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Inclusive local development: A strategy for Heraklion, Greece

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Abstract

Identifying opportunities to facilitate economic growth is a major challenge in local and regional development. Particularly for local or regional economies confronted with deep structural economic problems, unlocking growth differentials by targeting untapped potentials for employment and entrepreneurship can provide an opportunity to renew themselves. Therefore, it is logical that the “missing entrepreneurs” from among economically underrepresented or disadvantaged groups such as women, senior citizens, people with special needs, or youth as well as immigrants have recently gained attention by scholars and policymakers in local and regional development. Still, there is not yet a clear and comprehensive understanding on how to consider the needs of economically underrepresented or disadvantaged groups, both as entrepreneurs or as employees, in local and regional development strategy design. While women and youth entrepreneurship have been subject to an academic and policy debate for some time, the discourse on how to include other economically underrepresented or disadvantaged groups in local or regional economies is far less advanced. The present study reviews the state of literature on inclusive local development and, based on a preliminary analysis of the local economy, proposes a strategy for inclusive local development in Heraklion, Greece. As a locality suffering under the structural economic crisis that has afflicted Greece for almost a decade, a strategy for how to include economically underrepresented or disadvantaged groups in the local economy is both a social necessity and a way to unlock untapped potentials for economic growth.

Inclusive local development: A strategy for Heraklion, Greece
Report on a student research project at Heidelberg University

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List of abbreviations

DEPTAH	Municipal Enterprise of Culture, Tourism and Development of Heraklion
EC	European Commission
ECB	European Central Bank
ERDF	European Regional Development Fund
ESF	European Social Fund
est.	estimated
ETEAN	Hellenic Fund for Entrepreneurship and Development
EU	European Union
EUR	Euro
FORTH	Foundation for Research and Technology Hellas
IMF	International Monetary Fund
KESAN	Youth Prevention and Advice Center
LEADER	<i>Liaison entre actions de développement de l'économie rurale</i> (Links between actions for the development of the rural economy)
NGO	Non-governmental organization(s)
NRP	National reform programme
NUTS	<i>Nomenclature des unités territoriales statistiques</i> (Nomenclature of territorial units for statistics)
OECD	Organisation for Economic Co-operation and Development
OP	Operational programme
R&D	Research and development
RDI	Research, development and innovation
RIS3	Research and Innovation Strategy for Smart Specialisation
ROP	Regional operational programme
SME	Small and medium-sized enterprises
STEP-C	Science and Technology Park of Crete
TEI	Technological Educational Institute of Crete
YEI	Youth Employment Initiative

Preface

Promoting economic growth, employment and well-being in sustainable and effective ways are the primary purposes of local and regional economic development. Looking at the persistence of structural economic problems such as high unemployment especially among specific groups such as youth, immigrants, or people with special needs, low female labor force participation, fiscal imbalances, or resulting social problems, it becomes clear that the mission of local and regional development has not lost its relevance and urgency. In particular, countries suffering from severe structural problems such as Greece under its dramatic crisis raging for almost a decade so far and related efforts towards structural reform with severe economic and social consequences will probably not be able to return on a trajectory of sustained economic growth and employment creation while pursuing macro-level reforms only. Instead, policy attention for efficient long-term structural policies in a sectoral and/or regional dimension will be needed to unlock growth potentials. This is because, as is the case in Greece, structural crises can have different layers: Excessive public debt and fiscal imbalances may be the most visible and acute phenomena of structural crisis, while governance deficits may further play a role. These two dimensions of structural crisis, while difficult to solve and subject to different time horizons (with governance deficits typically requiring long-term solutions), both are centered on public sectors and amenable to more direct approaches of fiscal austerity and administrative capacity building. However, a third dimension of structural crisis may add to the previous two which, as the case of Greece demonstrates, is much harder to solve and needs long-term, indirect and systemic policies: An economic structure lacking innovative and entrepreneurial dynamism and thus international competitiveness (Brenke 2012) requires comprehensive approaches of structural policy designed to unlock opportunities for the creation of value-added and employment. This is a task that government cannot perform directly. Rather, indirect and systemic policies facilitating entrepreneurship and innovation in horizontal, sectoral and regional dimensions are needed (Benner 2012b).

This is where local and regional development enters the picture. Indeed, times of structural economic reform on the macro level can open windows of opportunities for local and regional development by giving localities and regions possibilities to specialize spatially within new economic growth models unfolding on the macro scale (Benner et al. 2017).

Yet, there is no one-size-fits-all blueprint for local or regional development to unlock growth and employment potentials. Alleged *panaceæ* such as clusters (Porter 1990; 1998a; 1998b), technopoles (Castells and Hall 1994) or science parks (Rodríguez-Pose and Hardy 2014) have been tried across most of the world but – as one might have expected – have worked in some places but not in others. What may be learned from these experiences is that local and regional development is an intrinsically contingent, contextual and path-dependent process (Bathelt and Glückler 2003; 2012) that calls for evidence-based strategies sensibly adapted to the idiosyncratic context of the locality in question. In essence, the task at hand is to identify “what kind of local and regional development and for whom?” (Pike et al. 2017: 18).

Still, there are some common subjects in local and regional development that can serve as guiding themes for identifying contextual specificities in a given locality or region. For instance, the cluster debate (Porter 1990; 1998a; 1998b) was driven by the insight that agglomeration still matters, and maybe even more so than it used to. A subject that seems to gain ground in the debate on local and regional development is inclusiveness. While the theme of inclusive development is not new at the macro level, its meaning for local and regional development is not yet widely researched. Some aspects of achieving broader inclusiveness for economically underrepresented or disadvantaged groups in local and regional economic activity such as women entrepreneurship, youth entrepreneurship or youth unemployment have attracted some attention by scholars and policymakers, while other such as entrepreneurship and gainful employment by people with special needs or senior citizens have so far not made it to the mainstream of the debate and even less so to policymakers’ and practitioners’ circles.

Apart from the obviously important question of how to enable broad parts of society including economically underrepresented or disadvantaged groups to participate in economic growth, employment and well-being, a context such as the one mentioned above marked by structural economic problems in a country such as Greece calls unlocking growth and employment potentials across society. Including broader parts of society in economic development is thus not only a social requirement but an economic necessity, too: In a context where a national economy needs every ounce of economic growth and employment, it makes sense to look at every untapped possibility for facilitating entrepreneurial and innovative dynamism in society. Achieving more inclusive local and regional economies is thus a matter of social equity, economic efficiency, and innovative dynamism at once. This is the idea behind what the OECD and the European Commission call “the missing entrepreneurs” (OECD and European

Commission 2015), although inclusiveness in local and regional economic development has more dimensions than entrepreneurship and may include aspects such as gainful employment, intrapreneurship, innovation management, or the NGO sector.

