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The main goal is to enhance the quality and quantity of intellectual exchange among researchers, educators, scholars and practitioners dealing with major issues of public administration and public policy in the Central and East European regions.

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Governance Mechanisms and Local Stakeholders: Precondition for High Quality Public Policy Making

Establishing principles, institutions and procedures of good governance is one of the greatest challenges facing both western democracies as well as the countries of Central and Eastern Europe (“CEE”). This challenge includes the development of professional policy making. The concept of ‘good governance’ – not readily translatable to most of the languages in the CEE region – has become increasingly associated with the capacity to develop and deliver public policies based on participatory principles as well as respecting the principles of effectiveness and efficiency. In other words, professional and high quality public policy making is transparent and open to broad societal participation but, at the same time, addresses societal problems timely and with a minimum waste of available resources.

In the framework of the NISPAcee Annual Conference, the topic of high quality public policy making is therefore covered by a special working group. The current issue of the Occasional Papers series presents three papers from this working group, which were not included in the selected papers edition (Enhancing the Capacities to Govern: Challenges Facing the CEE Countries, Selected Papers from the 11th NISPAcee

Annual Conference, Bucharest, Romania, 2003, Bryane Michaels, Rainer Kattel, and Wolfgang Drechsler, eds., Bratislava: NISPAcee, 2004), but which nevertheless are relevant for, and of great potential interest to, the governance discourse.

Sergei Pushkarev, Casandra Bishoff and Reiner Buchegger bring in their papers the perspectives and experience of three distinctively different countries: Russia, Romania and Austria, respectively. All three papers look into the participatory approaches on local level of government and are based on empirical evidence from these countries. Sergei Pushkarev from Ural State University, Russia examines the local government – citizen relations from the clients’ perspective, based on data from citizen survey on local government performance in three Russian cities. Casandra Bishoff, looks at the extent to which ‘classical’ participatory measures can be utilized in a declining industry reform and she looks into the experience of mining industry reform in Jiu Valley in Romania. Finally, Reiner Buchegger takes the experience of EC integrating policy of various stakeholders on the example of Territorial Employment Pacts in Austria.

From Mining to Business Making: Targeting Expensive Behaviours in Mining Areas

Casandra Bischoff¹

Abstract

In theory, successful reforms are those where local stakeholders identify the need for change and commit to it. In practice, reforms with severe social impact are usually planned from outside the communities. Such is the example of reforming the mining sector. Mine closure requires people to engage in new behaviors that are most of the times at odds with their long-standing patterns of behavior.

What kind of policies can help miners and their families adopt entirely new behaviors such as leaving the work in the mine and starting a small enterprise? Policy research has not clarified much in terms of behavioral change as a result of a policy or another. Nevertheless, there is agreement in the development practitioners' community that participatory approaches help build up positive behavior change.

The paper argues that participatory processes are not sufficient in cases where entirely new behaviors are expected, such as establishing businesses instead of mining underground. To this end, participation in the Enterprise Support program in Jiu Valley – a western-central micro-region in Romania – will be studied. Policy recommendations for the community in boosting self-employment and small businesses will be offered to policymakers who are currently preparing a third intervention in the Valley.

Introduction

In an effort to decrease the state budget deficit caused by subsidies to unprofitable industries, the Romanian government made the decision to restructure the mining sector, in August 1997. In order to offset social unrest and build

support for the program, the executive issued ordinances that provided consistent severance payments for both involuntary and voluntary redundancy. This led to uncontrolled mass layoffs, which led in turn to a drop in the workforce of some autonomous administrations far more than 15%, as the government had expected. In the whole country about 48% of the total number of workers in the coal and other adjacent industries left (Haney 1999) in one year from the beginning of the layoffs. In Jiu Valley², more than 16,000 workers were laid-off in only two months, September – October 1997³ (Rotariu, 1999), causing a sharp economic downturn in the whole area.

Most of the miners exhausted their severance packages in the year following the mine closures and found themselves in early 1999 lacking and income or assistance. The mining labor unions went on strike against poor government efforts to create jobs. Soon after settling the conflict the government appealed to the World Bank for a loan to design a new program, while continuing the mine closures.

The World Bank program started in late 1999, with a loan targeted for the physical closure of mines and social mitigation measures. The social mitigation strategy was directed at alternative economic development activities such as the establishment of micro-credit funds, employment and training incentive schemes⁴, workspace centers to promote enterprise development and support to start-up enterprises through business incubators at former mine buildings (Haney, 1999). Other donors also pledged funds for the recovery of the area⁵.

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The views expressed herein are the author's and are not necessarily those of either DAI or USAID. This paper was presented at the 12th Annual Conference of NISPAcee, Vilnius, Lithuania, May 2004

² Jiu Valley, an area of 954.3 km² is situated in Hunedoara County. Its economy is based on mining, with more than 30 exploitation pits in 1997. Aninoasa, Petrosani, Uricani, Lupeni, Vulcan, Petrila build the 45 km-long urban system.

³ 87% of these had lost their jobs between September and October 1997

⁴ Employers are given an incentive to hire unemployed mining sector workers

Eight years after the start of mine closures the programs in the region show little results⁶. County Hunedoara, where the Jiu Valley is located, has the highest unemployment rate, 23.5 in the country. Some experts claim that the real figure could reach 40%.

A third wave of new programs – also supported by the World Bank – are now being prepared for the Jiu Valley. Policy implementers will have to confront an even more skeptical and reluctant community than in 1997. Given the fact that the local labor market will grow slowly, new means to mobilize the community and maintain it mobilized are needed. Moreover, means to encourage the population to take risks in establishing their own family or individual businesses will be needed.

But what activities can encourage miners and their families to adopt behaviors that is the opposite of their traditional patterns? Participatory processes have been used and exhausted, with few encouraging results. Some researchers say that miners are simply the losers of the economic transition should be put on whatever social assistance is possible within the limits of budget capacity.

In order to understand the low demand for business support programs, two main activities will be reviewed that are critical for directing the growth of a community:

1. Set up a business
2. Welfare seeking

⁵ 1) The MARR Fund – The Program for Reconstructing the Mining Regions Affected by Restructuring (The Jiu Valley and the Gorj district). The Project was financed by PHARE 1998 with 10 million euro, of which 6 million for grants in infrastructure and human resource development projects (coordinated by the Ministry of Industry and Commerce) and 4 million for subsidized credits for the small and medium enterprises (coordinated by the National Agency for SME Development), 2) The RICOP project – Industrial Restructuring and Professional Reconversion, financed by PHARE 1999 with 100 million euro, of which around 18 million for the Jiu Valley. The program objectives are: financing severance payments, active employment measures, financing public works, social assistance and SME's;

⁶ A report of the government that evaluates the changes in the areas affected by mine closures mentions that "employment in the monitored areas is static; the proportion of the employed and unemployed persons is unchanged in the last 2 years. Looking at the bright side of the things it seems that things are not getting worse". (The Third Annual report for monitoring the social impact.) However, this only shows that the limits of the labor market have been reached and there is no government support for creating new jobs.

These behaviors were studied in Jiu Valley. The research was designed primarily as a qualitative study, in order to capture insights on current phenomena and trends that are usually not sufficiently explained by statistics. The field research was undertaken with the following timeline:

- In-depth interviews with national, regional and local experts and key informants (in the first phase) – May – June 2003
- Focus groups with impacted groups of the population – September 2003

The study draws on qualitative data from field research in addition to findings from other selected impact studies. The conceptual framework revolves around behavioral research, policy processes and household vulnerability studies.

Problem description

Entrepreneurship decreasing in the Valley

Since the closing of mines in 1997 there has been little demand for government programs that were intended to support the growth of small enterprises in the region.

The **enterprise support (ES) program** offers consulting services to those who want to start their own business. Despite the fact that 2003 was the year when the program reached maturity, less than 10% of the new businesses created in the region were established through the program. Currently, entrepreneurs represent a small percentage of the population. In Petro-sani, the number of entrepreneurs decreased from 2.9% to 1%, from 2001 to 2003 (Third Annual Report, 2003).

Few – if any – former miners were the clients of the Center. The hope for matching the program with the needs of the laid-off miners has become dimmer and dimmer:

"It is wrong to believe that the miner will become a business man. Their idea that people can change easily leaving their job where they were used to do what they were told, and suddenly start making important decisions...is not realistic. The idea that they will become profitable, and they will also undertake responsibilities for others, is totally wrong" (Enterprise Support program director).

Unemployment and welfare needs constantly increasing

Unemployment is increasing, despite optimistic official figures that show the opposite. As an example, the local administration paid unemployment benefits to a total of 12,178 people in the Valley, in August 2001. At the beginning of November 2001 there were 10,672 registered unemployed persons. At the end of the same month unemployment benefits were terminated for 6,039 miners, so once the unemployed went off books, the official rate of unemployment went down as well – but as a result of a statistical artifice.

Welfare and emergency support from central and local government increased. In 2001 an estimated 30% of the population lived on unemployment, welfare or emergency support (UNDP – SAR, 2001). In addition to this, a group “dropped” from statistics – the people who graduated from the unemployment support program and also gave up looking for a job⁷. Their number is estimated somewhere between 6,000 and 12,000 (UNDP – SAR, 2001).

