schedules. Moreover, the affectivity of any support programme can be further enhanced if advice is proactively taken to businesses, thus preventing unnecessarily late calls for help (VNG, 2009; LGA, 2009). In case there is a need for more qualified support, local and regional authorities may also work towards engaging successful local entrepreneurs or professional consultancies who are willing to help in practical ways, for instance by mentoring start-up businesses or sharing their experience with those struggling to survive the crisis (I&DeA, 2009, p. 3). Even though advisory services now are generally needed in the realms of financial management, increased productivity and competitiveness, a distinction must still be made between the assistance available for new businesses and those currently in difficulties. Additionally to a number of existing measures targeting vulnerable entrepreneurs in all European localities, special programmes offering intensive consultancy aimed at businesses in crisis are in place, for example, in Baden-Württemberg (Germany) or in the Brussels-Capital region (Belgium) (AER, 2009, “Regional policy to tackle the economic crisis: Good practice profiles”). The latter has supported the establishment of a ‘crisis mediator unit’ under the coordination of the Brussels Business Agency, which provides strategic guidance to troubled enterprises on credit access, shareholder recruitment, revenue diversification, etc., so that they may overcome the downturn (Allen, et al., 2009, p. 11). Alongside this support, several local and regional authorities offer business diagnosis and the assessment of economic opportunities together with targeted coaching and workshops on how to exploit these possibilities, in order to prevent business failure, save existing jobs and maintain competitiveness in the market (VNG, 2009; AER, 2009). The extraordinary situation nowadays and the demand for such specific assistance, in turn, call for the personalisation of the service itself, illustrated by the growing numbers of one-to-one consultations, specially fitted action plans or the non-stop telephone support (LGA, 2009;

Hector & Keating, 2009). In most places, including the following French examples, this kind of support is not limited to businesses in difficulty, but is accompanied by measures that foster the development of new enterprises and complement the overall effort to uphold the spirit of entrepreneurship during the crisis.

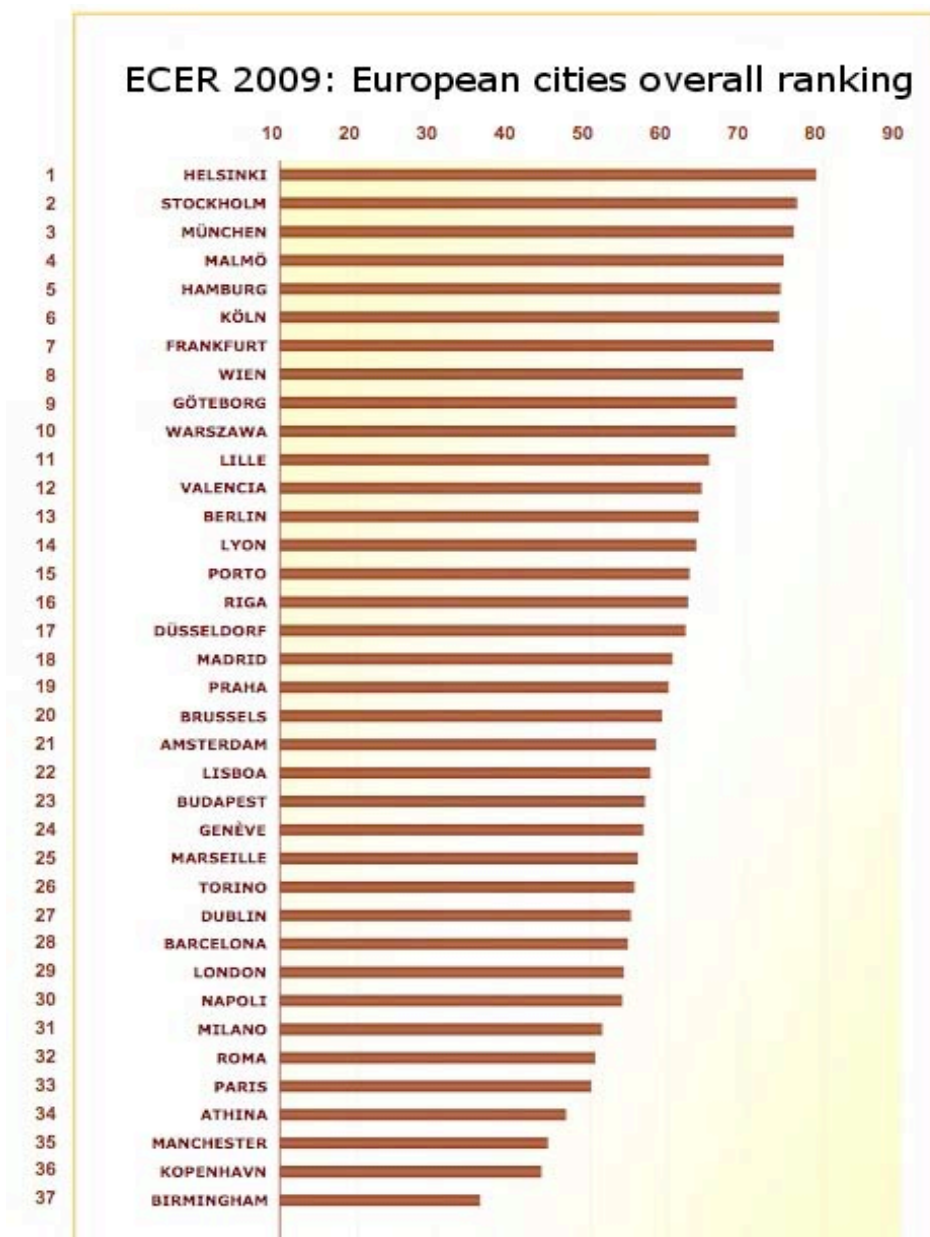
France, regions of Ile-de-France and Loire

