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**THE CHALLENGES FOR THE NEXT DECADE:  
NOTES FOR A DEBATE ON THE DEVELOPMENT  
OF THE EMILIA-ROMAGNA REGION**

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### *Abstract*

With regard to the exogenous changes and the endogenous impulses that Emilia-Romagna is now facing, this paper presents what appear to be the main issues in the present transformation era of one of the richest regions in Europe. In particular, we outline the dynamics of changes at regional level with regard to both the changes in the interrelationships among the major actors, and the emergence of new phenomena, such as the demographic trends. The main regional policy measures to foster local development are sketched by focusing on industrial policies, transport infrastructure plans and policy measures on learning processes, as they emerge in the changes undertaken at regional level in technical and vocational education.

### *Key words*

Regional policy, industrial dynamics, local development, learning regions, technical and vocational education

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## 1. INTRODUCTION

### 1.1. *The Emilia-Romagna region twenty years after the «Emilian model»*

When in 1980 Brusco drew wide attention to the development of the Emilia-Romagna region<sup>1</sup>, he proposed for the first time what he called «the Emilian model». The model stylized the essential characteristics of the economic and social development peculiar to this region and gave an empirical analysis of what in the next decade became a common reference in discussing development, *e. g.* the role of the «embeddedness» of economic relationships in the network of social relationships<sup>2</sup>. The development of Emilia-Romagna region was not explained as the ephemeral outcome of small enterprises exploiting low wages or tax evasion<sup>3</sup>; it was the kind of embeddedness above mentioned the key variable accounting for the success of the Emilian model.

Twenty years after, we find Emilia-Romagna among the «richest» regions of Europe. Although we believe that this position is still explained in terms of that model<sup>4</sup>, in this paper we argue that there are some deep changes which are important to consider in order to outline the many challenges for the next decade. Before looking in detail at the current situation at regional level, we should consider that – although the economy of Emilia-Romagna has historically been open to foreign markets and has long been exposed to international competition – the general background is characterized by a series of rapid changes, all of them having a considerable impact at local level and with no comparable effect in the recent history of the country.

Let us consider, first of all, the process of European integration. Even though the monetary policy will no longer be decided at individual country level, European integration urges the necessity for national policies and, in Italy, the government institutions are undergoing a thoroughgoing process of reform involving several contexts: justice, education, social security and decentralization of central government functions towards local government institutions. In particular, the regions are becoming the key actors in undertaking industrial and social policies, in accordance with the European guidelines.

These major changes and the new global market scenario have, of course, a considerable impact on the economy of Emilia-Romagna. In particular, since global competition is increasingly

<sup>1</sup> In 1980 an Italian version of the «Emilian model» was published in the left wing review *Problemi della transizione*. The novelty of the analytical approach Brusco proposed in that paper aroused the interest of many international scholars – such as Charles Sabel, Michael Piore, Frank Wilkinson, Jonathan Zeitlin – who supported the publication of an English version of the paper, finally published in 1982 by *The Cambridge Journal of Economics*.

<sup>2</sup> Cf. Polanyi (1957) and Granovetter (1985).

<sup>3</sup> This was a typical argument presented in a wide literature on development stemming both from main stream economic theory, and from the left wing tradition (cf. Brusco and Pezzini, 1992).

competition among «territories» (more than among individual enterprises), the local production systems of Emilia-Romagna are trying to keep pace with global changes, without losing their competitiveness and avoiding the social splits potentially involved in the ongoing changes in the social and economic life of this region.

Although this is a very wide theme for discussion in a single paper, we shall attempt to outline a way of reading those changes, and we start by stressing one element characterizing industrial districts and local production systems<sup>5</sup>, i.e. their ability to produce a surplus not immediately re-employed in production: culture, passions, personal involvement and labour supply not used in the organization of production under normal conditions. All these «redundancies» are used to face those qualitative and quantitative changes in demand that are typical for the products of the local production systems of Emilia-Romagna.

Let us observe that here the notion of «system» refers to what emerges from a multiplicity of interactions at several levels: within and between enterprises, between many different actors – such as enterprises, associations (of workers, of enterprise, of entrepreneurs), schools, universities, research centres, local authorities. The key element linking a «system» to a territory is the presence of redundancies of the kind above mentioned. These resources are «deposited» in the individuals and through time they are cumulated, enriched, modified, and handed on. If these redundancies were only in individuals, labour mobility would be a way of eliminating differences among territories. But the redundancies we are considering are those emerging from the interrelationships between individuals and institutions who in that territory live and operate. Individuals decide to mobilize those redundancies not only to face the changes in the final demand, but more generally to face the changes in the social, technical and economic environment: it is, then, this ability that is crucial to maintain because these redundancies foster the virtuous circle linking competition to learning processes.

How and by whom are the redundancies needed in a territory to support its local production systems produced? By individuals or institutions? Or both? And what is the time profile of such a production of redundancies? In particular, which role is played today – and has been played in the past – by the various actors (family, school, local authorities, associations) in creating, transmitting, and mobilizing those redundancies? Furthermore, once the mechanism that produces redun-

<sup>4</sup> Many aspects of the Emilian model have been examined in other papers, cf. the essays collected in Pyke, Becattini Sengenberger (1991) and Cossentino-Pyke-Sengenberger (1996).

<sup>5</sup> The industrial district is «a socio-territorial entity typified by the active co-presence, in a circumscribed territorial area chosen for natural and historical reasons, of a community of people and a population of firms» (Becattini, 1979: 112). The dominant economic activity of the district is characterized by the presence of a local production system in which firms specialize according to phase in the same production process. The final product of the district is generally bound for the world market and there are stable relationships between suppliers and customers which operate within the district. Within one and the same territory there might be active more than one local production system, not completely cen-

the one concerning relationships among people, their history, their culture – as an essential part of the dynamics of the local production system and of the policy measures for local development.

With no intention of providing an exhaustive picture of the exogenous changes and the endogenous impulses that Emilia-Romagna is now facing, this paper will present what appear to be the main issues in the present transformation era: section II outlines the dynamics of changes at regional level with regard to both the changes in the interrelationships among the major actors, and the emergence of new phenomena, such as the demographic trends; section III sketches the main regional policy measures to foster local development, focusing on industrial policies, transport infrastructure plans and policy measures on learning processes, as they emerge in the changes undertaken at regional level in technical and vocational education. Section IV summarizes the main points of our presentation.