In conclusion, the active measures to combat unemployment have yielded disappointing results, both in terms of the number of jobs created and costs per new job.

The paradox is that, despite escalating unemployment, the demand for the government programs to encourage entrepreneurship was very low. Although the initial target group was the laid-off miners, later on the program widened the eligibility criteria, addressing to families of miners as well. While this design change was a strategic adjustment to newly identified needs, it was also an acknowledgment of the fact that the miners’ demand for such a program was almost inexistent.

Don’t people want to start small businesses in the Jiu Valley? A survey ran on a representative sample from all areas affected by mine closure – Petrosani included – showed that in 2002, 17% of the respondents who currently don’t have a business, and an increasing 27% in 2003, would like to start a new business. There are no data to estimate how many of these optimistic respondents

⁷ They don’t leave a request for a job with the local administration once they graduate from the social support program.

were miners, but it does indicate the fact that the demand for programs to encourage local entrepreneurship doesn’t have to be created, it is already there.

Behavioral responses as feedback to policy

All these behavioral responses – low participation in the ES program, a positive attitude towards establishing his/her own business, the request to move on welfare – are fairly bleak predictors for the future and give important feedback to policymakers.

Is it true – as some researchers and politicians say – that miners are simply losers from the economic transition and all they need is to be provided with social assistance? Or is there something that policymakers have failed to understand about the target group affected by mine closures?

Some of the answers may be offered by behavioral research. Using the individual as the unit of analysis, it begins from the presumption that people can make decisions that are opposed to their long-standing behavior, if they have the proper learning, motivational, and support tools. They are also able to maintain and make the behavior change sustainable, if the right external (policy) framework is in place⁸.

Constraints and incentives for establishing a small business

Using the behavioral research investigation (during focus groups), several constraints and incentives were identified – *Table 1*

External constraints and opportunities are summarized below, from the focus group discussions and the results of several surveys undertaken in the Jiu Valley – *Table 2*

Options

Building support mechanisms for positive behavioral change is critical for programs deal-

⁸ Two extant theoretical models within social policy research revolve around similar concepts to explain what determines adoption of new behavior: 1) attitudes (perceived positive and negative consequences), 2) subjective norms (whether the community or salient referents approve or disapprove) and 3) perceived behavioral control (when the adoption of new behavior is not under their volitional control and they need new skills or help from others to engage in the new behavior). Calderon, R. (Ed.) (1997). Behavioral Research, AIDSCAP/Family Health International, Washington DC

Table 1

Internal barriers	Brief definition or comment
Perceived control over change and its effects	Low, given unfair practices and acts of corruptions. Lack of predictability, high uncertainty, increased risk-averseness of potential entrepreneurs.
Practical knowledge and skills to try new behavior	Surveys identified a huge need for counseling for starting up of new businesses, especially in financial management. Focus groups respondents also perceived it as being low.
Self-esteem	Low, as a result of increased vulnerability.
Beliefs	Some are supportive to setting up a new business (beliefs about the need to start a business). However, the large majority still believes that the state should be involved in private sector development. Some of the beliefs reflect the old images about the mining industry.
Expected benefits	Hopes rank high in surveys -- the large majority of those who are ready to start up a new business identify financial security as the main benefit.
Perceived feasibility of setting up a business	Low because most respondents lack the financial means. However, they don't see a major impediment in this, if there are external mechanisms for support (like favorable credit conditions, etc).
Expected negative consequences	In terms of personal achievement, a lot of the people are certain that few negative consequences could come up. However, they expect to have problems from various state institutions (e.g. unfair controls).
Intention to change (set up the business)	Low, even if they mention that they would like to. Without concrete external support few of them seem to be willing to take the risk.
Expected social support	The entrepreneurs who have started a business mentioned they asked for help from relatives and friends. Few used state agencies.
Collective capabilities	Low. The trade union is highly political for serving right the miners who will soon be redundant. NGOs are few and fighting with the difficult mission to compensate for the lack of capacity of the local administration to deliver local services, so they are of little use for those who need support for starting up a business. While group cohesiveness is high, lack of leaderships, clear mission objectives and concrete objectives make local organization a missed opportunity. The most prominent forms of mobilization in the Jiu Valley have been the hunger strikes and protests against the central government.
Level of participation	Low

Table 2

External – policy	Brief definition or comment
Resources	Low to none (neither financial, nor knowledge)
Access to appropriate services, technologies, providers.	Difficulties at the bank - entrepreneurs cannot meet guarantees requested by the banks, according to the banking regulations, and hence cannot participate in the lending programs. Difficult location (isolated from other urban agglomerations), high bureaucracy, difficult access to basic information. Lack of cultural sensitivity and empathy, prejudice at times (toward ethnic minorities), lack of responsiveness on the side of the local administration.
Actual social support	Positive endorsement and/or practical support of family, friends, community, is little to none, with the exception of the family. Unlike in other areas affected by mine closures, in Jiu Valley people seem to have less trust in friends and – especially – in public authorities. The lack of trust in authorities is a result of their past experiences with local corruption.
Complexity of action	High, given unpredictable implementation of laws and high bureaucracy for starting up a business.
Policies	Difficult, interpretable, unclear (Labor Code, etc)

ing with severe social impact, such as mine closures. It is also a difficult task, as the shift is dramatic, often at odds with the long-standing behavior of the intended beneficiaries.

The classical method policymakers traditionally use is participatory approaches. Development institutions like the World Bank, USAID, UNDPD and others are highlighting the critical importance of involving the community in the early stages of policy designing, ensuring that the concerns and doubts of the beneficiaries are heard and addressed.

In Jiu Valley, however, participatory approaches of such kind are of little use. Not only is participation fatigue widespread, but also social capital is slowly degrading, because of extensive use in coping with the economic vulnerability.

In line with the behavioral framework used above, policymakers have three main options in order to mobilize positive change such as setting up new businesses:

1. Strengthen internal support to individuals targeted by ES program, by:

- Focusing resources on face-to-face counseling;
- Building the capacity of beneficiaries to undertake and internalize new behaviors recommended through counseling;
- Strengthening the knowledge of beneficiaries (courses on basic economics, financial management, etc.);
- Assisting implementation and continuing support until success is acknowledged;
- Increasing outreach to excluded groups like miners and non-miners who are not covered by any support program;
- Building the capacity of self-support peer groups.

This would be mainly the mandate of local actors, from public administration to NGOs and trade union, as they have more accurate information about the community.

2. Strengthen external (policy) support, by simplifying and clarifying the rules to ensure predictability and decrease uncertainty. This would be the mandate of the central government. Nevertheless, the information and participation of the local

stakeholders is essential in informing the decisions and the policy changes.

- Identify and correct policy failures in Jiu Valley;
- Set up enforcement mechanisms in order to decrease unfair local practices (such as fake competitions for jobs, abusive firing, bribing, corruption, etc.);
- Monitor implementation of policies;
- Design comprehensive regional policy for development of Jiu Valley;
- Transfer new competencies to local administration (e.g., power to decide on tax holidays);
- Institutionalize participatory processes in planning future mine closures (e.g., establishment of Citizen Oversight Boards).

3. A combination of the first two options

that would require tight collaboration between the local and central government. In addition to the potential activities mentioned above, several others could be mentioned:

- Strengthen the technical capacity of the trade union (currently highly political). Activities should target to strengthen the capacity of the union to plan future lay-offs well before the actual lay-offs take place, taking into consideration the situations of each redundant worker. As it is already happening in other countries, the union could sell its expertise in the country and abroad in mine closures. It should also inform its members about their rights and responsibilities preceding layoffs;
- Strengthen the local capacity for organization and the creation of community support groups for entrepreneurs;
- Change the design of the current credit-program so as to cover currently excluded groups. Credits could be delivered to less vulnerable groups, while different financial services (savings and loans, insurance, leasing, etc.) are aimed at the more vulnerable;
- Positive behavioral requirements could be used for beneficiaries, such as mandatory participation in support groups, training, weekly payment of loan, etc..;

- Counteract capture of program benefits by the local elite through: internal audits, transparent decision making, public hearings, hot lines/mail boxes to signal unfair practices;
- Compensate higher costs of behavior changes according to the specific needs of the beneficiaries (e.g., accessible or free child care for women, bonuses for establishing savings accounts, etc.).

Conclusions and recommendations

The process of mining restructuring in Jiu Valley is characterized by anomalies specific to shrinking labor markets in weak communities in the aftermath of an economic shock. Because of high economic vulnerability and inefficient legal framework, resources and benefits of programs intended to assist the unemployed are captured by local elite, while local corruption and unfair practices constrain the primary population affected by the mine closure to cope with the shock.

Aggregated behaviors of individuals have an important impact at the market/community level. It is important whether individuals succeed to engage and persist in positive behaviors that promote economic growth (such as setting up a new business). It is equally important whether more and more individuals engage in coping strategies or behaviors that is conducive to poverty (seeking welfare). Aggregated behaviors understood predictor the future.

Understanding the behavior of the intended beneficiaries in response to assistance offered offers feedback to policymakers – essential for adjusting the design and correcting policy implementation mechanisms on the ground.