The present study focuses on the subject of inclusive local development in the case of Heraklion, Greece. Following a basic perspective of contingency, contextuality and path-dependency (Bathelt and Glückler 2003; 2012), the study takes stock of the local economy of the city of Heraklion and its surroundings. As a student research projects in the framework of a seminar in economic geography at Heidelberg University, the study's methodology it built on desk research involving a document analysis of literature and online sources and an analysis of secondary data, and thus did not include explorative qualitative research in interviews on the ground. The resulting methodological limitations and constraints of the study do not allow for a detailed analysis of Heraklion's local economy. Neither do they permit definitive conclusions or recommendations. Still, the study's preliminary stocktaking of Heraklion's local economic and related policy framework does provide some insights on how inclusiveness in local development could be enhanced and untapped economic potentials among economically underrepresented or disadvantaged groups such as women, youth, senior citizens, immigrants, or people with special needs could be unlocked for the sake of sustainable and inclusive local economic growth, job creation, and innovative or entrepreneurial dynamism. The ideas proposed by the study should be regarded as preliminary and would need further assessment in terms of their feasibility, cost-effectiveness and efficiency. They are thus no definitive recommendations. What they are meant to do, however, is to provoke further discussion on how to seize untapped economic potentials among economically underrepresented or disadvantaged groups in an economic context where any contribution to economic growth, job creation, and dynamism is urgently needed.

We hope the present study may serve as an example on how to develop local development strategies in an evidence-based way, focused on the unique and idiosyncratic specificities of a given locality, and taking into account the possibilities of members from economically underrepresented or disadvantaged groups to participate in local economic development which we believe are considerable.

Maximilian Benner

Heidelberg, September 2017

1 Introduction¹

Inclusive growth has become one of the most prominent buzzwords in the current debate on economic policy, as is evident, for example, by the OECD's "Inclusive Growth Initiative" (OECD 2017). Major macro-level issues of inclusive growth include, *inter alia*, income or wealth inequality, educational gaps, redistributive tax policies, competition policies and their effect on barriers to entry for new and small firms (OECD 2017). On the meso level, however, enhancing the inclusiveness of economic growth by increasing the participation of economically underrepresented and disadvantaged groups in local or regional development is not less important. While some macro-level policies such as the design of tax systems or education systems can in part be affected by local or regional policy decisions, improving the conditions for inclusive growth is particularly relevant within the framework of the common menu of local and regional economic development policies. These policies have in recent decades focused on interventions supporting innovation, entrepreneurship, university-industry technology transfer, networking, skills formation, exporting or investing. While in general these interventions have been applied to a generic target groups, some economically underrepresented or disadvantaged groups such as women or youth have attracted policy attention. Others such as immigrants, senior citizens, or people with special needs have not yet gained comparable attention by scholars or policymakers when it comes to designing and implementing strategies to unlock growth opportunities for local or regional economies.

While inclusive growth – be it on the national or on the local/regional level – definitely is a matter of social equity, it is a matter of economic efficiency, too. Firstly, in terms of static (allocative) efficiency, local and regional economies will have to take use of the skills and competences of members of economically underrepresented and disadvantaged groups to enhance general well-being and to be able to provide services to enhance the quality of life. This need is particularly pronounced in countries undergoing profound processes of structural reform and readjustment of government's roles and responsibilities, as has been the case in Greece for almost a decade. Secondly, in terms of dynamic efficiency, one can expect significant reserves of creativity and innovativeness among economically underrepresented and disadvantaged groups which may eventually contribute to tangible differentials in

¹ Throughout the study, U.S. spelling is used, except in direct quotes where original British spelling has been kept.

productivity growth, thereby proposing an element of meso-level solutions at what the OECD calls the “productivity-inclusiveness nexus” (OECD 2016).

How, then, can economically underrepresented and/or disadvantaged societal groups be better involved in local economies, and how can targeted strategies of local development enhance the participation of members of these groups in economic growth and unlock their economic potentials, either through gainful employment and related effects (such as innovation within companies or intrapreneurship) or through entrepreneurship? The present study attempts to develop pillars of such a strategy in the case of the city of Heraklion, Greece and its surroundings against the backdrop of the structural economic crisis in Greece and the concomitant policy framework. The study focuses on the following economically underrepresented and/or disadvantaged groups:

- Women which in many economies tend to exhibit lower rates of labor participation and entrepreneurial activity than men;
- Youth who typically tend to exhibit higher rates of unemployment than other age cohorts in the workforce;
- Senior citizens who typically exit the workforce at the legal retirement age though in some cases both willing and able to continue their career or to start a second career;
- Immigrants who face specific obstacles in participating in labor markets and in establishing or growing entrepreneurial ventures; and
- People with special needs, a group which is highly diverse but whose potential for participating in labor markets or in entrepreneurial activities is often ignored by policymakers and still underresearched.

The authors believe that each of these economically underrepresented and/or disadvantaged groups brings with it untapped potentials for contributing to local development through participating in gainful employment or entrepreneurship. Facilitating and promoting the unlocking of these untapped potentials does contribute not only to economic growth, job creation and the enhancement of economic well-being in the local economy, but at the same time and critically to a higher degree of inclusiveness. We believe there are some policy levers for supporting inclusive growth in local economies and strive to propose some ideas of how to develop suitable policy levers adapted to the idiosyncratic economic, social and institutional context of the local economy at hand, in this case, Heraklion.

Methodologically, the research design for the present study draws on desk research involving a document analysis of literature and online sources as well as an analysis of available secondary statistical data. Due to the methodological constraints of the study, explorative stakeholder or expert interviews on the ground in Greece were not possible. These methodological constraints call for the caveat that the assessment of policies and the analysis of Heraklion's local economy cannot claim any comprehensiveness and that recommendations should be regarded as preliminary ideas only that would need a further, detailed and careful feasibility and cost-benefit check. However, rather than presenting definitive recommendations, the present study is meant to contribute to the evolving debate of how to design and implement strategies of local (or regional) strategies of inclusive economic development by applying a methodology for assessing a local economy in terms of its economic potential for increasing the participation of economically underrepresented and disadvantaged groups in local economic growth, and by formulating some ideas on how to combine the economic and social rationales behind inclusive local development in the specific case of one idiosyncratic locality. In so doing, the authors hope to inspire policymakers and practitioners to set the subject of inclusive local (or regional) development on their agenda and to develop their own, context-specific solutions for increasing the participation of economically underrepresented and disadvantaged groups in economic development.

The study is structured as follows: The next chapter briefly reviews the state of research on inclusive local (and regional) development. The study goes on to introduce the national economic context of structural reform in Greece and to present the major pillars of the national and regional policy framework relevant for inclusive local development in Heraklion. Next, the study briefly sketches the profile of Heraklion's local economy within the framework of Crete's regional economy and characterizes structures of inclusive local development relevant for Heraklion. The final chapter presents some preliminary ideas on which a strategy for inclusive local development in Heraklion could rest on, and draws some generic conclusions for the further debate on inclusive local and regional development.