Besides helping fragile businesses survive the recession, the regions of Ile-de-France and Loire also take steps to ensure the future competitiveness of their regional economies. Viable SMEs struggling with problems as a result of the crisis may receive grants up to € 300,000 from the Ile-de-France region to finance their restructuring and repositioning within the market, following an expert analysis that is likewise sponsored by the region. Similarly, to attend to businesses in crisis, the region of Loire has widened the scope of its counselling activities and adjusted its 'Dynamic Enterprise' programme strengthening competitiveness in the short term, in addition to launching a rapid diagnostic tool that advises enterprises about necessary adaptations of their business plans and financing arrangements. Next to businesses, in an effort to target the population severely affected by the crisis, support for start-ups encourages self-employment in the Ile-de-France region. Looking further in the future, promising SMEs may also be rewarded with subsidies for their development, in particular their international development. Special funds for small businesses are also available in the region of Loire to strengthen internal organisation and skills, finance the innovation of products and services, or help create access to new markets in an attempt to anticipate economic recovery. Both regions engage in activities specifically aimed at improving cash liquidity that is necessary for the development of these businesses, through offering regional fund investment capital and long-term loan guarantees additionally to other aid options (AER, 2009; Loire region, n. d.).

Maintaining the drive for entrepreneurship besides simply handling the situation of problematic businesses is, therefore, an organic part of most local and regional plans for longer-term economic growth. Nevertheless, fostering the creation of business start-ups is not only a long-term investment, but also a source of immediate employment opportunities in the midst of rising unemployment rates. Accordingly, governments responsible for these measures are recommended to "improve the entrepreneurial image of a place and make it attractive for businesses to start-up, settle and grow"; even more so in the current economic atmosphere where the performance of their economies after the upturn may be significantly influenced by the steps taken now (OECD, 2009, p. 20). As an indication of their efforts and essential role in this area, European cities have recently been ranked in a study of public policies that promote business creation, based on a dual measure of the importance and satisfaction expressed by entrepreneurs regarding a range of measures in the themes of promotion of entrepreneurship, pre-creation, post-creation, funding

and environment (ECER, 2009, “The ECER-Banque Populaire Ranking 2009”, para. 1-2). The overall results (see below), in comparison with previous findings, point towards Europe catching up in terms of its promotion of entrepreneurship, with remarkable local performances especially in Scandinavian and other northern countries.

Table 2: Level of importance and satisfaction expressed by entrepreneurs regarding local public policies promoting business creation