Analyzing the low demand for the Enterprise Support program, as well as the attitudes of the people in one of the cities of the Valley, shows that policymakers have many opportunities for interventions to encourage more people start up new businesses. Depending on resources available, strengthening both internal and external support mechanisms

could contribute to new business development.

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Local Government Serving Residents: Citizen Satisfaction in Russia

Sergei S. Pushkarev¹

Abstract

This paper is based on a data set from a survey (personal structured interviews) of Russian residents in three medium sized cities. The goal of the survey was to find out whether residents of these cities are satisfied with their local government performance. There were 1,263 processed questionnaires out of 1,350 collected, because some questionnaires were rejected due to incomplete or erroneous answers. Citizen satisfaction was measured as the score respondents assigned to their mayor's performance on a scale from 1 to 10.

Findings suggest that there are striking similarities in what social and demographic factors influence citizen satisfaction with local government performance in Western democracies and in Russia. The respondent's residence, ratings for individual departments, income, age, and type of employment are important predictors of their rating for a mayor. Education and gender, seemingly, are not related to the rating. An ordered probit analysis revealed that there is a nonlinear relationship between citizen satisfaction, on the one hand, and their rating for individual local government departments, their income, age, and type of employment (private or public) on the other.

Local Government Serving Residents: Citizen Satisfaction in Russia

The study of public administration and local government in Russia is in its developing stage, and this is especially true with respect to studies of local government performance and citizen satisfaction with services. For decades there has been a long sociological tradition of survey research in Russia where

different social groups become the objects of research, but there is practically no tradition of performance measurement in public administration, except for that associated with performance-based budgeting.

Russian municipalities (cities, towns, villages, and districts) operate as independent government bodies, with their own budgets, responsibilities, resources, and mandates, yet they are very much dependent on regional and federal government in terms of revenues. In fact, on average, more than 70% of municipal budget revenue comes from those sources. The chief executive officer at the municipal level, or mayor, is the head of the local administration, and the position is filled through popular elections. Mayoral elections draw a lot of attention. In most municipalities, there is an elected representative body (Duma) which approves the local budget and adopts regulations. Nevertheless, citizens perceive the mayor as ultimately responsible for the well-being of their municipalities, with control over everything from public transportation, to heating of the apartments, to snow shovelling in winter.

Mayoral elections are held every four years, but citizens have limited opportunities to influence their local governments in between. The media is the most powerful instrument for conveying any message to the government, but in many municipalities it is controlled directly or indirectly by powerful mayors. In fact, in most cities, residents do not have a say about their preferences in service delivery or overall responsiveness of the local government until the next elections. There is no tradition of public hearings. Periodical surveys of residents about local government performance could be an instrument to connect residents and local officials. Such surveys may provide local governments with information about resident expectations regarding local services. Surveys could be used as a means of performance measurement of local adminis-

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trations and their departments. Surveys would also convey information about the operations of the local governments to the residents, and would help them to appreciate the complex nature of local government service delivery. Additionally, surveys could be instruments through which public control over government is enhanced. Once the results of a survey are published, it will be hard for local officials to ignore them.

This research explores the issue of how citizens rate their local governments in Russia. In particular, the paper focuses on how local residents rate the performance of the heads of their local administrations. Because the heads of local governments are very well known and visible public officials in Russian municipalities, and are seen as responsible for the performance of municipal governments, the ratings of the heads of local governments will provide an indication of citizen satisfaction with local government performance.

Citizen Satisfaction Surveys

Advocates of citizen surveys assert that the idea of surveying citizens is a means of promoting “deliberative democracy” where citizens are able to play important roles in the decision-making process (Miller and Miller, 1991a, p. 7). This kind of direct input into the political process can enhance community participation, if not community control over service delivery (Miller and Miller, 1992). However, research has found that many administrators do not trust citizens to render fair judgements about government. One study revealed that administrators in the Atlanta municipal government believed that citizens would rate city services much lower than they actually did (Melkers and Thomas, 1998). Some administrators who may be opposed to the use of citizen surveys in public policy, many of whom are well-grounded in the public administration literature on bureaucratic professionalism, argue that government professionals are uniquely qualified to assess service quality and quantity. Sometimes characterised as “technocrats” (Lovrich and Taylor, 1976), this group of researchers relies heavily on objective internal measures of service quality, like performance measures or benchmarks, as opposed to citizen evalua-

tions which are unquestionably subjective. It is interesting to note, however, that there are efforts in the literature to intersect these two approaches rather than divide them (Swindell and Kelly, 2000).

A survey of randomly chosen citizens is a means of overcoming the well-documented socio-economic bias associated with other forms of citizen participation. But random surveys undoubtedly capture respondents that may or may not be informed about the activities of local governments. Citizen surveys may not measure respondent understanding of government service provision arrangements or experience with certain services. The assumption behind citizen surveys is that citizens can make informed judgements about public services even if they do not personally receive those services. As Miller and Miller (1991a, p.8) point out, a survey does “give a voice to all types of citizens, the less as well as the better educated residents, those whose health may keep them from attending meetings and those in better health, shy people and outgoing people, newcomers and old timers and those who have a dispassionate point of view as well as those who are emotionally involved.”

Model

There is a body of literature that suggests that citizen attitudes toward their local governments or toward local government services are affected by a set of factors that are not service related. These factors fall into three broad categories. First, the race and income of a citizen may influence their evaluation of service quality and quantity (Brown and Coulter, 1983; Stipak, 1977). People with lower income and minorities tend to underestimate the effectiveness of government services. Second, neighbourhood characteristics may lead citizens to evaluate services differently (Lineberry, 1977). This may be related to the socio-economic and racial composition, but is a reflection of a respondent’s proximity to services and historical factors as well. Third, characteristics of the local government itself may affect citizen satisfaction (Lyons, Lowrey, and DeHoog, 1992). This paper aims to test some of these and additional hypotheses in the Russian context. One might reasonably

expect substantial differences in attitudes, beliefs, expectations, and value systems between Russian and Western urban residents which are due to divergent historical, socio-economic, and cultural traditions.

A number of measures can be used to evaluate resident satisfaction with local government services. One might attach a numerical value to resident evaluations of performance of different departments of a local government, for example. Given an almost identical organisational structure of local governments in Russia, such an approach could provide an easy method by which similar departments in different cities could be assessed. However, there is, of course, the danger of getting uninformed evaluations of the departments from residents, as few of them (if any) are well-informed about the performance of every department of the local government. Various studies show that a citizen may believe that a government is delivering a service that it is not delivering, or may believe a government is not delivering a service when it is. One survey (Thompson, 1997) found that citizens frequently attribute service delivery to their city or township, even when the service is provided by another jurisdiction or a private contractor. There is likely to be similar confusion when it comes to distinguishing between activities of different departments in Russian municipalities. As a result, we need a measure that would allow an evaluation of the performance of a local government as a whole, and a measure that is easily recognisable and understood by the residents.

Evaluation of the performance of a head of local administration, or mayor, will provide this measure. As indicated earlier, a mayor bears the ultimate responsibility for local government, so citizen ratings of mayors as reported in resident surveys will provide a useful cumulative measure of overall local government performance. It is not a perfect measure of local government performance. The rating reflects, among other things, local resident (positive or negative) views of the mayor's personality as well, regardless of the local government performance. Consequently, there is inherent error in this measure. This research addresses this internal validity problem by introducing three dummy variables

corresponding to the three cities where residents participated in the survey. These variables enable us to get more precise regression estimates. One of these city dummy variables has to be excluded from the regression equation to escape perfect collinearity.²

The other potential problem with this approach is that there is no consistency among people on what they perceive as "good performance." The measurement scale may not be the same for different people, as they use their own judgement and not some objective criterion. This problem highlights the subjective part of this research. Since it deals with citizen satisfaction as the true variable, it should not be too overconcerned with subjectivity of the local government performance evaluation process. As opposed to benchmarking or administrative outputs measurement, this method focuses on outcomes as perceived by citizens who are ultimately either satisfied or dissatisfied with the services.

In this paper, a citizen rating of local government heads is the dependent variable. It is used as a proxy measure for overall local government performance. The purpose of the analysis is to assess the influence of various possible determinants of citizen attitudes noted above. Unfortunately, because of the limits of the survey data used, not all relationships between the variables identified in the literature can be tested. Of the factors believed to influence local resident attitudes toward their local governments mentioned earlier, it is not possible to test the hypothesis of whether ethnicity and neighbourhood characteristics are influential in this case, as the survey does not contain the requisite data. In addition, because the structure of the local governments and relative well-being of surveyed communities are about the same for the municipalities included in this study, those variables are not included in the analysis. Because local governments serve residents through various departments and bodies, the primary reason for liking or disliking a mayor should be resident satisfaction or dissatisfaction with particular services of the local government. In this respect, the performance of individual

² It should be noted that the introduction of these variables does not correct for the errors resulting from using a proxy rather than true dependent variable.

departments may contribute to the overall rating of the mayor. In order to explain differences in the ratings, we need some measure of individual department performance which is consistent and comparable. In this paper, citizen perception of individual department performance is used as the measure of their performance.³ The hypothesis is that perception of individual department performance is correlated with the mayoral rating. The exact direction of the relationship may be that higher departmental ratings boost mayoral rating, or higher mayoral rating leads (statistically) to higher departmental ratings, or both. The direction hypothesis is not tested here.