## 2. THE DYNAMICS OF CHANGES: ENDOGENOUS AND EXOGENOUS FACTORS CHANGING THE REGIONAL ENVIRONMENT

In describing the dynamics of changes in the interrelationships among the major actors, a first consideration is that the actors are no longer those acting in the 1980s, when the «Emilian model» appeared on the world scene: the social, political and economic context – in which the roles and the aims of those institutions and organizations are defined – are no longer the same as twenty years ago, and the people in those organizations have also changed. This last observation might seem a trivial one: twenty years are enough to put into retirement an entire generation of leading figures, but this could affect, among other changes, a missing link with past experience, that in some cases provided the motivation for action. The interplay of changes at different levels is very difficult to describe and here we shall focus only on those affecting the impact of the regional policies that will be discussed in section III.

### 2.1. *The manufacturing enterprises: global competition and local roots*

In the last decade, manufacturing enterprises in the region matured two significant linked changes that will have long term influence on the development path of Emilia-Romagna: the internationalization of production and the emergence of new local linkages. Policies for the extension of the range of products are carried out not only internally, but also through mergers and acquisitions on the same territory as the dominant one in the industrial district. Cf. contributions in Bellandi-

tions or creation of new firms<sup>6</sup>. As a result, more than in the past, many enterprises and often their networks are now characterized simultaneously by local and global relationships and this will greatly affect their relationships with the territory in which they originated. In particular, increasing external relationships have not reduced the importance of the ones with the other companies in the local production system. To some extent, the global competition has highlighted the greater value of local resources where the social, and not only technical and economic, dimension of production finds a proper space in which innovation might emerge. For example, in the region there are cases where a number of sub-suppliers have become specialized producers of components able to sell their product directly at international level; a number of them, on the other hand, are starting to improve their services, providing no longer single parts, but complex components, the production of which involves, in turn, the outsourcing of the many parts and then the co-ordination of other specialized sub-suppliers. Especially in the mechanical sectors, the relationships between the sub-suppliers and their contractors are less and less based on simple execution of the design prescribed by the contractors; in some cases, large contracting companies have selected a small number of sub-suppliers to which they have assigned the entire design and production of complex components of new products. These activities are, then, upgrading the competences of such sub-suppliers and, in turn, will probably change – upstream – also the competences required by their sub-suppliers.

Another change occurring in the manufacturing activity in the region is that the territorial and sectoral boundaries of local production systems are not so precise as in the past. Local systems competing on the basis of knowledge need complementarities and, in some cases, complementarities emerge within the existing networks, by the development of specific engineering providers and specialized services; in other cases, there are close relationships between different complementary systems within or, sometimes, outside the region (as in the case of the agricultural-food production system or the motor production system).

In general, changes in the manufacturing enterprises have generated an increasing need for qualified knowledge to improve quality, management capabilities, to manage international market and production relationships, to innovate products and business organization. All this has stimulated a high demand for new competencies: on the one hand for SMEs it is difficult to absorb all of them internally, on the other hand, there is a shortage of these competences in the market, even though in several fields (such as software, engineering and management consultancy, design and

Russo (1994).

<sup>6</sup> An underestimated number of 100 firms of the region are multinationals (99 in 1997, but 36 new takeovers have occurred in the last two years); 163 firms, on the other hand, are owned or participated in by foreign firms. Many of these firms are medium sized firms (50-250 employees) belonging to local production systems; but also smaller firms, even if not investing directly, are able to establish non-trading linkages (such as production agreements or licensing) at international level. Cf. R&P «Italia Multinazionale», Documenti CNEL n. 17, Roma, 1997.

creativity, communication) a very rapid growth of individual professionals and small firms has taken place in these last years.

## 2.2. *The associations of small enterprises: from representative of associated SMEs to supplier of services for SMEs*

The Emilian model indicated a crucial actor never mentioned before in the literature on economic development: the associations of small enterprises. These emerged after the Second World War to give voice to a multitude of small artisan and industrial enterprises: this role of intermediation was crucial in the development of the surging industrial district, providing a linkage between the individual small enterprise and local authorities, political, institutional and social actors, both at local level and at national level.

In the past twenty years these associations have interwoven that role with a new role as suppliers of specialized services to support associated entrepreneurs. In the rest of the world these tasks are accomplished by various subjects, both private and public, but in Emilia-Romagna there is a clear prevalence of the associations *di rappresentanza*, and it is of some interest to discuss the peculiarity of this situation. Although it is a phenomenon common to all the associations of firms in the region, CNA of Emilia-Romagna represents an outstanding case. It is the largest association of SMEs in Italy and its main presence is in Emilia-Romagna where it embraces about 65,000 enterprises (in all sectors except agriculture)<sup>7</sup>, for a total of 250,000 employees.

This association acts in three main ways: 1) it represents the firm in the dealings with trade unions and local and national government; 2) it carries out tasks for some enterprises, such as pay packets, tax accounting, income-tax return; 3) it supports the firm's competitiveness on the market<sup>8</sup>. Another relevant aspect is the association's life: through seminars, conferences and small group discussions it allows important formal and flexible relationships between firms, that sometimes generate enterprise networks formed in order to get information, benchmarking and new businesses. In this role, the association facilitates inter-firm relationships, providing them with a sort of marketplace where interactions may take place. Although it acts in orienting public policies

<sup>7</sup> Associates are generally enterprises with less than 50 employees, but in the last decade many medium size firms (with less than 150 employees) have joined the CNA in order to have access to the many services it offers.

<sup>8</sup> CNA acts in the location and realization of areas for industrial settlement, participation in fairs and exhibitions (in Italy and abroad), organization of vocational training courses; it promotes enterprise cooperatives and provides assistance for the access to credit from the banks and creation of means for credit guarantee consortia (70.000 enterprises involved), supplies hardware and software equipment for company needs, and services for increasing product and process quality.

for local development, the association does not have the power to intervene in individual firms' decisions, but it does act as a consultant<sup>9</sup>.

To perform all these activities, CNA of Emilia-Romagna relies on a big organizational structure with 2,500 employees distributed in 230 municipal offices, 10 provincial and one regional. It is directed by the members themselves, who create a leading group, now consisting of 1.200 persons. In practice, to maintain such a large ramified organization, resources are drawn not so much from the annual membership fee paid by the members, as from the services it offers to the enterprises associated. Therefore the CNA of Emilia-Romagna is not only the largest association of SMEs in the region<sup>10</sup>, but is also the biggest service enterprise of Emilia-Romagna, with a territorial diffusion and a range of services offered that has no comparable experience in the region.