Source: ECER. (2009). *The ECER-Banque Populaire Ranking 2009*

The economic crisis, however, negatively impacts on the possibilities of new businesses, a significant percentage of which fails within the crucial early years even in periods of relative growth. Therefore, most authorities have seriously stepped up their initiatives in support of business creation, offering educational courses, consulting services, information on relevant business opportunities and state-level assistance, business networking support and other joint activities (AER, 2009, “Regional policy to tackle the economic crisis: Good practice profiles”). Recognising the potential of entrepreneurs to create jobs and growth, the city of Barcelona (Spain), among many others, has strengthened its efforts to attract and accommodate new businesses through large-scale promotion campaigns, collective information sessions and seminars, a walk-in resource centre, and online tools and networks providing assistance in the various issues of business creation and growth (Barcelona Activa, n.d., “Creation of start-ups”). In a more targeted approach to ensure that new businesses can eventually cope, the city of The Hague (Netherlands) puts the emphasis on sustainable support, through which it offers coaching alongside start-up grants in order to foster business plans and skills that can stand the competition (H. Kool, “Cities and SMEs” workshop attended, May 8, 2009). Regarding the orientation of these kinds of assistance, many localities have primarily aimed at fostering entrepreneurship in specific fields that are of strategic importance to their area, alongside widespread support for the creation of innovative or eco-efficient businesses, which receives special attention further below. Tailor-made programmes of business management skills, personal counselling, funding and finances management, etc. are offered by, for instance, the already mentioned development agency of Barcelona, designed especially for entrepreneurs engaging in one of the highlighted sectors which are prominent in the economic activity of the city, such as construction, services to people, media or retail (Barcelona Activa, n.d., “Creation of start-ups”). As a next step in the growth of local businesses, enterprise development programmes may also be available to existing businesses with a high growth potential, providing customised guidance in marketing, negotiation skills, networking, and other competences which can help them gear up after the crisis. In line with such measures, training initiatives have also been intensified in many places to promote entrepreneurial solutions. Local and regional authorities in these cases can provide significant help by funding training programmes that may help new and existing businesses increase their capacity for overcoming the recession and thriving thereafter.

Facilitating the cash flow of businesses and their access to finance

Due to their heavy dependence on credits and limited recourse to financial markets, SMEs have been particularly vulnerable to the financial crisis that has affected the credit flows of various types of companies (AER, 2009, p. 4). Among several adverse effects linked directly to the credit crunch, they also had to face revenue declines because of falls in sales, reduced profit margins, the slowing of payments by

customers or a distortion in supply chain relations (I&DeA, 2009, p. 7). Even so, small enterprises have the potential to offer real regeneration benefits, and usually act with great responsibility towards their employees as well, giving all the more reason for local and regional authorities to assist them in their most urgent concerns of managing cash flow and the day-to-day running of their business, so that they may survive the downturn (Hector & Keating, 2009, p. 15).

Besides direct funding, which is a limited option for many local and regional governments anyway, they can also use their leverage to facilitate businesses' access to finance. A significant ratio of regions responding to the query of the AER (2009) has provided support for SMEs to acquire loans with more favourable conditions, for instance through banking dialogues or guarantees on credits (p. 4). A 'Bank Action Week' took place in Vienna (Austria) already in February, with the city bringing together the five largest banks to share information about financial products available to SMEs and engage directly with them, which has led to more than 600 on-spot consultations and the launch of enhanced counselling and support services for these businesses (Kramhöller, personal e-mail correspondence, May 12, 2009). The Loire region in France has made use of both types of the previously mentioned measures, designating an intermediary to provide advice and manage the link between businesses and financial sector representatives, and in second place, strengthening the regional fund guarantee by doubling the level of intervention and increasing the amount of coverage (Loire region, n. d., 21-22). Likewise, in cooperation with the Brussels Guarantee Fund, the capital region of Belgium has established a crisis security, raising the maximum amount of guarantee on credit to €250,000 (versus €150,000 for simplified guarantee), the coverage rate to 80% (from the usual 65% for non-starters) and leaving the commission rate unchanged, in order to provide secured credit for typical professional investments as well as working capital (AER, 2009, "Regional policy to tackle the economic crisis: Good practice profiles"). To help otherwise viable enterprises for which it would not be possible to get a loan from a regular bank, some Dutch cities collaborate with a national microcredit company to supply loans up to €35,000 for both starters and established companies (H. Kool, "Cities and SMEs" workshop attended, May 8, 2009). By supporting local and regional development agencies or other enterprises concerned with SMEs, authorities have even more freedom to provide innovative financial assistance to businesses, for example through loan funds that present a flexible alternative to those who are unable to obtain finance from commercial banks (I&DeA, 2009, p. 8). Furthermore, subsidising interest rates on loans are also of strategic importance in many European regions (AER, 2009, p. 4). Similarly to the above options and going even further, some local and regional authorities in the UK have also developed their own financial schemes or comprehensive packages of financial services, a few examples of which are detailed below.