There are a number of reasons why a mayor's rating is a better measure of citizen satisfaction with local government services in Russia than a combined satisfaction score for separate departments. As noted earlier, very often citizens are not sure which department delivers which service. It might be because of the lack of knowledge about local government operations, or because some services are delivered jointly by different departments. Regardless of the reason, it would result in bias scores if we were to use individual department scores as the dependent variable. Combining scores for individual departments may pose a question of validity of such a measure. Indeed, some departments with strong service constituency (like social protection) may be over or underrated, depending on constituent views, while other departments, still being important for the community, may be consistently overshadowed. The other argument is that if we are to use the combined score, we then assume that, say, a score for local police should have as much weight as garbage collection, which is hardly practical (unless we are willing to weight scores for different departments, which might be extremely controversial). Using mayor rating as the measure of citizen satisfaction with local government services enables us to evaluate not just the quality and quantity of local government services, but the effectiveness of local government as a whole. Servicing the community goes beyond the particular services delivered and the mechanistic sum of individual depart-

ment scores cannot reflect this aspect of local government effectiveness. The model suggested also helps to explain the all too familiar phenomenon when citizen satisfaction with local government services changes with the change in local government political leadership, while the level of service outputs remain the same. The suggested model catches the inherently political nature of perceptions of government operations. The last, but not least reason, for using mayor rating as the dependent variable in this study is that there is some variation in the structure of local governments surveyed, and for the sake of uniformity not all local government departments in the three cities were included. In addition, if we were to try to produce an exhaustive list of local government departments for citizen evaluation, we would inevitably get lost in the multilevel, multifaceted system of governance where services are provided jointly and responsibility is shared. For these reasons, mayor rating is a better measure of citizen satisfaction with local government services than other alternatives.

A number of hypotheses were generated to test the model developed in the literature and suggest further improvements.

H1: Residence in a particular city, individual departmental ratings, income, and age of respondents influence the way they rate their heads of local government. It is expected that all four independent variables are associated with the mayor ratings, the dependent variable. From the field research it was known that mayors of Rezh and Revda are more popular than the mayor of Bogdanovich. So, it is expected that mayors of Rezh and Bogdanovich will be rated higher than the mayor of Bogdanovich. If a respondent rates city departments higher, it is reasonable to expect that he/she would rate the city mayor higher as well. So, we should expect a positive relationship between departmental and mayoral ratings. The variable "income" and the way it is connected with the dependent variable are taken from the existing literature which asserts that low-income residents usually are less satisfied with local government services. If this is correct for local residents in Russia, higher income should be associated with higher ratings for the mayor. The existing

³ The variable for this measure is the sum of individual ratings of departments (from 1 to 5, with 0 if don't know).

literature does not specifically mention age as a variable, but it is reasonable to suggest that it might be a factor in the Russian case, as different age groups have had different experiences dealing with the government before and after the collapse of the Soviet Union, which may affect their perception of current local government performance. Older people are dependent on local government services more than younger residents, and they may be nostalgic about times when the government was more resourceful, so age should be negatively associated with the mayoral ratings.

H2: Education and gender of respondents influence the way they rate their heads of local government. Although these variables are found to be insignificant in citizen satisfaction studies, they are important social and demographic characteristics, and they may be significant in other cultural settings. Although the literature does not point out gender as a factor, it still may be a factor in Russia. In a society which is somewhat more hierarchical and gender-specific than western democracies, it is not unreasonable to expect that women will be less critical of mayors who are most likely male.⁴ I expect women to give more favourable ratings than men.

The impact of education is also examined. Education helps one to appreciate the complexity of government operations. Also, it may lower expectations from local government services, thus contributing to higher ratings for the current quality and quantity of services. Education is expected to have a positive effect on mayoral ratings.

H3: Public employment of respondents affects the way they rate their heads of local government. This model is the expanded version of the model developed in H1, and is intended to test the effect of type of employment on the mayoral ratings. It is expected that whether a respondent works for the public sector or not will make a difference in terms of the ratings of local government performance. The hypothesis here is that public sector employees should have a more favourable view of the local government performance because they are part of the government themselves, they understand government operations better than their private sector

counterparts, and because they are more sympathetic to the public cause since they are in the government.

H4: Individual departmental ratings, income, age, education, gender, and private employment of respondents influence the way they rate their heads of local government. This is a modified version of the previous hypothesis. In contrast with H3, here we are interested in whether private employees would rate mayors consistently differently. Although “private employee” is also a dummy variable as “public employee” is, they are not perfectly collinear, because there are people who are neither public nor private employees, and they are retired, unemployed, and students.

The last hypothesis which is tested here is whether there is a nonlinear relationship between some of the independent variables and the dependent variable.

H5: There is a nonlinear relationship between mayor ratings, on the one hand, and income and age, on the other. Although the literature suggests that there should be a positive correlation between resident income and rating of local government performance, the actual relationship may not necessarily be linear. Different income groups have differing tax obligations and government assistance eligibility which, of course, affects people’s attitudes toward their local government. Young people usually know very little about their local governments, and their opinions may vary considerably. As people grow older, they accumulate more experience dealing with government and understanding complexities. Therefore, I expect more favourable ratings from middle-aged residents. Older residents may become more critical of their local governments, as senior citizens are dependent on the various services much more than other age groups, and they still remember times when Russian local governments had more resources to assist elderly residents.

Data

The data were collected through personally administered questionnaires in three medium sized cities Bogdanovich, Rezh, and Revda, all situated within an 80 mile radius of Yekaterinburg, a major city in the Urals, Russia. These cities were chosen for the survey because

⁴ The mayors of all three surveyed cities are males.

of their typical nature in terms of economic development and social structure. They were all very industrial with some rural population attached. They were “company towns” very much in crisis in the early 1990s but have begun slowly recovering since then.⁵

For the survey, a quota (matching) non-random sampling method was used, based on age, gender, and education. Given the resources, the sample size was determined initially at 1,350 respondents, with 450 respondents in each city. The respondents were reached personally in different locations, mainly in the workplace, streets, public places, and homes. After reviewing the questionnaires submitted, 1,263 were taken for coding and analysis (93.5% of the original sample size).

Table 1
Descriptive statistics for the variables

Variables	N	Mean	Std. Deviation	Minimum	Maximum
Bogdanovich	1263	.35	.48	0	1
Rezh	1263	.32	.47	0	1
Revda	1263	.32	.47	0	1
Mayor rating	1220	4.70	2.39	1	10
Departmental ratings	1014	20.07	10.35	1	55
Income	1250	1.88	0.88	1	4
Age	1260	2.42	1.09	1	4
Education	1262	2.69	1.21	1	5
Gender	1259	.47	0.5	0	1
Public employee	1263	.37	.48	0	1
Private employee	1263	.30	.46	0	1

Table 1 provides descriptive statistics for the variables used in the research. Variables “Bogdanovich”, “Rezh”, and “Revda” are dummy variables for the three cities that participated in a survey. A variable “departmental ratings” is a score constructed as the sum of scores for 11 individual departments given by the same respondent in response to the question, “please rate the performance of bureaus and departments of your local government (1 – very poor, 5 – excellent).” Respondents were asked to rate the following local agencies: the Department of Education, the Department of Health, the Department

of Labour and Migration, the Department of the Interior, the Department of Public Housing, the Committee on Social Protection, the Regional Employment Centre, the Bureau on Public Housing, the Committee on Culture and Youth Affairs, the Committee on Physical Culture and Sports, and the Commission on Delinquents. The minimum possible score is 1 with the maximum being 55. The mean for the individual departmental ratings is 20.07, which is below the median of 28.

In general, most of the respondents in the sample are women (53%).⁶ The respondents are not doing well financially (on a scale of 1 to 4, where 1 is “not enough income for necessities” and 4 is “have no problems with money”, the mean is 1.88, well below the median of 2.5).⁷ Most people tend to have secondary or vocational education, with the mean of 2.69 (with

1 being “some high school”, 2 being “high school”, 3 “vocational”, 4 “some college”, and 5 “college and above”), which is below the median of 3. They are mostly employed by a public employer (37%), although this may not be actually the case, as many Russians still refer to large industrial enterprises as “public”, when, in fact, most of the Russian industry is privatised. About 33% of the respondents are retired. This seemingly disproportionately high percentage is explained by the fact that the retirement age is 60 for males and 55 for females in Russia, and in some industries (like in metallurgy which is the backbone of the cities in the survey) it is even lower.