### 2.3. *The reasonableness of the trade unions of Emilia-Romagna*<sup>11</sup>

Emilia-Romagna is a place of strong traditions of solidarity and association, which accounts for *inter alia* the relatively high rate of union membership even in small firms. Decisive were the 1970s, when the Emilia-Romagna unions responded to productive decentralisation with a bargaining policy that did not allow wage cuts in the small firms. This dynamism led a great number of SMEs to innovate in order to stay alive.

What needs to be emphasised is that union power, with some exceptions, has never created unmanageable or destructive situations but has rather aimed at a reasonable behavior inspiring local wage policies uniform with those run at national level. Moreover, the presence of strong bargaining at local and individual firm level has enabled the effective application of the national contract, an adequate application of levels of skill and a continuous check on working conditions (both in and outside the factory). The presence of a widespread cooperative and artisanal tissue, run by ex-worker entrepreneurs, has provided experience of management and bargaining practices based on the search for consensus<sup>12</sup>. Union power has been a deterrent for unfair competition, and in this sense it has not been opposed by entrepreneurial associations. The balance of interests in Emilia-Romagna has led to constructing a negotiating game on the basis of written and unwritten rules, made up of reliability, acknowledgement of representativeness, prior information; all of which has facilitated negotiation and the search for conciliation with strong commitments regarding investment, employment and environmental issues.

<sup>9</sup> A recent survey conducted with a sample of associated firms has highlighted that entrepreneurs involved in associative life improved their own capability to tackle the company's problems. Cf. SWG (2000).

<sup>10</sup> About ten other associations of small and medium enterprises operate in the region.

<sup>11</sup> For more detail see Brusco and Fiorani (1998).

<sup>12</sup> These experiences bear witness to the possibility of strategies different from the head-on clash, which in the 1950s was very acute in Emilia-Romagna, with large popular participation in union and political struggles.



Indeed, the region has been a workshop in industrial relations, and has featured behaviour later to be adopted at national level – e.g. the law on home working, on mobility, on the cohesion of policies of territorial development and training, but also on territorial bargaining in the artisanal sectors, as well as individual firm and national bargaining. This experience has shown how it is possible to create an atmosphere of understanding and trust based not on «community spirit», but on the independence of those involved, on making the conflict explicit and regulating it through the extension of the negotiating places.

#### 2.4. *Local authorities: the importance of inter-mediation among actors*

This balance of forces is partly owing to the mediating role of the local authorities, whose desire is for a good public image. Local administrations were and are in general governed by pro-labour majorities, and this has somehow offset the economic power of the entrepreneurs in the workplace, but without having to rely on normative interventions or violations of bargaining autonomy. Intervention by the institutions has always been requested as a device for compensation of the most serious conflicts, clashes on questions of principle, but also of crises and closure of firms. The assurance of impartiality of arbitration favoured understanding by the workers of the real needs of the firm; the possibility of a punitive use of urban planning instruments or discredit in economic and financial society represented a sanction for socially unacceptable or incorrect behaviour by the firm, and encouraged the search for alternative solutions. But social control has also functioned vis-à-vis the unions, who could not seek public support for ultimately corporative demands. Moreover, in this framework, small firms found it advantageous to join an association that was becoming the privileged interlocutor in negotiations with the local authorities on problems whose solution could not be encompassed by the small firm alone – as in the case of certain public services (e.g. factory canteens, transport, professional training), or when the solution of firms' crises required mobility on the part of the workers.

In orienting the decisions on development, this practice has allowed workers a greater margin of action than what could stem from the power relations in the factory. For that matter, the presence of workers in local administrations elected as citizens' representatives has indeed rendered the various social actors less unequal, also from the decisional point of view. The possibility of social defence against losing one's job – even if it does not match the lifelong employment typical of Japan – has avoided the prevalence of union policies centred around obstinate protection of bargaining achievements, and has provided an incentive to cooperational relations. Lastly, this practice has enabled entrepreneurs to understand and face up in advance to the social impact of their economic decisions, and to appreciate the value of having a good reputation both inside and outside the workplace.

## 2.5. *Demographic trends and development*

In general, as the productive structure is currently articulated, existing firms are capable of growing and new firms enter at a moderate rate. It can be envisaged that in the next few years the labour demand in this region will increase, though with a rate of growth lower than in the 1970s and 1980s and certainly with a different composition as regards the professional profiles required by the system of manufacturing enterprises and service firms. However, the economic growth of the region may find more of an obstacle in the supply of than in the demand for labour, in technological innovation or in investment.

The natural population growth in the region is negative<sup>13</sup>. Quantitative projections of the professional profiles regarding the labour demand over the next decade are not available; but, notwithstanding the lack of precise data, one can be certain that the demographic aspects will have multiple effects that will have to be faced by the education and social policies. Let us call attention to two of these effects.

The first concerns the large deficit of work force that would be needed to fill jobs with a fairly low degree of skill (dirty and heavy work). Despite the high level of automation in the region, there is still a demand for very low skill labour – in both the service and construction sectors, but also in manufacturing – and this is often associated with unhealthy working conditions. The demand is met by a work force coming from areas of Southern Italy (where unemployment remains above 20 per cent), but predominantly by citizens of countries outside the EU.

Immigration has contributed crucially to the development of all Northern Italy. As regards Emilia-Romagna, in the 1970s (when the population trend was positive) several social and cultural interventions had the effect of raising the level of the social and cultural, as well as wage, expectations of the migrants who in this region were not pushed to the margins of society, but became an active element in a far-reaching process of social and technical change. In this connection, it should be recalled that one reason why work conditions improved was because it was not socially admissible to call people from outside to perform dirty, heavy jobs, which could be avoided by the introduction of suitable technology. This process of transformation increased the wealth of such places, involving civil society as a whole. Today, the new wave of migration calls again for intervention to raise the social and cultural expectations of those arriving here in search of work: this is an essential condition for avoiding social splits and to foster potential feedbacks also for the regions from which these workers come, which require not only social and cultural intervention, but also policy measures in the field of technical and professional education.

<sup>13</sup> Demographic projections for the region show that over the next ten years a gap of about 6,000 units between labour demand and supply will have to be bridged. Cf. Local authority for culture, sport, youth projects, training systems – Emilia-Romagna Region (1995). Even more

The second effect concerns the generational turnover in the ownership and management of numerous family-run enterprises: the number of offspring has fallen and the growth of these firms is strongly dependent on the effective abilities of that offspring.

In the face of these changes it is not hard to see how the former harmony between certain technical and vocational schools and the local economic system has broken down. It was that harmony that had started a virtuous circle in which the technical skills learnt within the school represented, in that particular social and productive structure, a fundamental element of knowledge to filter down through the entire productive tissue.