United Kingdom, counties of Essex and Lancashire

Several counties in the UK have taken steps in order to fill the gap in their area and provide solutions to the liquidity difficulties of businesses resulting from the drying-up of credit offered by banks. Essex County Council, for example, has acted on the creation of Banking on Essex, the first major municipal bank in the UK since 1915, which provides relief to eligible borrowers of healthy businesses through loans and overdrafts of up to € 100,000. Functioning as an intermediary delivery vehicle, the council bank releases European Investment Bank funds allocated to SMEs. The locally-focused help that directly benefits small businesses of the community shift the emphasis away from centralised models to local responses. Representing another approach, Lancashire County Council has teamed up with Lancaster City Council to offer a comprehensive package of financial support for SMEs of their area. The city's rent grant scheme provides a boost for new or early-stage small businesses in certain sectors (manufacturing, ICT and new media, environmental technologies, creative industries, etc.) by offering grants up to fifty per cent of the amount of the first year's basic rent on commercial premises. At the same time at the county-level, in the framework of the 'Kickstart' micro-finance programme funded by its economic development company, the council offers loans up to £ 5,000 for up to five years with favourable repayment rates and a wide range of additional support services. The latter schemes in Lancashire may be provided separately or flexibly as a package of assistance to facilitate the cash flow of qualifying businesses (LGA, 2009; I&DeA, 2009; CEMR, 2009).

Local and regional governments, however, may not only provide support by addressing the issue of lack of credit and access to finance, the primary tools to which rest with financial institutions anyway, but they can also contribute through their more traditional roles in their dealings with businesses as contractors, tax collectors, landlords or procurers, for example. Revisiting rents, fees and other charges, and offering enterprises rent freezes, tax holidays or at least "greater flexibility to stagger their business rate or rent payments over the year can all have a significant impact on the cash flow for smaller businesses" (Hoctor & Keating, 2009, p. 10). Local and regional authorities can also extend the scope of liquidity to local companies by showing an example in timely payment on their contracts, particularly to SMEs. Many governments, therefore, have been advised to reduce the time they take to pay invoices, prompting many of them to even commit to payment term targets that are significantly faster than the standard (I&DeA, 2009, p. 6). Faced with a fall in consumer demand and failures in their supply chains, businesses may increasingly rely on the support of the public sector's purchasing power. Accordingly, procurement arrangements have been reviewed in several localities to encourage the participation of local companies in tendering processes without penalising them through inherent barriers (I&DeA, 2009, p. 7). The

simplification of unreasonably restrictive and demanding contracts, advice provided to smaller businesses on successful tendering, or the creation of an internet database to advertise opportunities may be some of the ways to ease the path for SMEs and improve their access to the process (Hector & Keating, 2009, p. 10). Moreover, local and regional governments may also enhance the economic opportunities of SMEs through the indirect support of measures that improve the marketing of a locality, and thus attract spending power. On a more limited local scale this has manifested in such initiatives as 'buy local' campaigns, promotional websites and vouchers, and free parking or bus services in an effort to encourage residents to support the local economy by choosing the products and services of local businesses (Allen, et al., 2009; CEMR, 2009). In a broader sense, however, authorities have also aimed at the development of tourism as a means to attracting investment and visitors, and reviving their local economies (AER, 2009, p. 4).

Fostering innovative and 'green' businesses

Taking account of other longer-term challenges that are simultaneously present alongside the current crisis, part of the support targeting businesses is aimed specifically at promoting their move towards sectors with higher added value, which localities can reap the benefits from after the recovery. Various regions have therefore implemented measures for the stimulation of innovation and eco-efficiency, for example, through advisory services, targeted funding or fostering the cooperation between SMEs and research (AER, 2009, p. 5).

Still in the spirit of creating savings for businesses to ease their financial situation, but already with a view to prepare them for a low-carbon future as well, various authorities offer environmental consulting for companies in their area. The city of Zurich (Switzerland) has launched the 'EcoBusiness Plan', which is designed to provide the 24,000 local SMEs with ongoing advisory services via a hotline and an online platform, and additional support for the implementation of environmental protection measures aimed at saving valuable resources and making processes more cost-effective (EUROCITIES, 2009, p. 5). In a similar effort, the regional development agency of South England has teamed up with specialist agencies and business partnerships to review the energy performance of over 2000 businesses, and subsequently assist them with reducing the cost of their energy and resource needs through locally accessible programmes (South East England Development Agency [SEEDA], 2008, p. 8). Thus, help in this area may range from general awareness raising and information campaigns that encourage sustainable and energy efficient practices by businesses, to specific support for them to review their transport and logistics, for instance, and draw up 'greener' plans achieving efficiency savings at the same time.