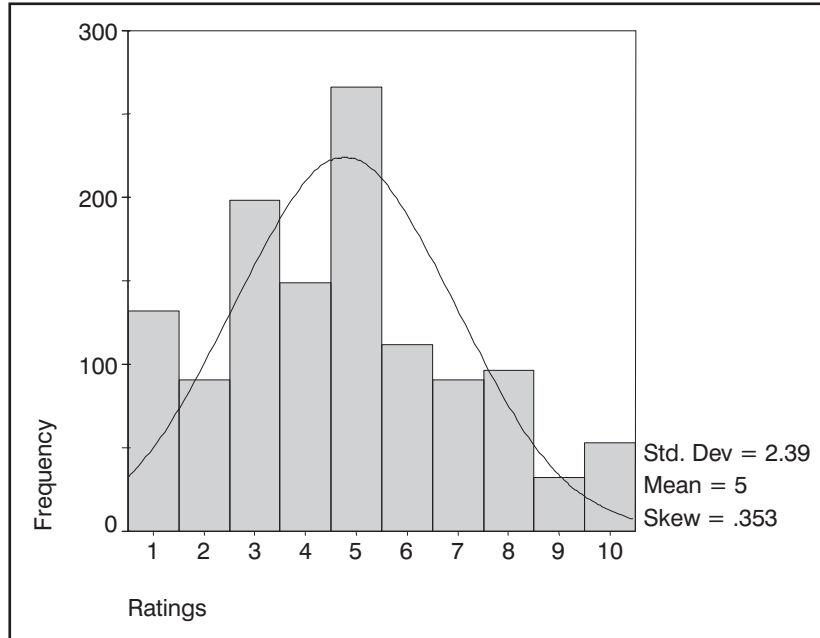
⁶ The variable “gender” is coded as 0 for women and 1 for males.

⁷ The variable “income” was not measured directly, because with the development of a market economy and the rise of crime in Russia, respondents are uneasy about reporting their incomes. As a result, instead of a direct measure of the respondent’s income, they were asked whether (1) their income is not enough even for necessities; (2) they cannot afford many things; (3) they cannot afford major purchases; or (4) they don’t have any problems with money, thus providing an ordinal measure of respondents income from 1 to 4.

⁵ Population of Bogdanovich: 55.3 thousand (18.8 – rural); population of Rezh: 53.2 thousand (11.1 thousand – rural); population of Revda: 84.8 thousand, all urban.

Age is measured as an ordinal variable, with age groups of 18 to 30, 31 to 45, 46 to 60, and over 60. The variables “public employee” and “private employee” are dummy variables with self-explanatory values.

Figure 1



Frequency distribution for mayor ratings. The dependent variable is “mayor rating”, a score that a respondent assigns in response to the question “please rate the performance of the head of your local government (1 – very poor, 10 – excellent)”. The mean for mayoral ratings in three cities is 4.7. The distribution of answers approximates the normal curve with small positive skewness.

There were some difficulties in collecting the data. The data in Bogdanovich were collected approximately two months before mayoral elections, and respondents tended to strongly associate the survey with the electoral campaign. It has probably obscured some of the data received, especially concerning the mayor’s rating.

Table 2
Results of the regression analysis

Independent Variables	Model 1 B/Beta	Model 2 B/Beta	Model 3 B/Beta	Model 4 B/Beta
Rezh	1.683* .336	1.686* .337	1.692* .339	1.719* .344
Revda	.971* .193	.975* .194	.952* .189	.967* .192
Departmental ratings	.051* .219	.051* .221	.050* .217	.050* .215
Income	.239* .088	.251* .092	.252* .093	.284* .104
Age	.294* .138	.294* .137	.308* .144	.257* .120
Education		-.022 -.011		
Gender		.041 .008		
Public employee			.109 .022	
Private employee				-.504* -.097
Adjusted R ²	.179	.179	.180	.188
F	43.600	31.355	36.447	28.972

* Significant at .01 level

Findings

To test the hypotheses, a multiple regression analysis was used. The results of the regression analysis where 4 groups of hypotheses were tested are presented in Table 2. Model 1 from Table 2 includes the variables Rezh, Revda, departmental ratings, income, and age.⁸ As indicated, all variables are significant at the .01 level, and adjusted R² is .179. The city a resident lives in proved to be a strong predictor of the mayoral ratings. On average, residents of Rezh give their mayor almost 1.7 points more than residents of Bogdanovich give their mayor. The mayor of Revda gets .97 points more than the mayor of Bogdanovich. Variables “departmental ratings”

⁸ One of the three dummy variables for a city, Bogdanovich, was dropped from the regression equation to serve as the base for comparison.

and “income” are in the predicted positive direction. On average, every 10 – point increase in the departmental ratings (remember, the scale is from 1 to 55) increases the mayor rating by .51. On average, the shift to a higher income category yields a .239 point increase in mayor rating. Here, the data from Russia supports the theory developed in the literature reviewed.

Age is negatively associated with the rating, which is contrary to the hypothesised direction. On average, the older the residents, the higher rating they give to their mayor, and the shift from a lower age category to a higher one yields a .294 point increase in mayor ratings, holding other variables constant (the relationship is significant at the .01 level). Overall, these findings suggest that despite numerous differences in lifestyles, history and local government traditions, residents in Russia display patterns of attitudes similar to US local residents.

The column “model 2” in Table 2 represents the results of the testing of the second hypothesis developed earlier in the paper. This model hypothesised that – in addition to residence in different cities, departmental ratings, income and age – education and gender have an effect on the mayor rating. As the results suggest, these two new variables are not statistically significant at the .01 level and, therefore, have no effect on the dependent variable. The fact that the rest of the model held rather constant (coefficients for residence and income have changed slightly, while the coefficients for departmental ratings and age remained the same) indicates that the original model is robust.

To test hypothesis 3, a model 3 was run, where a new variable, “public employee”, was added (see column “model 3” in Table 2).⁹ In this model, departmental ratings and income are consistently constant (compared with models 1 and 2) in influencing the mayor rating, while the impact of age is a little less than in the previous models. Neither education nor gender is statistically significant in this model. Contrary to what one might expect, public employees do not boost mayor rating as compared with other citizens; the

regression coefficient is insignificant. This provides an interesting research puzzle as to why public employees do not consistently rate mayors higher than citizens at large. One possible explanation is that because of fast massive privatisation, many employees (especially of the larger industrial enterprises) do not realise that they are not government workers anymore. So, it might be due to the internal validity problem of the study. On the other hand, these enterprises were run as businesses long before they were privatised. So, in effect, employees of these enterprises could have different mindsets from other public employees before they “officially” became private employees. However, the question should be researched more thoroughly before any conclusions can be made.

Model 4 tested hypothesis 4, whether private employees consistently rate mayors differently. This hypothesis is similar to H3, except that we were interested in private, not public employees. The regression coefficient for Rezh grew to 1.719, as the coefficient for Revda did to 0.967. The coefficient for departmental ratings remained constant, while the coefficient for income increased to .284 and the coefficient for age dropped to .257. Hypothesis 4 was confirmed by the data. On average, private employees give their mayors a .504 lower score than others (the relationship is significant at the .01 level, adjusted R² is .188).

Since I suspected a nonlinear relationship between the ratings “age” and “income” (hypothesis 5), I ran an ordered probit analysis.¹⁰ Variables “departmental ratings” and type of employment were control variables. While it is generally accepted that an ordered probit is useful if the dependent variable has 9 or less categories, this case represents an interesting example, as it is on the threshold of the number of categories, allowing both linear and nonlinear models to be run.

The results of the ordered probit analysis are presented in Table 3.

Overall, the model is statistically significant (LR Ch²=117.25). Of the independent variables, only “public employee” is insignificant, “private employee” is significant at the .01 level. As coefficients are not directly inter-

⁹ This is a dummy variable.

¹⁰ Probit analysis is based on calculating the probability of the dependent variable assuming a particular value.

Table 3
Results of the ordered probit analysis

Independent Variables	Coef	Std.Err	z	P>z
Departmental ratings	.0298	.0033	9.14	.000
Income	.1303	.0396	3.29	.001
Age	.1349	.027	4.12	.000
Public employee	-.0976	.0828	-1.18	.238
Private employee	-.2321	.0877	-2.65	.008
_cut1	-.3418	.1574		
_cut2	.0333	.1558		
_cut3	.5733	.1552		
_cut4	.9325	.1556		
_cut5	1.5089	.1583		
_cut6	1.8019	.1605		
_cut7	2.1245	.1635		
_cut8	2.5794	.1691		
_cut9	2.8468	.1738		
Pseudo R ²	.0275			
LR Chi ²	117.25			
Prob > Chi ²	.0000			
N	978			

and works for a private company. In accord with the regression analysis made earlier in this paper, all these characteristics should be associated with low mayor ratings.

Individual B has a very high opinion of the performance of the departments of the local government; B has

a very high income, he/she is from the oldest (over 60) age group, and works for a public company. Again, this person should have given the highest rating for the mayor.

The “mean” individual has a mean opinion of the performance of the departments of the local government; “mean” has a mean income, he/she is of the mean age, and works for a private company. The numbers in the table are probabilities that a particular person gives a mayor a particular rating. As the results suggest, the relationship between these

pretable in probit, I looked into predicted probabilities of rating a mayor by three hypothesised individuals, of whom two have the “opposite” characteristics, and the third has the “mean” characteristics. This is a widely suggested method of analysing and interpreting ordered probit results (see J. Scott Long, 1997). The results are presented in Table 4.