2 Economically underrepresented and disadvantaged groups in local development

Participation in economic life and opportunity in local or regional economies is not spread evenly among the subgroups of society. While there are several mechanisms that offer participation in a complex economy marked by a deep division of labor such as full-time or part time gainful employment, self-employment, capital investment or for-profit or non-profit entrepreneurship, various subgroups of society in industrialized economies – and in emerging and developing economies presumably even more so – lack access to these mechanisms. For instance, speaking of entrepreneurship, the OECD and the European Commission (2015) define as the objective of inclusive policies “to help people who belong to a social group that is disadvantaged or under-represented in entrepreneurship, or the labour market, to set up a business or become self-employed. Such groups include women, youth, older people, ethnic minorities and immigrants, people with disabilities and the unemployed” (OECD and European Commission 2015: 24). When it comes to entrepreneurship, these groups are subject to the phenomenon of the “missing entrepreneurs” (OECD and European Commission 2015) because of their underrepresentation in entrepreneurial activity. On the labor market, too, these groups often are confronted with higher barriers of entry than the mainstream of society.

Focusing on women, youth, senior citizens, migrants, and people with special needs, economically underrepresented or disadvantaged groups exhibit the following characteristics in terms of their lack of access to economic opportunities:

- In European economies, women tend to be economically underrepresented, as is evident from the lower labor force participation among women than among men. In the EU in 2016, 61.4 percent of women aged 15 to 64 years were employed, compared to 71.9 percent of men. In Greece, only 43.3 percent of women aged 15 to 64 were employed, while the corresponding figure for men stood at 61.0 percent (Eurostat n.d.).

Another indicator for the underrepresentation of women in economic life is their lower propensity for being entrepreneurially active. For instance, “Europe reports the lowest female involvement in early-stage entrepreneurial activity (...) as well as the lowest gender parity – women in this region are only half as likely to be engaged in [total

early-stage entrepreneurial activity] as their male counterparts” (Global Entrepreneurship Research Association 2017: 28). In the case of Greece, the ratio of female to male total early-state entrepreneurial activity stands at 0.73 (Global Entrepreneurship Research Association 2017: 61).

The OECD and European Commission (2015: 32) report that in 2013, “the self-employment rate for women in the European Union was 9.7% in 2013. While this varies by Member State, it was approximately half of the self-employment rate of men (18.3%).” Furthermore, businesses founded by female entrepreneurs seem to be confronted with more constraining barriers to growth, as is implicit in the fact that “of the self-employed women in 2013, 24.0% had employees compared with 31.1% of self-employed men” (OECD and European Commission 2015: 32).

- The age cohort of young people under the age of 25 as a proxy for the economically underrepresented groups of youth tends to exhibit significantly higher unemployment than those aged 25 to 74 years in general. For instance, in the EU in 2016, the unemployment rate among under-25 year-olds stood at 18.7 percent compared to 7.5 percent among those aged 25 to 74. The exclusion of young people from participation in the labor market is particularly pronounced in countries undergoing severe structural crises: In Greece, unemployment among those under 25 in 2016 stood at 47.3 percent compared to 22.2 percent among those aged 25 to 74 (Eurostat n.d.).

In terms of entrepreneurship, under-25 year-olds are underrepresented and if and when they have their own businesses, these tend to be small:

“Youth (15-24 years old) were much less likely than adults (15-64 years old) to be self-employed in 2013. In the European Union, the self-employment rate for youth was 4.2% relative to 14.4% for adults. (...) Very few self-employed youth have employees” (OECD and European Commission 2015: 50).

Globally, total early-state entrepreneurial activity peaks in the age cohorts from 25 to 44 years. While those aged 18 to 24 exhibit a comparatively high level of total early-stage entrepreneurial activity in factor-driven economies, the corresponding levels are considerable lower in efficiency-driven and innovation-driven economies and higher only than among those aged 55 to 64 (Global Entrepreneurship Research Association 2017: 29).

- Due to retirement, it is clear that employment among senior citizens tends to be lower than for younger age cohorts. Senior citizens typically exit the workforce at the legal retirement age. Yet, employment of senior citizens beyond the threshold of retirement age is not in and by itself unfeasible, given that some senior citizens might still be interested and capable of continuing their employment career, possibly in flexible part-time arrangements.

In terms of entrepreneurship, senior citizens are underrepresented, with “the highest prevalence of entrepreneurial activity among the 25-34 and 35-44 year olds” (Global Entrepreneurship Research Association 2017: 29) while those aged 55 to 64 report the lowest rates of total early-stage entrepreneurial activity of all age cohorts (Global Entrepreneurship Research Association 2017: 29).

Defining the age cohort more widely (from 50 to 64 years of age) yields a more complex picture though: “Older people were slightly more likely to be established business owners than working age adults as a whole between 2009 and 2013 (7.4% vs. 5.7%)” (OECD and European Commission 2015: 65), while “between 2009 and 2013, older people (50-64 years old) were less likely than adults as a whole to be involved in setting up a business in the European Union (2.2% vs. 3.5%)” (OECD and European Commission 2015: 64). The conclusion that senior citizens are somewhat overrepresented among those owning a business but underrepresented among those starting a business is consistent with the notion of an entrepreneurial life-cycle. Yet, given the knowledge of older people and their networks and experience accumulated in their careers as business owners, it is not inconceivable that senior citizens may hold a significant potential for starting new businesses. Provided that some senior citizens might be willing to pursue a new career, this (partially) underrepresented group may offer an opening for entrepreneurship or for support to entrepreneurship, e.g. as mentors or business angels.

- Immigrants tend to be underrepresented and/or disadvantaged on labor markets. For instance, the unemployment rate among first and second-generation immigrant aged 25 to 64 years in Germany in 2014 stood at 8.4 percent compared to 4.5 percent

among native-born 15- to 64-year-olds. The corresponding figures for France were 12.7 and 9.1 percent, and 7.4 and 6.1 percent for the United Kingdom. In Greece, unemployment among first and second-generation immigrants stood at 34.9 percent compared to 26.0 percent for native-born 15- to 64-year-olds (Eurostat n.d.).

When it comes to entrepreneurship, “the self-employment rate of foreign-born people is slightly lower than the self-employment rate for people born within their country of residence (14.1% vs. 15.3%)” while “in 2013, self-employed people who were foreign-born were less likely to have employees (24.7% vs. 28.5%)” (OECD and European Commission 2015: 78).

Still, immigrants do not necessarily count as “missing entrepreneurs”. As a recent study on immigrant entrepreneurship in Germany demonstrates (Sachs et al. 2016) shows, entrepreneurial activity among migrants can be considerable. Yet, even when engaged in considerable entrepreneurial activity, migrants seem to face obstacles in growing their business which is, for instance, evident in “the fact that entrepreneurs with a migrant background continue to earn, on average, less than those without a migrant background” (Sachs et al. 2016: 59). Specific obstacles to the growth of immigrant enterprises include factors such as above-average constraints to migrant entrepreneurs' access to finance or language difficulties in relation to highly complex administrative regulations (Sachs et al. 2016: 34-36).

- The group of people with special needs is highly diverse and therefore difficult to analyze on aggregate. Eurostat (n.d.) lists employment rates of people classified into the categories of “difficulty in basic activities”, “no difficulty in basic activities”, “limitation in work caused by a health condition or difficulty in a basic activity”, and “no limitation in work caused by a health condition or difficulty in a basic activity”. The resulting levels of employment for the EU as a whole and for Greece as a specific case are given below in Table 1.