Additionally to this kind of service, which may be available for a variety of businesses regardless their orientation, further support is granted to those SMEs that are engaged in innovative or environmentally friendly activities through providing products or services in these sectors. Mostly, their exclusive position in the limelight is illustrated by the array of special funding and additional possibilities that these companies have access to, particularly in the current economic atmosphere. In some Dutch cities, for example, innovative companies may request more than double the amount of loans that existing or even starting businesses can apply for, while other localities specifically target these firms with their crisis response measures and investment plans (H. Kool, “Cities and SMEs” workshop attended, 2009; Municipality of Rotterdam, 2009). Some regions are also exploring possibilities to provide risk capital and trust funds in innovative sectors or spin-off funds for knowledge workers to become entrepreneurs, in order to enable innovative companies to stay in business and maintain the sound economic structure of the area (AER, 2009, “Regional policy to tackle the economic crisis: Good practice profiles”). The region of Lombardy (Italy) also intends to support the ‘winners’ of the economy who carry the potential for staying competitive after the upturn, by putting millions of euros into anti-crisis projects for the innovation of SMEs and thus preparing them for the recovery (F. Montelli, presentation at OECD LEED conference “Routes out of the Crisis – New Strategies for Skills and Employment”, June 10, 2009). In a different approach, some French localities stimulate the activity of small businesses in the fields of industry and public works by providing funding specifically for environmentally friendly development projects aimed at mobility support, the improvement of the housing stock or nature preservation (Comité 21, 2009, p. 2). Direct funding and loans on favourable terms are therefore important means of local and regional governments and their agencies to maintain innovation in small businesses even during the crisis.

However, other special enabling support is also in place in many localities to foster companies in high value added sectors. Several regions consider the (re-)development of technology parks, for example, in an effort to attract and retain innovative businesses during the recession and enhance conditions for their installation and functioning (AER, 2009, p. 5). In the context of a similar initiative in Lisbon (Portugal) the city cooperates with local partners representing SMEs in order to revive their business park as an ‘innovation hub’ and remove bureaucratic constraints and complex processes from its management – a project which has been deemed essential in the response to the crisis the city is experiencing (Municipality of Lisbon, 2009, “The City Hall of Lisbon, the Institute of Support to Small and Medium Enterprises and the Portuguese Industrial Association - Business Confederation re-launch the Technologic Pole of Lisbon”, para. 2-4). Furthermore, knowledge networks and links between research centres, high-profile industries and innovative small businesses are encouraged as well by many localities in support of the SMEs of these sectors that currently encounter difficulties. The region of Loire (France), for example, has

launched a regional innovation platform to enhance existing technology co-operations and involve large enterprises, knowledge centres and SMEs in pooling resources, sharing facilities and ideas, and supporting the latter in the realisation of innovation activities (Loire region, n. d., p. 6). Also, a variety of measures aimed at fostering innovative small businesses or encouraging innovative practices in a wider sphere are in place in Vienna (Austria), as the following examples illustrate.

Austria, city of Vienna

In Austria, 92% of all businesses are in the SME category, making it increasingly important to provide support to them in the current economic situation. Among its measures that are targeted at these businesses, the city of Vienna puts special emphasis on promoting innovative companies or assisting others with innovating in their processes. In order to enhance the international opportunities of local firms and help them develop new markets, for instance, funding is made available to improve internet sales through modern e-commerce and web 2.0 applications or other more advanced technologies. Focusing on innovation as a means to gain competitiveness in the present economic climate, everyday business innovations are also supported in the design and subsequent implementation of new or improved products and services regardless of their kind. As the only condition, projects are required to contain a set of measures instead of an isolated individual activity, and must form part of a comprehensive innovation plan, thus fostering long-term strategic thinking among the participants. Already in a more restrictive approach, a grant competition is open to SMEs to support selected market-oriented innovation projects, while local research and development (R & D) projects with a clear economic recovery perspective may also receive financial support up to € 500,000. Besides direct funding, the city offers financial and technology consulting as well, through its innovation centre and in cooperation with local partners and knowledge institutions (Kramhöller, personal e-mail correspondence, May 12, 2009).

Despite their potential to promote ‘recovery through innovation’, create jobs and growth, and thus maintain the competitiveness of their area, SMEs “are often not explicitly on the radar of national recovery plans; [so that] here lies an important field of action for the regional level” (AER, 2009, p. 4). Through the mentioned initiatives of establishing consultative forums between authorities and businesses, providing targeted advisory services, facilitating access to finance, improving arrangements in public sector contracts, looking at levels of charges and fees, fostering innovation, and so on, local and regional governments across Europe take important steps to ensure that the building blocks of their economies survive the downturn.

3.2 Investing in sustainable recovery

While short-term measures are needed to help people and businesses ride the crisis and fight off its worst effects, local and regional governments must also “be laying the foundations for more sustainable development” to avoid returning to ‘business as usual’ when the upturn comes (OECD, 2009, p. 36). Through targeted local and regional public investment, in this context, authorities may not only create jobs and enhance the quality of places to respond explicitly to the consequences of the downturn, but they can also take advantage of the opportunity to orientate their investments towards a conversion into the low-carbon and knowledge-based economy of the future.