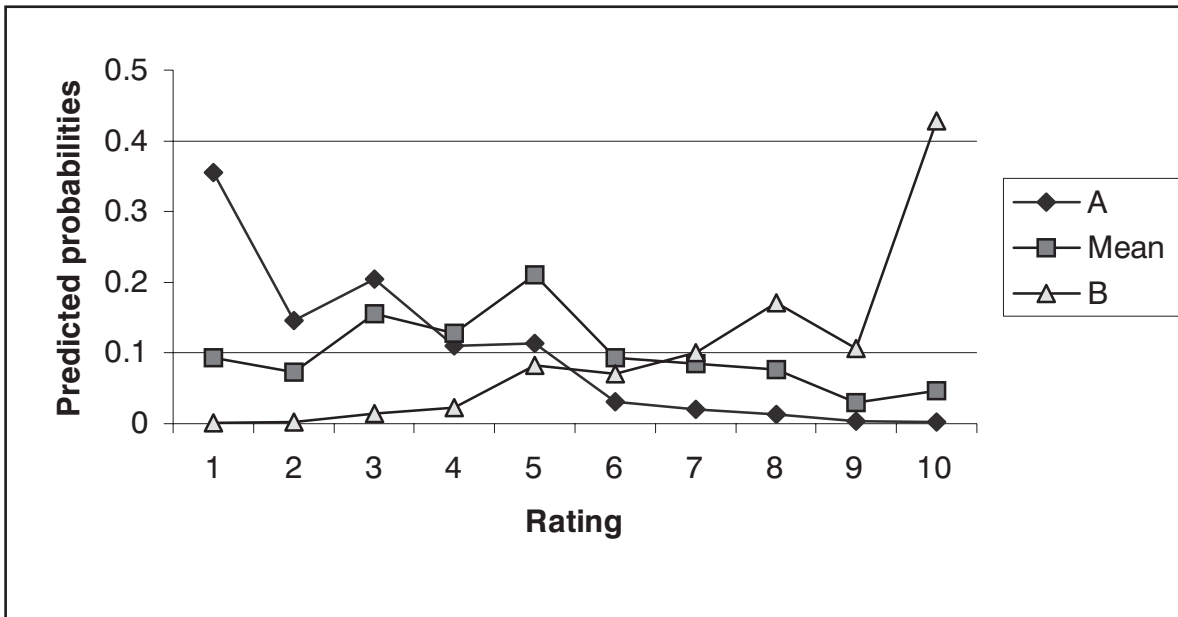
Individual A has a very low opinion of the performance of the departments of the local government; A has a very low income, he/she is from the youngest (18 – 30) age group,

Table 4
Predicted probabilities for three scenarios

Rating	Predicted probabilities		
	A	Mean	B
1	.3556	.0932	.0013
2	.1464	.0733	.0029
3	.2051	.1561	.0139
4	.1100	.1285	.0233
5	.1136	.2111	.0820
6	.0313	.0938	.0701
7	.0200	.0844	.1003
8	.0127	.0821	.1713
9	.0030	.0303	.1062
10	.0024	.0470	.4286

A - Departmental ratings, income, age = min; private employer=1
 Mean - Departmental ratings, income, age = mean; private employer=1
 B - Departmental ratings, income, age = max; private employer=0

Figure 2.
Predicted probabilities for three scenarios



variables and the rating is nonlinear. While, on average, the probability of giving a lower rating to the mayor is higher for individual A, and the probability of giving a higher rating is higher for individual B, there is nonlinearity inside these groups. Figure 2 gives a visual of the same table, with two spikes at 3 and 9.

Conclusion

The findings of this paper suggest that the ratings of individual local government departments, resident income, and age are positively related to the mayor's rating, thus confirming the first hypothesis. The second hypothesis is supported only partially, as education and gender are not statistically related to the dependent variable. The third hypothesis was not confirmed; being a public employee is not statistically associated with an impact on the mayor rating. The fourth hypothesis was supported, as private employees consistently gave their mayors lower ratings. So, the type of employer may be related to the rating, but only in respect to private sector employees, who tend to rate their head of local government lower.

The results of the ordered probit analysis suggested that there is a nonlinear relationship between independent variables "income" and "age" and the dependent variable "mayor ratings." For this reason, more research on

the topic is needed to better understand the nature of the relationship.

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Territorial Employment Pacts as Instruments for Local/Regional Labour Market Policies

Reiner Buchegger¹, Anita Buchegger-Traxler²

1. Introduction

With the accession of most Central and Eastern European countries to the European Union (EU), two problem areas will require major attention in all New Member States, viz., agriculture and the labour market. This paper is to contribute less on a theoretical and more on an applied, empirical level to ways of improving regional and local labour market performance through governance mechanisms integrating policies with relevancy for the labour market.

In 1997, the European Commission (EC) initiated Territorial Employment Pacts (TEPs) to bring together the different actors in local and regional labour markets in specific model regions in order to reduce unemployment and to increase employment and thus improve the performance of the local/regional economy. Through coordination of various policy actions, in particular structural policies and labour market measures, the efficiency and effectiveness of the available means should be improved and thus contribute to an alleviation of the regional/local employment situation. EU – wide, originally a total of 89 TEPs were established with financial assistance by the EC³.

In a research project originating at the Centre of Social Policy (ZES) at the University of Bremen (Germany) and in cooperation with the Department of Economics at the Johannes Kepler University (JKU) Linz (Austria), an attempt was made to isolate conditions for successful governance of these TEPs and to establish criteria for judging the achievements and/or failures of TEPs. The empirical part of

the project consisted of a comparative analysis of a total of six TEPs in the Netherlands, Germany, and Austria. In the following short paper we want to present an excerpt of some of the results of this research.⁴

The outline of the paper is as follows: In the next section, we shall briefly describe the nature and the goals of Territorial Employment Pacts, followed by an outline of the empirical research including its theoretical foundation in Section 3. Section 4 will be devoted to the description of the structures and the functions of the TEP of Lower Austria as an example of a ‘successful’ undertaking, including the success factors, outcomes and problems of this pact. Section 5 contains some final comments and policy recommendations with respect to the successful implementation of a Territorial Employment Pact.

2. Territorial Employment Pacts: The Concept

Many policies bear on the labour market, e.g., regional, structural, social policies, education and training measures, as well as labour market policies, employment policies and, ultimately, general economic policies. The idea of proposing Territorial Employment Pacts was to integrate as many of these policies as possible in order to ensure maximum effectiveness with respect to labour market outcomes.

At the Dublin meeting in December 1996, Jacques Santer, then President of the EC, launched a program originally termed as a “confidence pact of employment.” As a consequence, in 1997 the European Commission established and partially financed 89 Territorial Employment Pacts in all Member States of the European Union, more or less as pilot projects.

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³ Cf. EUROPÄISCHE KOMMISSION (1999a).

⁴ The persons involved in the project were: Petra Kodré, Stefan Leibfried, Martin Roggenkamp and Elke Scheffelt from the ZES, Reiner Buchegger and Anita Buchegger-Traxler from the JKU.

Despite the general principles suggested by the EC, these TEPs differed in terms of the specific goals set, the approach taken, the regions covered, and the actors involved.

The EC outlined four general principles with respect to the goals and the approach envisioned. Firstly, the TEPs should be carried by a spirit of partnership among the actors. Secondly, they should be innovative, i.e., try to develop and give room for new ideas with respect to solving labour market problems on the regional and local level. Thirdly, the TEPs should try to integrate as many groups as possible whose actions affect the labour market. And fourthly, the approach in terms of policy making should be bottom-up, i.e., initiatives should arise from the groups concerned and/or their immediate representatives.

The following issues should be addressed by the TEPs:

1. Employment – effective policies for Small and Medium-Sized Enterprises (SMEs) should be focussed since the EC located a large potential in this segment of the economy.
2. Attention should be paid in particular to problem groups such as the young, the old, women (especially those re-entering the labour market), the poorly educated and trained, and, later on, handicapped persons.
3. Social and labour laws and regulations should be reviewed and perhaps modified in order not to be a hindrance to employment creation but rather become more conducive to this end.
4. New employment opportunities should be created in the area of personal services with particular support for self-employment.
5. Qualifications should be upgraded through education and training measures in view of the skills required by (potential) local or regional employers.
6. More possibilities for action by regional and/or local authorities should be made feasible.
7. Suggestions should be made for evaluating structural (or other) policies in view of the potential for employment creation.

The EU provided co-financing for the support of the pact structures (e.g., for pact management). This co-financing by the EC

ended in 2001, with many TEPs continuing with financial support from other sources (European Structural Funds and funding from the Member States). Financing for the projects came from already existing sources, be they supra-national, national, regional or local.

The success of the six TEPs analysed in our research varied from unsuccessful, moderately successful, to fairly successful. This variation in the result of the establishment and operation of Territorial Employment Pacts stimulated the research briefly reported below.

3. Criteria and Conditions for Success of Territorial Employment Pacts⁵

The central research question was: What makes a TEP successful? This leads to two operative questions: What could be possible criteria for success, i.e., how would one measure or judge the outcome of the installation of a TEP? And: What conditions must be fulfilled for a TEP to be successful?