Table 1: Employment rates by type of disability (2011, in percent)

Spatial unit	Difficulty in basic activities	No difficulty in basic activities	Limitation in work caused by a health condition or difficulty in a basic activity	No limitation in work caused by a health condition or difficulty in a basic activity
EU	47.3	66.9	38.1	67.7
Greece	35.5	58.5	29.8	58.9

Source: Eurostat (n.d.).

Table 1 allows for two major conclusions: First, people with some kind of disability exhibit considerably lower rates of employment than people without disability, underlining the degree of exclusion of people with special needs from the labor market. Second, the exclusion of people with special needs is particularly pronounced in Greece with rates of employment significantly below the EU average. The problem is quantitatively important, since an estimated “16 % of the working age population in the EU has some form of permanent or temporary disability, and the number of people with some form of disability is likely to increase as the population ages” (European Commission and OECD 2014: 3).

When it comes to entrepreneurship and self-employment, however, the picture in EU member states is highly complex: While people with disabilities (notwithstanding varying definitions) are less likely to be self-employed than people without disabilities in some EU member states, they are more likely to be so in others. Notably, Greece stands out with a particularly high rate of people with disabilities who are self-employed (European Commission and OECD 2014: 5-6; Kitching 2014: 5-7).

Similarly, Pagán (2009) finds that self-employment among people with disabilities in 13 European countries was higher than among people without disabilities, and that the differential for self-employment rates between people with and without disabilities was particularly high in Greece with 10.5 percent for males and 13.5 percent for females. Part of the explanation may be that self-employment affords people with disabilities higher degrees of “flexibility and a better adjustment between disability status and working life” (Pagán 2009: 217).

As was the case for immigrants, the group of people with special needs faces higher degrees of exclusion from the labor market and specific barriers to participation in economic life but cannot generally be classified as part of the “missing entrepreneurs” phenomenon. They do face specific constraints to entrepreneurial activity such as disadvantaged access to capital, the risk of losing social-insurance benefits, a lack of business knowledge or skills, a lack of confidence, possible consumer discrimination, or a lack of appropriate business advice (Kitching 2014: 7-9). More generally, the gap between, on one hand, support for people with disabilities that tends to follow the logic of welfare policy and, on the other hand, entrepreneurship support that tends to follow the logic of economic efficiency may preclude the development of specific support schemes for people with special needs both from an organizational and a conceptual point of view.² While policies to support people with special needs are still too often understood first and foremost as welfare policies, there is an economic rationale for better seizing the skills and competences of people with special needs. While the broad classification of people with special needs includes a very diverse set of conditions, looking at some sub-groups reveals some remarkable potentials largely untapped by local development so far. For instance, Best et al. (2015) find a link between autistic traits and divergent thinking, suggesting that autistic traits and creativity may be linked because the “generation of novel ideas is a prerequisite for creative problem solving and may be an adaptive advantage associated with autistic traits” (Best et al. 2015: 4064). In particular, Best et al. (2015: 4071) find that “people with high levels of autistic traits were more likely to produce unusual novel responses. This would be a potential cognitive advantage for creative problem solving.”

From the short overview on the degree of economic inclusion and exclusion of economically underrepresented or disadvantaged groups above, two generalized and stylized conclusions can be drawn: Firstly, exclusion from at least some important aspects of economic life is more pronounced for the groups surveyed here than for the mainstream of society. Secondly,

² The same problem can presumably be found in developing targeted support schemes for entrepreneurship among other underrepresented or disadvantaged groups such as immigrants or youth. For instance, support for young people in community or youth centers (e.g. social workers helping teenagers write an internship or job application or preparing for a job interview) is not fundamentally different from support for entrepreneurs in entrepreneurship hubs, incubators or co-working spaces (e.g. entrepreneurship mentors helping young entrepreneurs writing a business plan or canvas or preparing for a pitch). However, despite the obvious analogy, both support schemes are subject to completely different policy areas (social policy v. economic policy), different political and administrative structures (ministry for youth or social affairs v. ministry of economy), and different skills profiles of advisors (social worker v. business advisor). Overcoming this organizational gap and developing appropriate support schemes at the intersection of social and economic policy is a major precondition for addressing the specific needs of economically underrepresented or disadvantaged groups. Examples will be developed further below in this study and particularly in Chapter 5.

exclusion generally tends to be more severe in Greece as an example for a country undergoing severe structural crisis and reform. The second finding is in line with the more problematic aggregate labor market situation in Greece which brings with it higher generic risks of economic exclusion. However, it has to be emphasized that the reality is complex on both stylized findings and some bright spots exist which hint towards opportunities for inclusion, particularly through entrepreneurship.

Generally, entrepreneurship can be promoted through a holistic approach including support to entrepreneurs, easing barriers to entrepreneurship, improving access to capital, spreading entrepreneurial success stories and promoting role models, teaching entrepreneurship and financial literacy, ensuring adequate infrastructure and technical advice, and encouraging networking among entrepreneurs and with academia, vocational training providers, and associations (Isenberg 2010). Entrepreneurship support has during the last decades become a major field of action in local and regional development and includes tools such as incubators, accelerators, science and technology parks, co-working spaces, entrepreneurship hubs, venture capital programs, subsidized credit, business planning competitions, entrepreneurship training in secondary and tertiary schools, and networking in cluster initiatives (e.g. Benner 2012a; Pike et al. 2017; Sternberg 1995).

Yet, economically underrepresented or disadvantaged groups face particular barriers when pursuing entrepreneurial activities. For example, “external finance can be difficult to obtain for entrepreneurs from under-represented and disadvantaged groups because of lack of credit history and collateral” (OECD and European Commission 2015: 86). While access to finance is an often-cited problem for entrepreneurs, difficulties in raising capital may be even more severe for entrepreneurs from economically underrepresented or disadvantaged groups. Furthermore, “a substantial proportion of the population reports lacking entrepreneurship skills, particularly amongst women and youth. In the case of youth, this is related to inexperience in the labour market and self-employment” (OECD and European Commission 2015: 86). The nexus between exclusion from the labor market and specific barriers to entrepreneurship poses somewhat of a paradox: For example, immigrants may face higher barriers to entry into the labor market and establishing their own businesses offers them an alternative pathway towards economic inclusion. However, the specific constraints they face

in establishing and growing their businesses are in part related to their lack of experience in the labor market (Sachs et al. 2016).³

Apart from a lack of professional and business experience and possibly capital, low degrees of labor market inclusion may cause relational disadvantages for members of economically underrepresented or disadvantaged groups when setting up their own businesses:

“Business networks tend to be more limited for entrepreneurs from under-represented and disadvantaged groups. For example, women entrepreneurs typically have smaller professional networks than men. Many immigrant entrepreneurs have relatively poorly developed business networks, which can be exacerbated by lack of language skills” (OECD and European Commission 2015: 86).