## 2.6. *Social changes causing difficulties in union action*

Both at regional level and in the individual local production systems, the unions today play an active part in the interaction between government and social forces. This interaction, preliminary to the important decisions in policy making, is called «concertazione»: it does not rule out social conflict, but it helps to define the scenario within which the social actors will independently act.

Indeed, it does not exclude union bargaining, such as the one in which the union is currently engaged in facing the processes of change in workplaces, from industry to tertiary to public sector. Here the nodal point concerns the capacity and possibility to influence the actual conditions of work, when not only the content of work is changing but – as a result of decentralisation and tertiarisation – even while workers may belong to the same production cycle, they are subdivided into groups with different forms of contract: the coexistence within the same firm of a multiplicity of labour relationships calls once again, in new terms, for the affirmation of rights and safeguards as universal conditions of work.

The last decade has witnessed the decline or delocalization of traditional industrial sectors, and the disappearance of corresponding professional and social identities; the increasingly heterogeneous nature of labour relations. Tensions and divisions have sharpened within the world of work, for example, between citizens and service operators; between EU and non-EU workers; between active and retired workers. At the same time public intervention in the economy and against social inequalities has diminished in Emilia-Romagna as in Europe as a whole. The unions are examining these topics concerning strategic nodes of social life, in a phase in which the union organizations are showing signs of weakness<sup>14</sup>. Indeed, the acceleration in economic and social change casts doubt on all forms of representation of the interests, not only the union one. But the unions – paradoxically to a greater extent just where they are strongest – are more exposed to the

pessimistic trends are suggested by demographic projections disaggregated at provincial level and for Modena's industrial belt. Cf. Fiorani (1997).

<sup>14</sup> Cf. Cella (1999).

changes. This is because among all the major social organizations the union is the least formalised and the closest to the formation of material needs, and hence the most sensitive to their change.

## *2.7. To what extent do industrial relations affect local development?*

Thus it is not irrelevant – even in the case of Emilia-Romagna – to pose the dual problem of what effects the evolution of industrial relations will have on development.

In Emilia-Romagna it has been experienced how the nature of union relations has helped to create a highly structured and regulated society, in which the recognition of workers' rights and their safeguarding has become a commonly and widely accepted datum. It is worth recalling that the experiment in social services, which characterised the initiative of local institutions in Emilia-Romagna, was born as a response by the institutions to requests put forward by the unions in firm bargaining and was sustained by some very tough actions. Over the last fifteen years, it has been persistently argued – against the unions – that these union relations and this system of social services involve an excessive cost for firms, so that Emilia-Romagna, as against competing regions, would inevitably run into economic disaster. But in fact, a strong structure of union relations – even in recent years – far from representing an obstacle has been a valuable resource for development, as is witnessed by the fact that we are among the European regions with the lowest unemployment. It is important to bear this in mind in the face of ongoing processes of transformation in the «age of globalization» and the information revolution, whose challenges pose new possibilities but also new risks. Two examples may illustrate the seriousness of the scenario.

The first has to do with social and health services: these have played a central part in sustaining the economic development of Emilia-Romagna, but they are now viewed as involving excessive costs<sup>15</sup>. So far, the cuts undertaken to reduce the deficit in this sector have also been setting a not important experience – such as the territorial mental health services – that required several years to mature. Set up to provide an answer to the closure of the mental asylums (envisaged in Italy by the Basaglia law of 1978), in the past decade these services were the feather in the cap of Emilia-Romagna. Now, their staff and functions have been reduced in the name of an efficiency that gives scope to private operators and thus bypasses the weaker strata of the population who, today more than previously, feel the effects of social changes that often bring far-reaching disadvantages, including mental ones.

A further example is the difficult situation in the renewal of regional contracts for artisan workers. In the name of «globalization», the artisan firms no longer wish to bear the costs of regional bargaining, which would penalize them with respect to the competing artisan firms in regions with weaker unions than in Emilia-Romagna. Yet it was this selfsame union power that in 1993 enabled

the agreement between associations of artisan firms and the Emilia-Romagna union organizations to create a wage integration fund for firms with less than 15 employees<sup>16</sup>.

These two examples call attention to two aspects of a general nature. On the one hand, it is necessary to assess consequences of decisions that in the short term have a positive impact on budget deficit, but that might be nullified by the social cost to be supported in the long-term. On the other hand, the point is to understand whether – in the relation among the social forces – the ideology of globalization and efficiency evaluated with reference to the short term do not risk becoming the device for dismantling experiences whose importance ranges beyond the interests of the individual local administration or enterprise.

### 3. REGIONAL POLICY MEASURES TO FOSTER LOCAL DEVELOPMENT

#### 3.1. *New institutional settings and regional policies for local development: the innovative response of Emilia-Romagna*

In the past decades, regional development policies have been developed along four major lines – infrastructures, service centers, incentive measures and credit guarantee consortia<sup>17</sup>. The breakthrough change of the last years is the process of administrative decentralization envisaged by the Bassanini Law<sup>18</sup> of 1998. The administrative decentralization has implied a transfer – from the State to the region – of new competencies, but also of assets and financial resources; moreover, it has set up new tasks decentralized and delegated to the local authorities. The effects of these changes have led the regions to rethink their role and the policy measures to support the regional economy. Emilia-Romagna is the first region that approved a law<sup>19</sup> to reorganize its new competences as envisaged by the national law; moreover it has also started a process of deep revision of its internal organization and structure<sup>20</sup>.

To provide more effective policies to foster local development, the approach to development policy has drastically changed, giving new impetus to policy measures co-ordinated at regional

<sup>15</sup> A similar example is that of the infant schools and creches which, in the 1970s, became a reference model on international scale.

<sup>16</sup> This agreement provides for the establishment of a bilateral body with representatives from artisan firms and workers. The experience enabled the setting up of a similar bilateral body in other regions. It must be borne in mind that Italian law entails that, in the case of market crisis or restructuring, only manufacturing firms with more than 15 employees can draw on the public wage integration fund in order to compensate possible wage cuts of their employees due to reduced working hours.

<sup>17</sup> For a description of these measures cf. contributions in Pyke-Becattini-Sengenberger (1990) and Cossentino-Pyke-Sengenberger (1996).

<sup>18</sup> Cf. D.L. n. 112, 31/3/1998.