‘Green shoots’ of recovery

Even though the current financial and economic crisis may prompt local and regional governments to turn away from their longer-term aspirations temporarily, the pressing reality of a simultaneous energy and climate crisis have caused many to consider the combination of response strategies that may alleviate immediate negative effects and work towards avoiding future threats at the same time. “For some, the energy and climate objectives should be put to one side until better times” as public incomes shrink and ‘green’ projects are abandoned due to the high costs of implementation or perceived short-term best value of other initiatives (Energie-Cités, 2009, p. 2). On the other hand, the current recession also intensifies the need for a structural transformation, which in turn would offer a route out of it, assuming that local economies with a competitive environmental sector would be in a stronger position to recover quickly through gaining access to new markets, jobs and export opportunities (LGA, 2009, p. 11).

In line with this latter approach, widespread support for the Covenant of Mayors, a Europe-wide initiative of local governments to go beyond the energy and climate change objectives of the EU, illustrates the political will of many localities to direct their development in a sustainable way despite the effects of the crisis (Energie-Cités, 2009, p. 2). Likewise, investment in environmental and energy efficient measures and renewable energy is also part of the response strategies of many regions (AER, 2009, p. 3). Exercising influence over some of the key areas where ‘green’ measures can be implemented, such as housing, transport, public buildings, waste management, etc., local authorities are uniquely placed to play a significant role in these efforts, while regions may have the means to fund even larger-scale development projects in this direction (Carbon Trust, 2007, p. 2). It only further strengthens the local dimension of the low-carbon economy that, for instance, the energy efficiency of the housing stock, opportunities for

renewable energy generation or the potential for a model shift in transport vary area by area, and therefore any initiatives require the knowledge of local specificities (LGA, 2009, p. 16).

In many places targeted investment in environmental or energy efficiency projects have been aimed at responding to both short- and long-term challenges by creating jobs and savings through implementing sustainable measures. The range of initiatives stretches from retrofitting public buildings, through offering schemes for the installation of energy efficiency solutions to individuals and businesses, and to the enhancement of renewable energy use (AER, 2009, p. 3). Many of these measures are high on the agenda of several localities in the Netherlands, where local and regional governments admittedly strive to champion this approach to recovery (see some examples highlighted below). Such low-carbon strategies, besides setting the local economy on a sustainable path, also carry important potential for creating sustainable jobs, since they require a significant number of workers to be trained for manufacturing, constructing and operating the new technology of the continuously growing green sector (OECD, 2009, p. 36). Thus, local and regional authorities may ensure local competitiveness coupled with long-term employment growth if they manage to effectively encourage low-carbon development and ‘green’ working processes, display a powerful leadership and demonstration effect in their own facilities and services, and work with employers and skills providers to close training gaps (LGA, 2009, p. 18). Also, support for energy saving investments and less resource demanding consumption may even promote more sustainable behaviours among citizens, who are keen to cut expenses to ease their difficulties.

Netherlands

In its stimulus programme responding to the crisis, the Netherlands has designated an important role for ‘green’ measures, foreseeing their implementation in cooperation with the local and regional levels. Having promoted other, bottom-up environmental projects previously, municipalities and provinces have managed to move faster than the national level and show capacity for fostering further initiatives in this field. In an initial action to identify projects that can be speeded up for sustaining investment, local authorities have announced their intentions, among others, to renew public lighting and facilitate energy saving installations in private homes or public buildings, highlighting the potential for employment creation and cost cutting at the same time. Amsterdam has particularly high aspirations, planning on completing its first round of investments for becoming a ‘smart city’ by 2010 with help from several major companies. In the meantime, several provinces have also proposed to raise the targets for implementing energy efficiency measures in existing housing stock or investing in the R&D and high-tech sectors for a faster transition to sustainable mobility. With many similar examples from across the country, the Netherlands appears to be pushing through its ‘green new deal’ strategy effectively in an effort to

tackle the crisis and prepare for recovery (R. de Graaf, 'Green Week – Mobilising local authorities' session attended, June 23, 2009; VNG, 2009; AER, 2009; Scott, 2009).

Recovery through innovation

In a similar effort to reaffirm long-term objectives of economic development orientated towards the transition to a knowledge-based economy, local and regional governments have also targeted investments at the field of innovation from the stimulus packages designated for combating the crisis. Even though innovation is likely to be of key importance to emerge from the recession, currently the sector faces dangerous declines with private investment drained as a result of the downturn.