Considering the specific barriers to entrepreneurship economically underrepresented or disadvantaged groups are confronted with, however, generic entrepreneurship support policies will not be sufficient. Specific barriers faced by the groups surveyed above will have to be addressed by specific entrepreneurship support schemes designed to help the relevant target group overcome the specific difficulties the group faces, in addition to generic entrepreneurship support.

Evidenced-based policymaking on developing specific support schemes for entrepreneurship has so far not been pursued on an equal scale for each of the economically underrepresented or disadvantaged groups surveyed here. For instance, specific support to women entrepreneurship has attracted considerable attention by scholars and policymakers (e.g. Piacentini 2013; OECD and European Commission 2015: 100; 129) and led to recommendations such as offering affordable options for child and elderly care to ease the double-day burden of women in business⁴, specific mentoring programs for women, specific workshops and training seminars for women entrepreneurs, or promoting networks of female business angels (Piacentini 2013). Similarly, youth entrepreneurship has been the subject of scholarly and policy attention (e.g. Halabisky 2012; OECD and European Commission 2015: 129). For example, the “Promotion of self-employment for new entrepreneurs and creation of new enterprises with a focus on innovation” (or, in short, “Innovative Youth Entrepreneurship”) program in Greece supported by the European Social Fund (ESF) provides

³ The same logic presumably applies, at least to some extent, to certain other economically underrepresented or disadvantaged groups with under-average labor market inclusion such as women, youth, and people with special needs.

⁴ Improving care for children or the elderly is not *per se* targeted towards women but may benefit male entrepreneurs confronted with double-day duties too. In countries where the burden of double-day duties tends to be born more often by women than by men, however, such a policy can be expected to *de facto* reduce barriers to entrepreneurship by women in particular.

financial support for young people in establishing their own businesses (OECD and European Commission 2015: 152). Other economically underrepresented or disadvantaged groups appear to have generated somewhat less attention by policymakers and practitioners, and scholarly attention particularly for entrepreneurship among people with special needs seems to be a fairly new phenomenon (e.g. European Commission and OECD 2014; Kitching 2014). Still, there are some examples of policy interventions targeted towards these other groups (Kitching 2014: 14-18; OECD and European Commission 2015: 129). For example, Stockholm University offered an incubator program for senior citizens aged 55 and over (OECD and European Commission 2015: 182).

To enhance the access of economically underrepresented or disadvantaged groups, entrepreneurship is not the only pathway towards greater inclusiveness. Increasing the participation of members of economically underrepresented or disadvantaged groups in the labor market by increasing labor force participation and/or reducing unemployment among these groups are further important levers which, as was demonstrated above, interact with entrepreneurship. Supporting innovative activities by members of economically underrepresented or disadvantaged groups (e.g. OECD 2015) is another lever for increasing inclusiveness and enhancing economic efficiency at the same time, be it under the umbrella of entrepreneurship, gainful employment, or social entrepreneurship. For instance, “third-age universities” targeting senior citizens are an approach to seize the opportunities senior citizens’ experience and knowledge can offer for economic development and greater inclusiveness (Gausas and Vosyliūtė 2015).

At the same time, entrepreneurship support can systemically affect other levers of economic growth and inclusion by strengthening the employability of members of economically underrepresented or disadvantaged groups:

“Not everybody who receives entrepreneurship training or support should be expected to go on to start a business. However, an individual who participates in entrepreneurship training programmes, has a coach or mentor, or receives assistance in developing a business plan acquires skills and experience that make them more employable” (OECD and European Commission 2015: 24).

Apart from entrepreneurship, there are examples for business models employing members of economically underrepresented or disadvantaged groups in a way adapted to their needs but outside of traditional schemes of active labor market policy or sheltered workshops. An interesting example that has recently attracted media attention is the restaurant “Le Reflet”

opened in December 2016 in Nantes, France. Outside of the framework of sheltered work under the umbrella of welfare policy, this privately run restaurant employs people with Down syndrome and may serve as an indication that business models offering gainful work in a private-sector environment for people with special needs can actually work in a competitive market such as hospitality (Boutboul 2016).

Another visible example is the Na Lagaat cultural center, café and restaurant in Jaffa, Israel. This initiative has evolved into a major attraction in the Tel Aviv-Jaffa agglomeration and employs deaf-blind actors in its theater, blind waiters in its completely dark restaurant, and deaf waiters in its café. While the center is operated by a non-profit association, the fact that it has become a landmark tourist attraction and cultural asset in Tel Aviv-Jaffa (Robinson et al. 2015: 118) demonstrates the potential for gainful employment and entrepreneurship involving people with special needs, in this case in combination with the use of culture and creative industries (Benner 2017a) as a driver of local development (Na Lagaat Association n.d.).

As these examples show, inclusive local development has to be embedded into the specificities of the local economy in question. Business models offering members of economically underrepresented or disadvantaged groups opportunities for greater participation in economic life depend on their local economic context and notably the sectoral profile of the local economy, its strengths and weaknesses, and not least the relevant policy framework. Further, inclusive local development policies or inclusive business models will have to fit into the socio-institutional context of their local economy, calling for context-specific and institution-sensitive policymaking (Benner 2017b; Glückler and Lenz 2016: 270). Instead of searching for universally applicable “best practice” examples, this study advocates mainstreaming the perspective of inclusiveness and targeted support for economically underrepresented and disadvantaged groups into broader strategies of local development. While it is certainly desirable for policymakers to look for inspiration and to learn from the experiences made elsewhere (e.g. OECD and European Commission 2015), local development strategies dealing with opportunities to enhance the participation of economically underrepresented or disadvantaged groups in economic life eventually need to propose context-specific and tailor-made solutions and take into account the inherent contingency, contextuality and path-dependency inherent to economic development processes (Bathelt and Glückler 2003; 2012). Following the guiding question asked by Pike et al. (2017: 18), “what kind of local and regional development and for whom?”, we believe that inclusive local (and regional) development strategies have to deal with the “for whom” (for all of

society, that is, offering generic support for mainstream target groups as well as targeted support for economically underrepresented and disadvantaged groups) as well as with the “what kind” (that is, in which directions to develop the local or regional economy).

The remainder of the present study attempts to propose preliminary ideas addressing both parts of the question posed by Pike et al. (2017). The following chapters attempt to sketch the lines of a context-specific inclusive local development strategy for Heraklion, Greece by dealing with the two parts of the question in the following way:

- Chapter 3 introduces the policy framework for local development in Heraklion, taking a look at the national and regional policy context which defines the parameters for local development both in a sectoral and generic sense (“what kind”) and in terms of inclusiveness (“for whom”).
- Chapter 4 presents a short profile of Heraklion’s local economy. Such an analysis is necessary to define priorities and support actions for local development (“what kind”). Additionally, Chapter 4 takes stock of the inclusiveness of local development in Heraklion so far (“for whom”).
- Based on the brief analyses performed in Chapters 3 and 4, Chapter 5 proposes stylized and preliminary ideas on how to develop Heraklion’s local economy in the years to come (“what kind”) and how to do so in an inclusive manner that enhances the opportunities of economically underrepresented and disadvantaged groups to participate in local economic development (“for whom”).