<sup>19</sup> Cf. the Legge Regionale (Regional Law), n. 3, 21/4/1999, on the «Riordino del sistema regionale

<sup>20</sup> Cf. the «Agenda della modernizzazione della regione» defining the lines for this ongoing process of transformation.

level by the Region through a «programmazione negoziata» (negotiated programming) that must involve all the local actors (both public and private) from the very beginning, so that interests and requirements from each of them can be taken into consideration. The framework within which these measures will be implemented is certainly another novelty in regional policies. For, according to the new regional legislation, the resources for the intervention of the region's industrial policies are pooled in a common fund (the «Fondo unico»). This fund is not administered by the laws of the different sectors, but by a three-year period regional program, updated on an annual basis. The new system enables the incentive system to adapt to the actual requirements of the firms. One common administrative act, yearly updated, enables a greater flexibility, indeed, as compared to many other legislative measures required in the past.

Alongside these changes in regional policy, the priorities in industrial policies can be divided into two main groups. On one hand it is necessary to spread and foster the development with focus on the characteristics of each area. On the other hand, support must be given to the small and medium enterprises so that they can face the challenges of internationalization, innovation and access to financial resources. The instrument that enables these orientations is the Regional Three-Year Plan<sup>21</sup>, to which we shall make reference in this section. With its approval in December 1999, Emilia-Romagna is the first region in Italy to pass a plan of this kind.

These policies are supported by other policies at physical infrastructure level, such as the long term transport plan (PRIT), and those on learning processes, as they emerge in the changes undertaken in technical and vocational education. Together with this set of policies, a regional plan for social policies, integrated with the other measures above outlined, is in progress. So far it has not yet been ready for public discussion and, although social policies will be a crucial component of the regional policies for the next decade, in this paper we will not discuss this topic. Nor shall we present other related themes such as the environmental policies set up by Emilia-Romagna, a region that, even in this respect, is one of the most innovative in Italy. To sketch the overall scenario of the new regional policies, in this section we shall focus on policy measures regarding manufacturing enterprises, transport infrastructure and vocational and training education.

### 3.2. *Industrial policy measures*

The main strands of regional industrial policy may be summarized with regard to the following interventions, that we shall examine in turn: area programs, internationalization, credit and innovation.

<sup>21</sup> Cf. Assessorato alle attività produttive Regione Emilia-Romagna (1999).

*a. Area programs: how to implement negotiated planning?*

In the first place, one way for the region to accomplish the strengthening of local development is to introduce special «programmi d'area» (area programs). This method has two principal novelties. The first is that the «back-up measures» will not be elaborated separately for each sector, but on a territorial basis. Each program contains a wide range of measures aiming at fortifying the weak points and consolidating the strong points of each area, and hence at fostering its development. The second novelty is that projects are elaborated through a method of negotiated planning.

At present eight area programs have been initiated. They cover a wide range of cases: two major municipalities re-qualifying their urban areas, two mountain areas of the Appennines, four areas with special problems, such as the Adriatic coast cities, a thermal site, one port of the region and a new industrial site to locate the expanding production facilities of the motor producers already operating in Bologna and Modena. The programs provide for the investment of public resources equal to 226 billion lire (117 million euro) at the expense of the region, 319 billion lire (165 million euro) at the expense of local and territorial entities, during the three-year period 1998-2000. Private investments in excess of 1,200 billion lire (620 million euro) should be added on top of this.

The range of cases so far initiated will provide opportunities for implementing the characteristics to be required for the approval of other area programs. A challenge still open is what will be the real ability of the social forces, acting at local level, in building credible area programs. On the basis of the programs under way at the time of writing, the regional administration must also find out the proper instruments to monitor the efficacy of their actions. Monitoring then becomes crucial not only to check for the standard of the expected results, but also for implementing the two novelties of the area program framework: the institutional requirements for having a more complete integration of the multiplicity of interventions needed in a same program and the ways of fostering negotiating planning.

*b. Internationalization: the new institutional settings*

A second level of intervention concerns the policies of support for the small firms through a variety of channels regarding internationalization.

Despite the small size of the enterprises in the Emilia-Romagna region, they have always been very active on foreign markets. Emilia-Romagna is, as a matter of fact, one of the most important export regions in Italy, as it accounts for 11.3 per cent of the national export with a value that during 1998 reached 50 thousand billion lire (26 billion euro). The reform of ICE (Istituto per il Commercio Estero) and the competencies that have been transferred from the state have given the region a key role in this context. To overcome the fragmentation that still exists today in this respect, the final aim of the region is to set up a common regional body to support the presence and the consolidation of the production system abroad. Therefore the Emilia-Romagna region – in cooperation with the Ministry for Foreign Affairs, ICE, SACE (Istituto per i Servizi Assicurativi del

Commercio Estero), and SIMEST (Società Italiana per le Imprese all'Estero) has set up a regional agency for internationalization. The agency is located near the ICE office in Bologna and will work through a region-wide network involving also associations within the different sectors, entrepreneurs' associations and the trade fair and banking systems. The objective is to provide the firms with information and assistance so that they can benefit from the services for internationalization that are already available, and also to integrate the means for financial support and insurance offered by the national authorities.

*c. Credit: strengthening of the positive experience of guarantee consortia*

Credit policy is not a new strand in the regional policy of Emilia-Romagna: with the aim of supporting the investment capacity of the small and medium enterprises, which is often insufficient, since the 1980s the system of credit guarantee consortias has been boosted. These structures were financed partly by the region, partly by associations within the different sectors, Chambers of Commerce and associated firms, and acted as guarantor of loans that the firms apply for at the bank, often with the possibility of achieving favorable rates. At present, 54 consortia, with the capacity to provide financial support up to 1.100 billion lire (570 million euros) a year, are operating in all productive sectors. As a result of the new competencies that have been delegated from the State, the region can, on the one hand, continue to support the credit guarantee consortia, and, on the other, provide its own guarantee funds and establish agreements with credit institutions to support loans for particular aims. Moreover, the Regional Administration aims at defining the proper measures with regard to the capitalization of the firms. These measures should make it possible to prepare small enterprises for entrance on the Stock Exchange and develop an innovative financial system so that new venture capital enterprises can be created and internationalization can be further promoted.