In order to establish the success criteria of a TEP answers to the following questions had to be found:

- Did the pact create new structures of cooperation among regional/local actors?
- To what degree could the pact contribute to the adaptation of EU – and/or national policies to regional/local requirements?
- Were new regional strategies developed through the TEP in order to improve the efficiency and effectiveness of the available policy instruments?
- Did the pact establish new regional networks?
- Was there a long-term perspective in view of future cooperation, i.e., did the established strategies, structure of cooperation and networks persist?
- Did the pact stimulate new initiatives with respect to learning and innovation?
- And, ultimately, was there a reduction in unemployment and/or an increase of employment in the regions or communities due to the activities of the pact?

⁵ This section draws on BUCHEGGER-TRAXLER, et al. (2003), chapter 1.

Although many of the questions posed were analysed for our sample satisfactorily, no clear-cut answers could be given to this last question which would be, of course, essential. The time periods involved were too short and the influences too manifold to allow any such judgement on the causes of the labour market outcomes.

The conditions for successful governance of a TEP followed, by and large, the time pattern of its establishment. In order for a TEP to succeed, some combination of the following conditions must be met:

- It is important to pay attention to the initiation process of the TEP;
- The inclusion of major (important) actors on the local/regional level has to be ensured;
- A clear agenda has to be formulated and agreed upon by all actors, i.e., there should be a common awareness of the problem;
- The quality of cooperation among the members of the TEP, in the spirit of trying to find solutions by way of consensus, is another requirement for a pact to be successful; and
- Finally, the actors involved should have the competencies for the realisation of the pact's proposals, i.e., they should be committed to implementation particularly with respect to financing.

We started our analyses with a description of the political and administrative structures of each country focussing on their relevance for the labour market since we felt that the different institutional frameworks and traditions in each country will have consequences for the establishment and operation of a TEP. What might be a necessary condition for success in one setting may either not suffice or be necessary in another institutional environment.

As a next step, we briefly analysed recent general economic developments in each of the three countries as well as the labour market situation during the decade preceding the establishment of the TEP. Labour market developments were analysed both on the national and regional/local level. Different labour market situations create different pressures and problem awareness and attract different participants to the TEP.

The major effort was devoted to the governance of the selected TEPs: their struc-

ture, their operation and their impact were investigated on the basis of documents and structured interviews. The major documents were the treaties establishing the TEPs, minutes of the meetings, project proposals, etc. Interviews were carried out, among others, with the pact managers, representatives of the pact members, pact 'outsiders', leaders of project groups, and regional/local politicians involved. In addition, we consulted previous reports on the TEP and/or already existing evaluations. In the following section, we shall concentrate on the Austrian TEP analysed, viz., the TEP for Lower Austria.⁶

4. The Territorial Employment Pact of Lower Austria

4.1. The national and regional framework

Austria's unemployment rate has traditionally been among the lowest of the OECD countries and, thus, also among the EU – Member States, although unemployment rose to – by Austrian standards – unacceptably high levels during the late 80s and again in the nineties. This rather successful development in the post-war period was in part certainly due to a well – established Social Partnership, i.e., a tripartite cooperation between representatives of labour, business, and government⁷. Simplified, one could argue that one of the effects of this Social Partnership was a smoothing of the business cycle: during downturns, labour would moderate its demands for wage increases while during booms, business would be willing to grant more generous raises. In addition, for many years raising employment and keeping unemployment low were top priorities for the government.⁸

Thus, there were already structures that did ease the establishment of further strands of cooperation as foreseen by the TEPs, drawing new partners into activities with relevancy

⁶ We shall not comment on the variety of interesting analyses concerning the Dutch and German TEPs selected, which are to be found in BUCHEGGER-TRAXLER, et al. (2003).

⁷ For a description and new developments of the social partnership in view of Austria's accession to the European cf. TALOS (1999, 1997).

⁸ Assisted by a policy of maintaining a low rate of inflation as well as a hard-currency policy; cf. UNGER (1999).

for labour market policies. In Austria, one pact was established for each of the nine Austrian provinces⁹ between 1997 and 2001. Each TEP covered the territory of the whole province and should thus be classified as regional pacts. The set of actors as well as the governance structures chosen vary from pact to pact. In each case, the relevant Federal Ministry¹⁰ played an important role in the initiation phase of the TEP.

4.2. The establishment of the TEP for Lower Austria

Lower Austria – being one of the larger provinces of Austria both in area and population – reflects in many ways the Austrian average: its unemployment rates follow closely the Austrian rate, within its area there are some very strong economic regions, but there are also problem areas in terms of economic development, and the sectoral structure of Lower Austria's economy does not differ very much from the overall Austrian structure.

In 1999, the TEP for Lower Austria was established on the initiative of the Federal Ministry of Labour and Social Affairs with a treaty signed by the major partners, viz., the Province of Lower Austria (NOe)¹¹, the Labour Market Service, Lower Austrian Branch (AMS), and the Federal Office of Social Affairs (BSB). The operative pact structure (i.e., essentially, the pact management) was funded by the EU, the Federal Ministry, and the Province of Lower Austria. The treaty covered the period 2000 – 2004, with the possibility of prolongation.¹²

The governing structure consists of the Steering Group (SG), the Platform, and the Pact Management (PM). The three major partners just mentioned form the SG. The SG is joined in the Platform by supporting members such as the Economic Chamber, the Federation of Austrian Industry, the Chamber of Labour, the Austrian Federation of Trade

Unions, Associations of Municipal Representatives of the Social Democratic Party and of the People's Party (the two major political parties in Austria), plus Gender Mainstreaming representatives. The PM, finally, is made up of the pact manager assisted by a small team of experts (gender mainstreaming, project assistant) and a secretariat.

While the PM is funded by the EU, the Federal Ministry and the Province, funding for the projects initiated, approved and/or continued by the TEP comes from the AMS, BSB and NOe – i.e., the three major actors forming the SG. As we shall see, this is an essential feature of the Lower Austrian TEP since it ensures that the commitments made by the TEP are provided with the financing required for their realisation.

The first action of the PM was to prepare a report on the status quo of the labour market in Lower Austria.¹³ This detailed description (by regions, actors, sources of finances, etc.) identified problem groups and surveyed existing measures and projects in regards of the labour market. It not only showed which policies were already carried out in the Province but also provided the basis for defining the goals of the TEP.

4.3. The goals of the Lower Austrian TEP

What are these goals of the TEP? They were both quantitative (a special feature of the Lower Austrian TEP!) and qualitative: Between 2000 and 2004

- 20,000 additional jobs were to be created;
- The unemployment rate should be lowered from 6.9 to 5.4 %¹⁴; and
- Funding for labour market policies in consecutive years should not decline (but rather be increased).

In qualitative terms the TEP should

- Pay attention to regional balance; and
- Address measures for special groups, such as the long-term unemployed, the younger generation (below 25 years of age) and the

⁹ The only exception being the province of Styria which originally had local pacts before an overall TEP was established covering the whole province.

¹⁰ Originally, it was the Federal Ministry for Labour and Social Affairs, later on the Federal Ministry for Labour and Economics.

¹¹ These are the German abbreviations.

¹² See NOe Beschäftigungspakt (1999).

¹³ Cf. VORLAUFER & WAGNER (1999).

¹⁴ This is the unemployment rate by the Austrian definition, which is approximately 2 to 2.5 percentage points higher compared to the figures according to the EUROSTAT – definition.

elderly (above 45 years of age), women, and handicapped persons.

This last emphasis – handicapped persons – was mainly due to the fact that the BSB was one of the major actors of (and financial contributors to) the TEP. The BSB's main task is to advance social and economic inclusion of this group of persons. The participation of the BSB in the TEP was one of the innovations of the Lower Austrian TEP.

4.4. The functioning of the Lower Austrian TEP

How did (and still does) this TEP function? The PM carries out the day-to-day business and holds (and also moderates) the meetings of the SG. The SG meets regularly (app. 4 – 5 times per year) to discuss and decide on projects and measures submitted by the PM. The Platform meets once a year, discusses and decides on (quantitative) goals and general objectives of the TEP for the following year (s). This implies that 'rolling planning' takes place with annual revisions of the TEP's objectives on the basis of previous developments and the assessment of actions necessary in the foreseeable future.

Who initiates policy measures? In principle, projects and measures are initiated by the members of the Platform, by the SG, and the PM. The latter does this either on its own initiative or it follows proposals from the 'basis', which thus forms an element of the bottom-up approach envisioned by the EC. These proposals can either come from potential project groups who are advised in this process by the PM or the PM tries to find organisations to carry out projects generated within the PM (e.g., by its advisory team).

The decision on policy actions proposed is then taken by the SG – which also commits the funding. Examples for measures would be:

- In the area of labour market policy:
Employment initiatives;
Support for socio-economic enterprises;
Assistance with the establishment of new business; and
'Flying nannies';
- In the field of structural/regional policy:
Evaluation of measures with respect to their potential for job creation; and

Specific training for skills required by newly locating firms;

- In the realm of social policy:
Improvement of child care facilities; and
Establishment of protected enterprises.