Given the methodological constraints of the present study (see Chapter 1), the insights gained from the analyses in the next chapters as well as the ideas presented in Chapter 5 should be viewed as preliminary and would need further and deeper consideration before including them in a comprehensive local development strategy. As part of the objective of the present study, however, the exercise performed is meant to serve as an example of how to develop an inclusive local development strategy in a context-specific manner and how to integrate the perspectives of “what kind” and “for whom” in local development together by mainstreaming inclusiveness through targeted support to economically underrepresented and disadvantaged groups into generic local development strategies.

3 The policy framework for local development in Heraklion

Heraklion is among the largest cities in Greece and located on the island of Crete. As such, local development in Heraklion is embedded both into regional development for Crete, the relevant NUTS-2 region, and related relevant policy documents including programming documents for EU structural funds, and into economic development on the national level in Greece which is strongly characterized by Greece's structural crisis that has been raging for almost a decade so far, and corresponding structural reform.

3.1 National policy framework

Greece has been suffering from a threefold structural crisis for almost a decade so far: First, the Greek government is struggling with severe fiscal imbalances which are arguably the most visible aspect of structural crisis. More fundamentally, the Greek public sector suffers from a governance crisis which requires government and administration to enhance their efficiency and effectiveness. The most long-term and complex aspect of the Greek structural crisis, however, is the underlying competitiveness deficit of the Greek economy (Benner 2012b; Brenke 2012).

In the wake of fundamental structural and fiscal reform subject to conditionalities set by the European Commission (EC), the European Central Bank (ECB), and the International Monetary Fund (IMF), the Greek economy is marked by long-term recession and dramatically high levels of unemployment. As became clear in Chapter 2, high unemployment tends to affect economically underrepresented or disadvantaged groups disproportionately, and this is even more the case in a country confronted with severe structural difficulties such as Greece.

To counter the most fundamental reason of Greece's structural crises, the competitiveness deficit of the Greek economy, the conditionalities set by the EC, ECB and IMF include approaches to facilitate long-term economic growth. Notably, under the umbrella of the "European Semester", the 2016 "National Reform Programme" for Greece (NRP) includes a set of planned reforms designed to promote entrepreneurship, improve public-sector transparency and efficiency, raise the quality of education, alleviate poverty, support research and development (R&D), and foster renewable energies and energy efficiency (Council of Economic Advisors 2016). In so doing, the NRP defines the policy objectives guiding the use of European structural funds such as the European Regional Development Fund (ERDF), European Social Fund (ESF) and Youth Employment Initiative (YEI) nationally and

regionally, and their relationship to objectives of the EU's overarching "Europe 2020" strategy.

In detail, the NRP includes, *inter alia*, the following reforms relevant for inclusive local development (Council of Economic Advisors 2016):

- Establishment of the Hellenic Fund for Entrepreneurship and Development (ETEAN) designed to promote SMEs and manage European funds;
- Promotion of businesses through an action plan for export promotion and the setup of one-stop shops;
- Programs to promote youth entrepreneurship and self-employment by subsidizing social security contributions and by supporting innovative start-ups; and
- Schemes to enhance the employability of youth such as training vouchers and programs.

Measures proposed in the NRP and funded through EU structural funds are further defined in the Partnership Agreement between the Greek government and the European Commission. The Partnership Agreement follows five key strategic priorities, two of which focus on the competitiveness of enterprises and the development of human resources. In a sectoral view, target sectors to facilitate growth in the Greek economy include tourism, agri-food, blue growth, logistics, energy and the environment. The Partnership Agreement allocates funds from EU structural funds totalling EUR 15.3 billion for the period from 2014 to 2020 (European Commission 2014).

Below the level of the Partnership Agreement, a number of Operational Programmes (OP) define measures to achieve the goals defined in the Partnership Agreement. They include the following ones relevant for inclusive local development:

- The "competitiveness, entrepreneurship and innovation" OP for Greece aims towards promoting entrepreneurship along sectoral priorities such as agri-food, energy, supply chains, culture and creative industries, tourism, information and communication technology, health, materials and construction, and the environment. Further, the OP sets out to enhance the adaptability of employees and employers to changing skills requirements, and to improve the entrepreneurship infrastructure. The OP has a total budget of EUR 4.67 billion and allocates EUR 2.97 billion of funding from the ERDF and EUR 676 million from the ESF (European Commission 2017a).

- The “human resources development, education and lifelong learning” OP focuses on improving education, upgrading skills, and lowering unemployment particularly among youth not in education, employment and training, women, and long-term unemployed. The OP has a total budget of EUR 2.67 billion and allocates EUR 1.76 billion of funding from the ESF (European Commission 2017d).
- Regional operational programmes (ROP) cover the country’s regions and complement the thematic OPs. The relevant ROP for Crete (European Commission 2017b) will be introduced below in Section 3.2.

Apart from the programming documents in European cohesion policy, the national policy context relevant for inclusive local development includes the national smart specialization strategy (RIS3). The strategy defines sectoral priorities for improving the innovativeness of the Greek economy such as agri-food, life sciences and health, information and communication technology, energy, the environment and sustainable development, transport and logistics, materials and construction, and a complex of culture, tourism and cultural and creative industries. Under each of these sectoral priorities, the strategy defines policy interventions to be implemented at the national or regional level (General Secretariat for Research and Technology n.d.).

The national policy framework for inclusive local development introduced in this section is further defined by the regional policy framework in the NUTS-2 region of Crete. The next section turns to this regional policy framework.

3.2 Regional policy framework

The regional policy framework in Crete relevant for inclusive local development includes notably the Regional Operational Programme (ROP) for Crete and the regional smart specialization strategy (RIS3) for Crete.

The ROP for Crete, as the ROPs for the other Greek regions, complements the national-level thematic OPs in the period from 2014 to 2020. The Crete ROP focuses, *inter alia*, on increasing the competitiveness and innovativeness of Cretan SMEs and on creating jobs. In particular, the ROP’s priorities include increasing enterprises’ participation in research and innovation as well as in information and communication technologies, promoting start-ups and investments, enhancing the access to the labor market for members of disadvantaged groups, and improving workers’ adaptability and skills. Expected impacts of the ROP include

support to more than 500 SMEs, the creation of 270 full time equivalent jobs, and support to 25 business plans for social enterprises. The ROP's total budget stands at EUR 435 million with an allocation of EUR 290 million from the ERDF and EUR 58 million from the ESF (European Commission 2017b).

The regional RIS3 for Crete called "Smart Specialisation Strategy of Crete Region" is linked with the Crete ROP and meant to provide a sense of strategic orientation for the projects funded under the ROP. In addition, it is meant to complement the national RIS3 and shares much of the national strategy's strategic priorities. The Cretan RIS3 defines four sectoral priorities called "complexes": (i) an agro-alimentary complex, (ii) a cultural-touristic complex, (iii) an environmental complex, and (iv) a knowledge complex. In line with the smart specialization approach, these complexes are defined to build on regionalized assets and strengths and to promote promising growth trajectories through an action plan. Funding for implementation comes from the Crete ROP, the Competitiveness OP, the Rural Development Programme, and the EU's RDI framework program Horizon 2020 (Management Authority of Crete Region 2015).