*d. Innovation: building a research network among the various actors*

With regard to innovation, the guide lines of the regional policy respond to the growing demand, especially from small and medium-sized enterprises, for services helping businesses to maintain and develop their competitive advantage through technological and organizational innovation both within and outside the firms. The wealth of research activities and human resources available in the Region has obviously had a strong impact on the regional production system, however it still remains a critical factor for enhancing the competitiveness of the enterprises operating in this territory<sup>22</sup>. The regional policy aims to build a bridge between the world of production and the

<sup>22</sup> In Emilia-Romagna there are four public universities (Bologna, Modena, Ferrara and Parma) and one private university (the Cattolica at Piacenza). They all have sizeable technical and scientific departments (employing about 10 per cent of total teaching staff and almost 9 per cent of the research staff of the all universities in Italy) covering a wide variety of subjects. In addition to these universities, the region can also call on the services of three other research centers: CNR (Consiglio Nazionale della Ricerca – National Research Council), ENEA (Ente Nazionale per le Tecnologie, l'Energia e



world of research, as these two worlds continue to have problems to communicate. This could be done through a network of devices to identify the needs of the enterprises and hence transfer the results of the technological research.

Establishing a system which positively matches the services offered by research bodies with the demand for knowledge and skills from the firms requires the promotion and definition of specific activities facilitating the transfer of knowledge. Defining and implementing these activities in turn require special methods, and particular survey and implementation methodologies.

Researchers and research organisations are not immediately available to meet the firms' problems relating to innovation owing to a lack of organisation and competencies. In the same way, what is needed is not only to be able to respond adequately to the immediate innovation needs expressed by the firms, but also to be able to interpret and identify trends in technological needs. Only then will it be possible to promote research activities and orient research organisations in those directions that are strategically important for the industrial system. Then, to foster local development would require the emergence of specific activities able to make innovation «useable», taking into account broader technological trends, even at the international level. This would imply the necessity for defining, testing and producing specific methodologies in order to match, effectively, technologies with businesses; these methods should include technical-organisational audits and new methods for planning, demonstrating, piloting and disseminating innovation; but they should also include information and training initiatives and joint research with businesses because innovation should also be seen as an upgrading of knowledge already possessed by those involved in the process. A special emphasis should also be placed on projects and services concerning cross-sector and pervasive technologies (for example, logistics and telecommunications) since these will provide a measurement of the success of entire systems of SMEs at local and regional level.

In order to reach these objectives, a reorganization and redefinition of business assistance and service centers throughout the Region would be required, as well as the development of new organizations and instruments to promote innovation and technology transfer projects. Following similar experiences in other European countries, these new organizations and instruments would entail close collaboration between industry, research centers, universities, regional business assistance organizations on strategic objectives for the introduction of innovative processes. The debate on these issues is still open; nevertheless, the basic idea under discussion is the necessity of promoting the upsurge of a «Regional System for Industrial Research, Technology Transfer and In-

l'Ambiente – National Institute for Technology, Energy and the Environment) and INFN (Istituto Nazionale Fisica della Materia – National Institute of Material Physics). As recently estimated by OECD, in 1997, the overall research activity provided by the research centers in the region (universities, CNR, Enea, INFN) accounted for almost 17 per cent of all scientific research work produced in Italy. In particular, 10 per cent of Italian scientific publications are produced in Bologna.

novation». Such a system should formally integrate, at the institutional level, many other components: enterprises, service centres, universities, scientific research institutions. Collaboration between these components would generate a systemic effect that would benefit the entire economy of the region, passing from the current periodic and often haphazard forms of collaboration to institutionalized, long-term types of collaboration based around the joint development of multi-annual innovative projects.

Consistently with the needs for research and technology transfer of the regional productive system, the Emilia-Romagna Region proposes to implement contracts between SMEs and research institutions and universities; projects which are part of EC and supra-national funded programs; and the creation of new companies using the results of innovative research.

Alongside the provisions listed above, the Region will also implement a series of other actions at the system level concerning the funding system: the Region intends to facilitate investments in technology along three lines. The first one aims at redirecting the actions of credit guarantee consortia towards the provision of investment in technology and towards the provision of advance payments against public funding already granted to research and technology transfer projects. The second one is to organize an economic risk assessment and technology rating system together with the funding system, thus also stimulating the creation of special funding products. Lastly, to involve all the actors of the funding system in the definition of new funding products designed specifically for innovation and technology transfer.

### *3.3. Transport infrastructures: the new opportunities for action*

Emilia-Romagna has developed along the Via Emilia highway, which crosses the region from south-east to north-west. In consequence of a heavy increase in road traffic (71 per cent of goods and 44 per cent of passengers over the latest 15 years), a relieving measure has been indispensable. Two remedies to solve these problems have been highlighted. The first one is to move the increasing traffic from road to railway, through investments in the development of the railway system and the intermodal transport. The other fundamental objective is to create an infrastructure network that can work as an alternative to the central axis. This network would provide a better direct access to industrial districts, to urban areas and to peripheral districts in the mountains or on the internal plain of the region.

These remedies were already singled out in the transport plan of 1985, but its effects were almost insignificant. The new transport plan PRIT (Piano Integrato dei Trasporti) – approved in the autumn of 1999 – forecasts development measures for the next decade along the same lines, but now, the real novelty of the PRIT approved last autumn is not so much the remedies it identifies, as actual possibility of realizing them. In fact, in the past a large part of the infrastructure (roads, highways, railroads) was owned by the state and governed at central level; now the Bassanini Law has provided a transfer of many (but not all) of these assets to the regions. In Emilia-Romagna,

the regional administration has provided the legislative scenario to manage those infrastructures: with possession of the physical assets and financial resources to realize the interventions<sup>23</sup>, now a process of change can really start.

#### 4.4. *Vocational training and labour policies: the difficult links*

A pillar of the Emilian model, the technical and vocational education has played a crucial role in promoting and sustaining local development (Brusco 1982; Capecchi 1990, 1997). In the past decade, the changes in strategic and organizational behaviour of firms have implied a strong need for qualified workers (Mengoli-Russo 1998): both technicians, able to manage new technologies, and specialized workers, very rich in tacit accumulated knowledge and capacity for problem solving. Although these changes in labour demand are not recent, they still have to face some critical impasses in the supply of labour: the impact of demographic decline is starting to produce its effects; less and less young people desire to work in the manufacturing sector; technical and vocational schools are facing a shortage of enrolments, in particular in mechanics. In general, in Emilia-Romagna the tensions in the labour market are marked *inter alia* by the growing numbers of so-called atypical jobs with mixed duties<sup>24</sup>. Moreover, the changes in family structure and the social centrality of women, divided between home care and paid employment, repropound the theme of equal opportunities; and finally, notwithstanding a general insufficient labour supply, young people with high educational qualifications spend a long time to find a job, also because their pattern of professional expectations has changed.