One of the most encouraging observations of local authorities responding to the survey of EURO CITIES (2009) regarding the effects of the crisis has been that there is no significant impact on their R&D investments until now (p. 5). Furthermore, the Intelligent Community Forum (2009) has recently highlighted the achievements of four European cities that have been chosen to be among the top seven intelligent communities of this year based on their sustained initiatives relating to innovation in the context of the crisis (p. 5). However, more than keeping up strategic investment, some localities and regions have actually targeted part of their recovery plans at increasing innovative activities. In this context, to prevent a process of 'creative destruction' which the downturn may bring about, government intervention in the form of public-private partnerships can increase the resilience of innovation projects to survive this vulnerable period (Bonturi, 2009, "Strategic responses to the economic crisis: which role for regional policies?" presentation).

Given the key role local and regional authorities play in cluster support and facilitation, especially at a time when private investment is decreased, maintenance of public investment could secure these platforms for the recovery. Such has been the intention of the city of Groningen (the Netherlands) as well, having recently accelerated financial support to a budding innovation project, and thus facilitating the further work of the network towards its ambition of establishing an internationally recognised profile of healthy ageing research in their locality (J. C. G. van 't Klooster, personal interview, 26 June, 2009). Likewise, the region of Tampere (Finland) has also recently engaged in the active support of an initiative that carries the potential to tackle various negative effects of the crisis simultaneously:

Finland, region of Tampere

In support of a brand new innovative activity in the region, Tampere has been sponsoring the Demola project, which brings together students and companies to realise business ideas and reap the benefits respectively. Launched virtually at the same time as the deepening of the economic crisis towards the end of last year, the project offers coaching and necessary facilities for enabling students of local knowledge institutions to develop digital products and services based on project ideas from companies. The initiative does not only help companies exploit real market potential with limited risk in these difficult times, but also provides students with the possibility to start their own business from what is created in the course of project. This way both participating students and local businesses, and even schools, are presented with opportunities to stay focused on their long-term plans with the help of a support network and an immediate practical contribution of real-life innovations, while a spirit of cooperation in the community is fostered at the same time (H. Raikkönen, “Regions as catalysts of Open Innovation” conference attended, May 13, 2009).

In a different but widespread approach, many regions have targeted some of their economic stimulus at broadband infrastructure projects in their areas (AER, 2009, p. 3). Regarding some more advanced countries of the field, such as Germany and the Netherlands, plans to expand their broadband infrastructures are speeded up with a view to immediately creating employment opportunities while working to develop rural areas as well (European Sectoral Social Dialogue Committee in Local and Regional Government, meeting of July 5, 2009; Rotopi, 2009). Similarly, several Eastern European countries also take part in projects to improve their broadband access, with the city and region of Lodz (Poland) among the participants of a recent European-level special initiative bringing together different actors for the exchange of experiences to facilitate the drawing up of an action plan for investments in broadband infrastructure (M. Nowacki, 2009, “Regions for better broadband connection” presentation).

These positive examples highlight some existing trends to maintain or even accelerate investment in future-oriented and sustainable technologies, through which localities and regions can not only stimulate their economies immediately, but also prepare them for the recovery by enhancing their position in competitive fields. Besides the economic rationale for these investments, however, ‘green’ measures and innovation support are also in line with social and environmental objectives, having the potential to create sustainable jobs, reduce fuel poverty or even fight against climate change.

Conclusion

The wide array of response measures described previously illustrate an existing capacity and political will in many European local and regional governments to take on the challenges posed by the crisis and set out to tackle them in ways that are both effective in the short term and sustainable in the future. In this perspective, most initiatives in the area of employment aim at supporting people by keeping them close to the labour market in preparation for the recovery; while in a service provision context local and regional authorities strive to increase the accessibility and relevance of the available help. To stimulate activity in the current economic climate, these authorities also provide assistance to small- and medium-sized enterprises, which form the building blocks of their economies and hold the potential for future competitiveness; while backing larger investments in the fields of green technologies and innovation at the same time, based on social and environmental rationales besides the economic interest to orientate towards sustainability.