In the "agro-alimentary complex", the Cretan RIS3 focuses on the "Cretan diet" around products grown in Crete and/or associated with positive health effects such as olive oil, vegetables, dairy products, aromatic plants, honey, wine, or seafood. The RIS3 "seeks to use scientific knowledge and innovation in order to create modern productive sectors which will produce high added value food that has high nutritional value and is internationally competitive, of high quality and safe" (Management Authority of Crete Region 2015: 7).

By seizing the economic potential of the "Cretan diet", the region wants to "become the *Silicon Valley* of Mediterranean biodiversity and nutrition by highlighting the characteristics and the image of Cretan nutrition and by creating new food products through the development of a powerful research technical support network which would rely on the potential of the regional R&D complex" (Management Authority of Crete Region 2015: 11, italics in original). Actions to achieve this goal include, *inter alia*, the creation of a traditional products and recipe atlas and a quality charter, support to versatile farming with local varieties, the setup of a network of mentors to farmers, and higher visibility of Cretan nutritional produce in tourism and tourism marketing (Management Authority of Crete Region 2015: 11).

Under the "cultural-touristic complex", differentiation in the tourism value chain in Crete is set to be supported and cultural assets are to be promoted, for example through the

development of high value-added cultural activities. Actions include the construction of a new airport in Kastelli to replace the present Heraklion airport (Der Standard 2017), support to the use of information and communications technology in tourism, the creation of synergies between tourism, culture, and agri-food value chains, and the promotion of differentiated tourism products such as agritourism, ecotourism and religious tourism, and possibly hosting international gastronomic events focusing on healthy nutrition, thus again seizing the economic potential of the “Cretan diet” (Management Authority of Crete Region 2015: 7, 13).

Actions under the strategy’s “environmental complex” deal with the reduction of CO2 emissions, better use of natural resources, and adaptation to climate change (Management Authority of Crete Region 2015: 7).

The “knowledge complex” includes the promotion of research institutions and universities in Crete in fields such as nanotechnology, biomedicine and biology, microelectronics, materials, or information technologies, support to innovative entrepreneurship in nascent fields, and the development of new education and training programs (Management Authority of Crete Region 2015: 7).

The priorities and actions defined in the Cretan RIS3 exhibit a considerable degree of consistency by focusing on Crete’s cultural and natural heritage and particularly its agricultural assets and the related “Cretan diet” which opens up economic opportunities in the agri-food sector, tourism, and R&D. It is worth noting that such an orientation seems in line with objectively observable indicators of well-being in Crete. For instance, the OECD’s Regional Well-Being index rates regions along a set of indicators for housing, life satisfaction, access to services, civic engagement, education, jobs, community, environment, income, health, and safety. While the scores for most categories place Crete in the lower tercile of OECD regions and particularly low on jobs (with an employment rate of only 51.7 percent and an unemployment rate of 24.0 percent, a reflection of Greece’s severe structural crisis) Crete’s score on health is outstanding. With a low mortality rate of 7.0 deaths per people and a high life expectancy of 82.3 years, Crete ranks among the top 19 percent of OECD regions (OECD n.d.).

While these indicators do not allow for inferring any causality and certainly cannot be attributed to the effects of nutrition alone, the outstanding health indicators for Crete provide a rationale for the region to further promote specialization in economic activities and knowledge generation related to healthy nutrition along the lines of the “Cretan diet”, and to

market regional produce, exports and tourism accordingly (e.g. Averbuck 2016: 43; Invest in Greece Agency 2011: 37). Linking agri-food value chains with tourism as well as with R&D and entrepreneurship focused on healthy living and eating therefore seems a promising strategic orientation for regional development in Crete and may provide a range of opportunities for promoting inclusive business models in Crete's local economies.

The next chapter turns to the local economy of Heraklion within the policy framework presented above, and sets the stage for the elaboration of preliminary ideas on how to develop Heraklion's local economy in an inclusive way in line with its own strengths and those of Crete's regional economy.

4 Inclusive local development in Heraklion

The present chapter briefly analyzes Heraklion's local economy. To do so, the next section briefly introduced major features of the regional economy of Crete in which Heraklion's local economy is embedded, using secondary quantitative data. Then, a short profile of Heraklion's local economy as well as of the local development landscape is given before aspects of inclusion of economically underrepresented or disadvantaged groups in Heraklion's local economy are discussed.

4.1 Crete's regional economy

The NUTS-2 region of Crete consists of four prefectures (Chania, Rethymno, Heraklion, and Lasithi), with Heraklion (Iraklio) as the administrative capital, and three airports (one of them located in Heraklion) on the island (Invest in Greece Agency 2011: 3). As of 1 January 2016, the region of Crete had a population of 631,812 with slight annual increases each year since 2012 in contrast to a continued decrease of the population in Greece (Eurostat n.d.).

With a GDP of EUR 8,789 million in 2015, the region of Crete accounted for 5.0 percent of the total GDP of Greece. While Crete's GDP increased slightly in 2014 and 2015, it still stands considerably below its 2009 GDP of EUR 11,509 million which represented a share of 4,8 percent of total Greek GDP. What is interesting though is that in contrast to Greece as a whole, Crete's regional GDP shows a moderate economic recovery since 2014, with growth rates of 1.5 percent of 2014 and 1.1 percent in 2015 (Eurostat n.d.).

The rates of economic activity in Crete are slightly above the national ones. In 2016, 61.9 percent of Crete's population aged 15 to 74 were economically active, compared to 59.6 percent for Greece. 55.9 percent of females in Crete compared to 52.3 percent in Greece were economically active, while the corresponding figures for males stood at 68.1 and 67.2 percent, respectively. For youth aged 15 to 24, economic participation rates were 27.3 percent for Crete and 24.6 percent for Greece, and for senior citizens aged 65 years and over, the corresponding rates were 4.5 and 3.2 percent, respectively (Eurostat n.d.).