In brief: it seems that the process of production and maintenance of redundancies, mentioned in section I, might be lacking. In the next years, all this might have drastic effects on the productive systems: the lack of workers is of course stimulating immigration, but immigrant workers, in any case, are unskilled and are generally employed in the less innovative activities, with a lower quality of working conditions. This mismatch in the labour market calls for urgent interventions adopting a wide range policy measures at regional level: from vocational and technical education to labour policy. In what follows we provide a short summary of the context within which such policies should produce changes.

<sup>23</sup> In total, 31 thousand billion lire has been assigned for this ten year plan: 60 per cent has already been financed, or has had precise guarantees that it will be financed; the other 40 per cent will be obtained either through mortgage or transfers from the state.

<sup>24</sup> This term, in Italy, stands for jobs performed with contracts different from the traditional one for permanent dependent workers, or the ones for independent workers.

*a. The initiatives undertaken in Emilia-Romagna*

Regional policy in this field will be largely affected by the sweeping institutional changes now undergoing in Italy the education system<sup>25</sup>: the autonomy of the educational institutions together with the overall reform by the Ministry of Education make up the new, modified area within which are applied the reform of the school diploma exam, the raising of compulsory school age to 15 years, the definition of obligatory training up to age of eighteen and the start of upper integrated training courses. In a fairly short time, the overall reform of the entire educational path should commence, through the definition of two education cycles: primary, of seven years, and secondary of five years, terminating at the age of eighteen<sup>26</sup>. Overcoming the centralized structure of school education and reforming the education cycles will enable a significant amount of curricula to be defined at local level, in such a way as to adopt education to the social, cultural and economic context in which it stands: these changes will push the local territorial authorities to perform new and more important tasks, also as regards the entire local training system.

The targets and the resources for rendering concrete and diffuse the right to study and learn throughout one's life are largely determined by the European Social Fund (ESF), the key word being «employability». In Italy, the ESF goals can be achieved only through an integration among the various components of the Italian education system: from technical and vocational training and on the job training, to secondary and upper secondary education.

The main instrument to reach this integration is the decomposition of the curricula into competence and knowledge modules, with mechanisms of validation and recognition of certificable training credits, that will accompany a person at all levels of education, both secondary and tertiary, and throughout the person's life. As regards post-secondary education and training, the major innovation will be the new provision of integrated upper technical-professional training. For a year now, a post-diploma two-year period of high technical specialization has been experimented<sup>27</sup>, involving firms, schools, universities and vocational training. This effort towards developing the capacity for adaptation, relation, and problem solving, aims to lead Italy to bridge the gap that currently separates it from other European countries in the segment of non-university vocational training.

Emilia-Romagna aims at tackling the labour market problems by a bunch of interventions. In 1998, the regional training system was responsible for several training activities, aimed at persons

<sup>25</sup> Cf. Mengoli and Russo (1998) for a complete description of the education system in Italy and for a critical discussion of the regional differences in technical and vocational education.

<sup>26</sup> The present situation involves five years of primary school, followed by three years of lower secondary school (*scuola media*) and a further five years of upper secondary education (*licei*, technical and professional institutes).

<sup>27</sup> At national level, the experiment involves 150 courses. The national experiment follows the positive experiences in Emilia-Romagna, result of an agreement between the Ministry of Education and the Emilia-Romagna Region.

and firms, and involving 98,000 participants, comprising 74,000 employed workers and 16,000 young persons entering work at the various levels of qualification. The resources of the ESF handled annually by the region amount to about 300 billion Lire (150 million euro).

In Emilia-Romagna 40 professional training centers – which, as mentioned, stand alongside the schools - are located in more than 140 accredited places in the regional territory. Direct state participation in these centers which in the 1970s was an important initiative of economic and social policy, has now diminished to a marginal role. Currently, the centers are largely private, linked directly or indirectly with union, entrepreneurial or religious associations. The six main centres have a regional dimension including about 40 per cent of the training places. The rest are at provincial or township level. The internal staff – more than one thousand persons – consists of administration workers, trainers and planners. The technical teachers, on the other hand, are taken almost entirely from firms or professions.

*b. The reform of the vocational and educational system: a hinge to strengthen the emergence of learning organizations and innovation*

In Emilia-Romagna there is an ongoing debate on how to go beyond the limits of a regional structure that previously enabled strong growth but that must now face new problems of development and requires innovation in regional policies.

The theme of learning lies at the root of this problem. It is well known that individual learning and organizational learning on the part of firms and institutions are crucial topics, which are decisive for innovation in firms and local productive systems. Learning has to do with the processes of creation, of exchange and sharing of knowledge, which *within firms* are mainly performed through the interaction of working groups, and *among the firms* through the ability to construct networks of relations with other firms, organizations and institutions. In these processes, the dimension of communication is of fundamental importance, since it influences the acquisition of knowledge and information, their sharing, the construction of significances, the organizational memory, and the learning of new routines.

An essential device for any policy of development is therefore to link the training system with both the education system and the labour market. But the possible success of an integration of these three systems depends on two critical aspects: one is linked with the special nature of the productive tissue in Emilia-Romagna, the other concerns the more general topic of intervention in this field.

The first critical point lies in the fact that a great number of small firms find it difficult to adopt training strategies that strengthen individual learning and organizational growth. In particular, the constraints of structural and managerial culture in SMEs make it hard not only to identify training needs, but also to plan and organize training: training requires time; it should be seen as a permanent process of change. Moreover SMEs have only limited resources to meet the changing demands of their clients – which makes it almost impossible for them to take any of their employees

away from production. All these difficulties result in the paradoxical situation that the initiatives of the training system are taken up only by the most efficient firms, whereas they bypass many SMEs and thus have only a feeble impact on the improvement of the productive system as a whole. In addition, the supply of training cannot match the specific demand of each individual firm, as it is very expensive to produce specific programmes for a limited number of employees.

The second point for the effectiveness of the policies – rather than the goals which are established in the EU programming of resources – concerns the *way* in which the various actors in the system coordinate themselves to reach the targets. As said in the previous paragraph, the action of the public decision-makers must be transparent in setting out the framework of restrictions and the opportunities of the different actors, in such a way that the public competitions for benefiting from the resources made available reach the aim of simulating a real market of training demand and supply. But simulating the market by public competition creates problems for a public good like training and learning.