Reoccurring principles, which underlie several of the above fields, have been the need for more efficiency in all activities and, subsequently, the forming of integrated strategies through local and regional partnerships across sectors and levels of governance to achieve this. The circumstances which the crisis has created through causing a fall in public revenues at the time when demand for services and investment has risen, further amplified the drive for efficient working methods that would facilitate local and regional governments in providing more and in higher quality for their citizens and economies despite having fewer resources. This has, in turn, led to the better exploitation of existing potentials in many places, particularly with the help of intensifying relations and joining up initiatives among relevant agencies, community organisations, higher levels of government and even the private sector. In this respect, various local and regional authorities have embraced their leadership role to coordinate such collaboration efforts and steer them towards adequate responses for the crisis according to the specificities of their respective territories. Following up on similar lines of action, proactive measures endorsed by the local governments of various countries have been discussed on the occasion of a meeting of these authorities on 3 March 2009 in Barcelona, resulting in the general recommendations below:

The Barcelona Principles

- i. **'Provide pro-active and collaborative leadership at the local level'**: Don't waste the crisis, but respond with leadership and purpose.
- ii. **'Make the case for investment'**: 'Make the case for continued public investment and public services and the taxes and other sources of investment required.
- iii. **'Robust long-term economic strategy'**: In the long-term: build local economic strategies which align with long-term drivers and identify future sources of jobs, enterprise, and innovation.
- iv. **'Purposeful short-term action is needed'**: 'In the short-term: focus on retaining productive people, business, incomes, jobs, and investment projects.
- v. **'Investment attraction and readiness'**: Build the tools and approaches to attract and retain external investment over the long-term.
- vi. **'Relationships matter and need increased attention'**: Building genuine long-term relationships with the private sector, trade unions, and other key partners.
- vii. **'Effective public works and major investments'**: Take steps to ensure the sustainability and productivity of public works, infrastructure, and major developments/events.
- viii. **'Stay close to the people'**: Local leaders should act purposefully to support their citizens in the face of increased hardship.
- ix. **'Stay open to the world'**: Local economies have benefited and should continue to benefit from being open and attractive to international populations and capital.
- x. **'Build national-local alliances'**: Communicate and align with national and other higher tier governments.

Source: Allen, et al. (2009). *Recession and Recovery: The Role of Local Economic Leaders*

Having acknowledged this key role of lower levels of government and the possibility for immediate reaction through the speedier implementation of measures at these levels, many central powers have consulted or even involved local and regional authorities in the drawing up of their national recovery strategies (CEMR Working Group on Employment and Social Policy, meeting of February 2, 2009; CEMR, 2009). Others, on the contrary, have ignored the relevance of sub-national governments and engaged in isolated action despite the self-evident importance of these authorities in ensuring the effective realisation of any response policies on the ground. Disapproving of the latter practice, several European-wide organisations representing local and regional authorities have called on the European Union and national governments to empower the local and regional levels and channel adequate resources to them, so that they may carry out their responsibilities in social protection and economic stimulation (CEMR, 2009; CoR, 2008).

In line with these demands, a devolution process of powers from higher to lower levels of government has either began or intensified in some European countries simultaneously with the deepening of the current crisis. Pilot regions with greater freedom and flexibilities in certain competences have been created, for example, in the UK; while the Spanish central government has lent never before seen confidence to local authorities by providing significant financial support for, and thus building recovery on their investments (Allen, et al., 2009; FEMP, 2009). To illustrate the sensibility of such approaches, evidence shows that “there is in many areas a strong positive correlation between the degree of decentralisation of competences in a country and the economic performance of its regions”, implying both the effectiveness and efficiency of holistic and place-centred arrangements (AER, 2009, p. 2).

At the same time, local economic development should be considered complimentary, rather than an alternative to traditional approaches, forming an essential ingredient of cohesion only with the proper links to strategies at the regional and national levels (D. Sweet, CEMR General Assembly attended, 23 April, 2009). At the European level this may be translated into an increased need for bringing the principle of subsidiarity into effect and reinforcing the territorial dimension of policies, in the context of which all levels, from the municipalities to the EU, may have the necessary competences and resources to play their appropriate roles when this is functional, depending on the nature of the specific issue that is to be dealt with. However, in order to successfully arrive at such a precarious balance of responsibilities and powers across multiple levels of government, territorial cooperation and coordination between the different actors should be strengthened for the sake of better communication, the potentials of which, at this point, remain unexploited (D. Sweet, CEMR General Assembly attended, 23 April, 2009).

In the setting of the current situation that calls for stronger commitments in the above directions, the apparent ability of lower tiers of government to anticipate and respond to the crisis may once again turn the never-ending political fluctuation between centralisation and decentralisation to their advantage. If local and regional authorities have the will and the capacity now to embrace their newly recognised roles and revolutionise the understanding of how they can contribute to an effective and sustainable response to the crisis, some suggest that they may even have the opportunity to be the lead figures in a paradigm change for the public sector (K. Weise, European Sectoral Social Dialogue Committee in Local and Regional Government, meeting of 30 March, 2009).

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