4.5. Success factors of the Lower Austrian TEP

Our analyses showed that the Lower Austrian TEP has to be considered a rather successful undertaking. What are the specific factors of success for this pact?

At the outset, it was certainly the common awareness of problems: unemployment had risen in the recent past and – rather important – the Status-Quo-Report clearly showed the areas in which additional action was most needed. The participants in the pact accepted this report as the basis for their further discussion and action.

Secondly, the relevant actors were included as partners in the TEP; foremost, those that also provided the financing for the measures decided upon (within the SG). In addition, other major stakeholders in labour market questions were represented in the Platform and thus did not feel that the TEP was an organisation that competed with already existing structures.

Thirdly, as already mentioned, the members of the TEP had the competency (by law) and the finances for the realisation of the policy decisions taken. The measures agreed upon could be enacted and funded by the institutions represented within the SG.

Fourthly, the already existing, but sometimes informal, structures of cooperation were expanded and raised to a formal level. This meant that institutions would continue to interact apart from personal relationships which form an important basis for fruitful discussion on a regional level. The existing personal relationships ensured a climate of mutual trust as well as a consensual approach to finding solutions to labour market problems.

Finally, and not of least importance, it was the quality of the PM that contributed significantly to the successful implementation of the TEP in Lower Austria. This includes the provision of the comprehensive Status-Quo-Report, the cooperation with the basis groups, the discussion with other TEPs (nationally

and internationally), the generation of innovative projects, the thorough preparation of the meetings of the SG and the Platform, the efficient moderation of these meetings, and the organisation of the continuous evaluation of the measures taken by the TEP. Thus, the PM proved to be a valuable asset for the TEP.

4.6. Effects of the TEP in Lower Austria

The pact succeeded in the inclusion of new actors in the labour market policies, foremost the BSB. In this way, it improved coordination which was more formalized, thus becoming independent of the specific individual actors while maintaining the climate of good personal relationships with the mutual trust important for jointly finding solutions to labour market problems. The pact also stimulated increased communication between firms.

Based on the Status-Quo-Report, the TEP contributed to the avoidance of duplication of policy actions and/or overlaps of actions taken by individual institutions. Quite to the contrary, it led to a bundling of efforts, coordinated actions and joint financing – and thus to a more efficient and effective use of the resources available. In this context the PM served as a ‘hub’ for information as well as coordination and service, easing the cooperative efforts of the TEP partners.

In addition, the pact formed a framework for continuous financing: if, for example, the rules of one institution would no longer allow it to continue financing a specific (successful) project, this financing could then be continued by another partner within the TEP. Thus, long-term projects could be established that otherwise would not have been possible or that would have had to be discontinued. Examples would be child care facilities to allow mothers of small children to continue working or ease their re-entry into the job market, or the establishment of ‘labour foundations’ that supported, e.g., long-term retraining measures for large groups of workers who lost their job due to major restructuring or company closures.

The TEP could also bundle measure in order to concentrate efforts on specific target groups as suggested by the EC as well as contained in the specific goals set by the Lower Austrian pact. New among these groups

exposed to such concerted actions were handicapped persons. This improved focussing of policy measures contributed to a more efficient and effective use of public funds.

The pact also instituted a continuous evaluation of all policy measures with respect to their effectiveness in reaching the goals set at their initiation. Combined with the ‘rolling planning’ of the pact, less successful projects would be discontinued while more effective ones would be continued or expanded.

4.7. Problems of the Lower Austrian TEP

Of course, there were also problems and, thus, room for improvement and development of the Lower Austrian TEP. At least initially there was reluctance on the part of company representatives to participate: they had to be convinced of the necessity of such a pact and of the fact that the pact would also contribute to the solution of some of the firms’ problems (e.g., providing workers with required skills). Related to this reluctance was (and perhaps still is) an insufficient connection with the structural policies of federal and provincial institutions.

Some critics also doubted that the approach taken was really ‘bottom-up’ since projects were initiated quite frequently at the top where their implementation was also decided. Did the individuals concerned (or their immediate representatives) or the communities really have sufficient influence and power in this process?

Another criticism concerned the timing of policy measures. They were deemed to be only of an ex-post nature simply ‘repairing’ problems rather than being preventive. The (re) training of workers could serve as an example: if one recognizes future potential problem areas one should retrain labourers while they are still employed instead of waiting until they become unemployed. In order to be able to do this, existing regulations would have to be changed – which was one of the original objectives of the European Commission to be achieved with the establishment of Territorial Employment Pacts.

Finally, cooperation with Regional Managers should be improved since they could serve as a valuable input in the decision making process: Regional Managers have

first-hand knowledge of the problems in their region within Lower Austria; they have information on the success or short-comings of policy measure – and may have ideas as to new approaches.

5. Concluding Remarks

The preceding analyses were also implicitly based on the experiences and results of the research into the other TEPs within the research projects, i.e., the two Dutch and the three German pacts analysed. The following final remarks or recommendations also reflect the experiences of these pacts not presented in this paper. What would one recommend to observe when establishing a structure of coordination of policies with relevance to the labour market?

Unfortunately (or fortunately?), there is no unique solution, no single way to proceed in a successful fashion. Each and every pact will have to pay attention to the very specifics of the situation existing in the region/community it will be dealing with. Still, there are some general rules that one should observe.

At the outset, the specific situation must be carefully evaluated, perhaps differentiating between regional and local pacts since they may require different approaches. During this process, it is important to communicate with already existing structures in order to avoid being recognized as an ‘unwanted’ competitor. As a result, a common awareness of problems should be created from which the objectives and goals of the pact would be derived. These should be accepted by all partners. Make sure that the major actors with respect to the labour market become partners in your pact!

Another important aspect turned out to be a good pact management with a clear mandate within the pact structure created. Such a pact management should – among other things – contribute to an appropriate, consensus-oriented culture of discussion both within the pact structures and with relevant institutions or groups outside of the pact.

And there should be secure access to funding for the measures proposed. This can be achieved in a variety of ways, though this also differs between regional and local pacts. The possibilities range from the inclusion of the institutions disposing of the funds in the

pact or ensuring good access to supra-regional or supra-local sources of financing. Measures proposed that cannot be implemented due to lack of financing lead to frustration and, perhaps, ultimately to the dissolution of a pact.

One of our most important findings was that for a Territorial Employment Pact to be successful, not all success conditions encountered have to be present or met: deficiencies in one dimension can be compensated by intensified commitments in another aspect. This allows for creativity and gives hope to the successful coordination and improvement of labour market measures in the presence of imperfections in organisations.

In view of the importance of supplementing EU-wide and national labour market policies through coherent measures on the local/regional level, TEPs can become an important means to the improvement of the efficiency and effectiveness of the scarce funds available for labour market and structural policies.

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Presentation of the Issue

What is the problem that requires action?

Scope of the Problem

What is the history and current context of the issue? How did it become an issue? Who is affected and how severely?

Consultations

What are the views or positions of groups who will be significantly affected? What are the concerns of other ministries/agencies who will be affected?

Options for Consideration

What three or four distinct options should be considered? What are their implications? What are their advantages and disadvantages?

Additional Issues:

Consistency with the government's priorities; the effectiveness of available options in addressing the issue; the economic cost-benefit; the effects on taxpayers; the impact on the private sector; environmental impacts; the fiscal impact on the government; the disproportionate impact on various groups or regions; the complexity and timing of implementation; public perception; and constraints raised by legal, trade, or jurisdictional issues.

Recommendation (s)

What is the proposed course of action? Why was it chosen over other possibilities?

Implementation Issues

What are the financial impacts of the proposed course of action? What are the implications for government operations? Will the proposal require regulatory or legislative changes? What is the proposed means of evaluation?

Communications Analysis

What is the current public environment? What are the key issues of contention, and how can they be addressed? What is the position of key stakeholders, both inside and outside the government, on the proposal, and what communication vehicles should be used for each? How does the proposal relate to government reform priorities? What is the objective of communication on this issue? What is the key message?

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The introduction should supply sufficient background information on the topic and also provide the rationale for the present study. Suggested guidelines are as follows: (i) the introduction should first clearly present the nature and scope of the problem that was researched; (ii) it should provide an overview of the pertinent literature used; (iii) it should state the research methodology employed and, if necessary, the reasons for using a particular method; and (iv) the principal results of the investigation should be stated.

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Discussion

This section presents principles, relationships, and generalisations indicated by the researcher's findings. This should not restate information present in the results section, but should: (i) point out any exceptions or lack of correlation; (ii) define unresolved issues; (iii) show how the results and interpretations agree (or contrast) with previously published work; (iv) discuss the theoretical implications of the work, and any possible practical applications; and (v) summarise the evidence for each conclusion. The primary purpose of the discussion section is to show the relationships among facts that have been observed during the course of research. The discussion section should end with a short summary or conclusion regarding the significance of the work.

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References

Only significant, published references should be cited. References to unpublished data, papers in press, abstracts, theses, and other secondary materials should not be listed in the references section. If such a reference is essential, it may be added parenthetically or as a footnote in the text. Secondly, authors should verify all references against the original publication prior to submitting the manuscript. Stylistically, authors should utilise the in-text parenthetical reference system with complete references alphabetised at the end of the text.

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