In this framework of changes the territorial context, (i.e. the concept of the *learning region*) becomes central and must reorient the modalities of governance and public policies in the field of training and further education. It is not enough to emphasize the objectives, partly exogenously determined and on which general agreement among the actors involved is easier to reach. Hence, in promoting an effective training policy it is of decisive importance that the dimension of the individual firm go hand in hand with the dimension of community, of territorial interests and the reference to local labour markets. This may allow self-organization of training courses by individual workers, and the involvement and collaboration of suppliers of services for the SMEs with local training centres, whether associations, professional offices or consultants. Lastly, we should add the incentives for investment in the technological and didactic infrastructure of the training centres or agencies; not to speak of long-term relationships with persons having the best professional and technical knowledge.

#### 4. CONCLUSIONS

##### 4.1. *Key factors for competitiveness: learning and innovation as a benchmark for action of all the actors in the region*

Today, the firms of Emilia-Romagna face new challenges and have to meet competition from the rapidly evolving and emerging enterprise systems of other countries. In recent years a series of factors have had a major impact on the local industrial system. Italy's entry into the European Monetary Union has meant that producers can no longer count on devaluation of the Lira which previously made it possible to protect their competitive status on overseas markets. The rapid, nearly exponential growth of new technologies both in the specific manufacturing activities and in relation to «horizontal» topics (such as information systems, logistics, etc.) is revolutionizing

communication systems and introducing a level of mobility in capital, goods and persons which was unthinkable just a few years ago.

These factors have made it increasingly difficult to compete against low-cost economies and as a result the emphasis has now shifted not only to the ability to innovate, but also to the ability to anticipate market trends as crucial factors in maintaining competitive advantage. All recent economic analyses lead to the same conclusion. Faced with this challenge, the only possibility of success is to increase technological and organizational innovation in single companies and in the production system as a whole. It is therefore necessary to develop, enhance and channel the system's propensity for innovation. This should be done by a stronger regional policy promoting the quality, presence and commitment of those organizations that promote industrial research, innovation and technology transfer among enterprises and the collaboration with research centers and learning centers in order to increase technical and scientific skills in the business world.

In other words, it is important to try to incorporate the traditional efficiency of the local enterprise system into an industrial system oriented towards forms of production having a much higher added value and requiring higher levels of technology.

The key question in this phase of the evolution of regional economy is how to preserve the combination of competitiveness, social cohesion and territorial diffusion of economic development. Using different terms, the question asks how it is possible to keep strong local roots in economic activities, high employment and good wages in the new context. Basically there are three main conditions for this:

- to preserve and reinforce specialized and non-transferable knowledge at the local/regional level;
- to increase the efficiency and quality of the local environment, improving internal and external connections and urban and environmental quality;
- to reinforce enterprise structures in managerial terms, in order for them to be protagonists in the global games and leaders in their market niches.

The risks that Emilia-Romagna is facing concern the problem of knowledge transmission, owing to the scant reproduction of intermediate technicians, both in terms of new regional employees (generally interested in non-material jobs), and in terms of immigrant workers (generally little qualified); this can provoke a discontinuity in the enterprise organization. A second risk is the social breakdown and the loss of identity of more dynamic entrepreneurs, unsatisfied with their external environment, because of bureaucratic obstacles, delays in infrastructure development, and low quality of services.

These considerations are at the basis of the new policy approach of the regional government, that is oriented towards stimulating innovation and efficiency on the one hand by strong investments in the simplification of enterprises and public administration, improvement of the quality of relationships between enterprises and credit institutions, enterprises and research structures; on the

other hand by promoting systemic innovation through projects involving networks of enterprises, or even clusters at the territorial level.

Broadly speaking, not only business-to-business relationships are under pressure, but also the relationships between firms and local institutions, service providers, infrastructures and so on. Entrepreneurs demand levels of efficiency and competence consistent with their own re-organization imposed by the market. But these institutions are much slower in assuming the «time to market» and this is creating serious breakdowns in the system, and loss of feeling of belonging to a community, while individualism among entrepreneurs increases. In these years public administration, service providers, banks and all other actors involved in economic development are under pressure to respond to the new environment and to support firms adequately.

In this context the key factors for competitiveness are: capacity for continuous learning, necessity for continual improvement of quality, innovation, capacity for problem solving; quick response to market requests and market needs; flexible, but dynamic organization; continuity and financial stability of firms. This implies that: enterprises in the local production systems must be open to accumulating knowledge also from external sources (such as other systems or research structures); bureaucracy, service providers and infrastructures must be very efficient and able to respond quickly to firms' needs; individual enterprise management, even if in a flexible system, becomes relevant and not alternative (but complementary) to local externalities. All this implies, in turn, that the necessity for continuous learning is not specific to the activity of the enterprise but must be the benchmark of all the institutions and organizations operating within the region: from local authorities to schools, from associations to regional administration.

#### 4.2. *The social dimension of regional development: a challenge to be faced*

In outlining the orientations for development of the Region, one must remember that firms' need for greater competitiveness must not increase the disequalities, i.e. the structured differences of access to the system of social compensations. Do all enjoy the same new opportunities, or are phenomena of social exclusion on the increase?

Some worrying social processes are ongoing, such as the spread of moonlighting (especially in sectors like building and trading), and even certain forms of real cultural barbarization, such as public opinion campaigns that associate problems of law and order with the growing presence of extra-EU workers. All this while the enterprise system as a whole is undergoing restructuring and reorganization processes that lead to fragmentation of the work places and concentration of the devices of command. In this perspective, Emilia-Romagna region must show itself able to follow some fundamental orientations, without making the dual error of viewing past experience as a happy period but a concluded one, or *viceversa* as a reassuring heritage to reposit in a changed context.



First and foremost, economic policy must encourage a competitiveness founded on the response to the multiple necessities of the «territory» and the raising of the quality of life and the quality of work. The territory understood in regard to the ability to generate and maintain what may be over and above what is strictly necessary, since this is a strong point of the local productive systems in the region. A higher quality of work is the alternative to precarious labour relations, which ultimately lead to demoting the workers coming from other regions. Only in this way will the flexibility and the new typologies of labour relations become a positive element in a wider process of training and expansion of opportunities for all, citizens and firms. If, however, they become merely a device for reducing labour costs, they will take on the opposite meaning. The recent Regional Law on the new competences of the region may open up some positive and interesting possibilities in this direction, by encouraging negotiating planning among the social forces in the territories.

But the development policies will also have to bear in mind that the social security system must be reformed and extended since new needs and demands are emerging, both individually and collectively. Suffice it to consider that, today, there are around 50,000 citizens in the region who are in a state of non-self-sufficiency. And this reform will be effective only if it is able to highlight once more the central role of the local communities and of the territories that must become the place for interface between institutions and social forces.

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