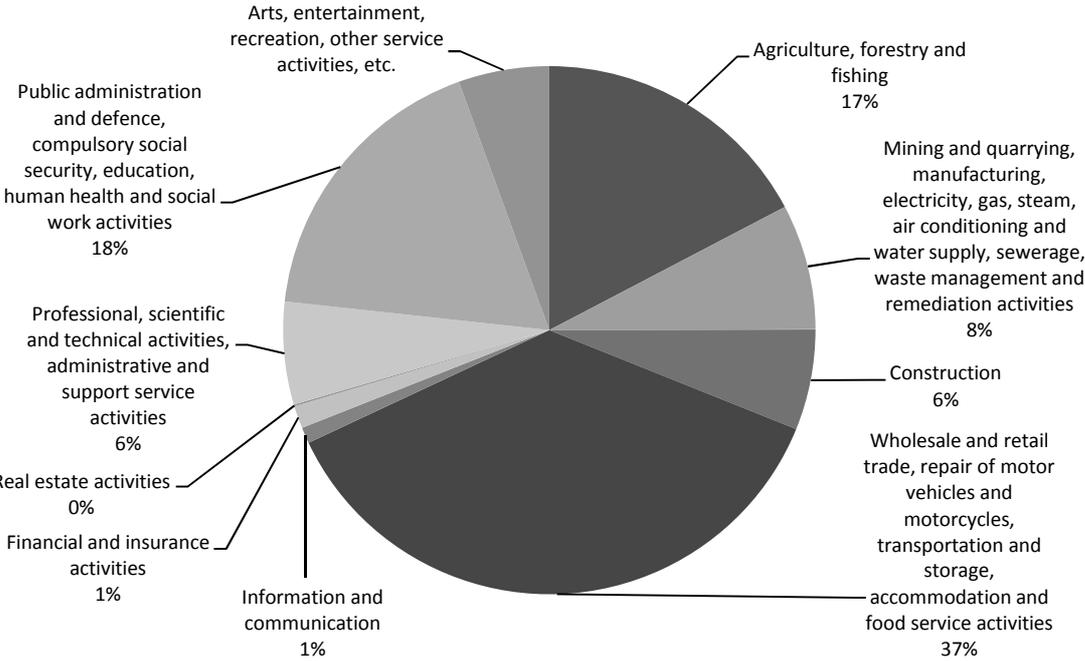
On unemployment, too, Crete exhibits slightly better figures than the national average. Unemployment among 15- to 74-year-olds in Crete stood at 22.6 percent in 2016 compared to 23.6 percent in Greece. For youth aged 15 to 24, the corresponding rates were 41.0 and 47.3 percent, respectively (Eurostat n.d.).

Crete’s regional economy is heavily characterized by agriculture and tourism. Food and beverage products such as olive oil, wine, bakery products, citrus fruits, raisins, herbs or honey account for 56 percent of Crete’s exports while the remainder includes plastics, arts and crafts, and organic and natural cosmetics (Invest in Greece Agency 2011).

Within the food and beverage sector, products related to the “Cretan diet” are covered by three protected designations of origin for dairy products, one protected geographical indication for bakery products, and one protected designation of origin for fruits (Invest in Greece Agency 2011: 37).

Figure 1 gives an overview of the shares of industries in employment in Crete in 2014. It shows that Crete’s regional economy has a low share of manufacturing activities but is indeed marked by a comparatively strong agricultural sector and dominant service industries, most likely driven by the high importance of the tourism sector.

Figure 1: Share of industries in total employment in Crete (2014)



Source: Hellenic Statistical Authority (2017).

Crete is a major tourist destination in the Mediterranean and offers a diverse touristic product including beaches, wine roads (New Wines of Greece n.d.), Minoan palaces such as Knossos, Venetian-style old town such as Chania and Rethymno, natural assets such as the Samaria Gorge (Averbuck et al. 2016). In 2009, Crete hosted more than 1,500 hotels offering 85,407 rooms, and accounted for 23.7 percent of total nights spent in Greece, while in 2010, more than 1.9 million tourist arrivals were registered at Heraklion airport and almost 600.000 at

Chania airport (Invest in Greece Agency 2011: 16-17). In 2016, more than four million tourists arrived at Heraklion airport (Der Standard 2017).⁵

Next to tourism, the second important exporting industry in Crete is the production of agricultural and cosmetic goods including notably olive oil and wine. Here, the focus is mainly on products intended for quality-conscious markets, which is often indicated through a collection of recognizable certificates issued by institutions in the target markets (e.g. Cretan Olive Mill 2017). This is also expressed by marketing efforts which often consider health aspects of the “Cretan diet” as their centerpiece and thus target demand for high-quality, natural foods by health-conscious consumers in Western markets. The concept of the “Cretan diet” is important in alternative tourism focused on culinary aspects, for example through themed winery tours (e.g. Averbuck et al. 2016: 169; New Wines of Greece n.d.). As was highlighted above (see Section 3.2), the potential of health-related arguments involving the “Cretan diet” is underlined by the high score of health in regional wellbeing indicators in Crete in the OECD’s Regional Well-Being index (OECD n.d.). Thus, the “Cretan diet” is an important marketing argument for regional produce (e.g. Averbuck 2016: 43) linking the two most important sectors in Crete’s regional economy, the agri-food industry and the tourism industry.

4.2 Heraklion’s local economy

Heraklion, the capital of the administrative region of Crete, is the region’s largest city and the fourth largest municipality in Greece, being home to a population of almost 174.000 in 2011 (Hellenic Statistical Authority 2014). The Prefecture of Heraklion, one of three NUTS-3 administrative units in Crete, is the region’s economic backbone, accounting for about 77 percent⁶ of Cretan exports (Invest in Greece Agency 2011).

Within Crete’s regional economy, Heraklion is a major economic hub and service center. Apart from being a regional center for the information and communication technologies industry (Invest in Greece Agency 2011: 30), Heraklion is the island’s primary logistical hub due to its airport which registered more than four million tourist arrivals in 2016 (Der Standard 2017) and its port ranked second in terms of passenger traffic in Greece after the Piraeus port of Athens (Heraklion Port Authority 2017).

⁵ The apparent increase in tourist arrivals at Heraklion airport reflects the significant increase in tourist arrivals in Greece in recent years (World Tourism Organization 2016).

⁶ Figure for January to September 2010.

Apart from being a primary point of entry for tourists, Heraklion takes an important position in the Cretan tourism sector in terms of the touristic assets, amenities and infrastructure the city and its suburbs offer. Some of the most important clusters for mass tourism in Crete such as Hersonissos, Malia or Amoudara are located close to Heraklion. The city itself offers a Venetian old town, the Venetian Koules fortress, the Cretan Historical Museum, and first and foremost the highly renowned Archeological Museum Heraklion. Close to the city, the archeological park of the Minoan palace of Knossos is among Crete's top tourist attractions. The city hosts the annual Heraklion Summer Festival. The region south of Heraklion is an important wine-growing area with major wine producers such as Boutari or Minos-Miliarakis, Douloufakis or Domaine Gavalas located there, and offers a wide range of activities in wine tourism (Averbuck et al. 2016: 23, 143-187).

Within Crete, Heraklion has gained the status of a regional center in R&D and education. The University of Crete with currently around 19.000 students has two sites in Crete, one in Rethymno and one in Heraklion. The university offers study tracks in the fields of philosophy, education, social, economic and political sciences, sciences and engineering, and medicine. While the Rethymno campus is home to humanities and social sciences, the Heraklion campus houses the physical, mathematical, technological, medical and life sciences. While in undergraduate studies approximately a 60 percent of students are enrolled in humanities and social sciences, on graduate level about two thirds of students are enrolled in physical, mathematical, technological, medical and life sciences. In total, approximately 16,000 undergraduate students and 2,500 graduate students are enrolled in the university (University of Crete 2015).

Furthermore, of the six institutes of the Foundation for Research and Technology Hellas (FORTH), four are located in Heraklion: the Institute of Electronic Structure and Laser, the Institute of Molecular Biology and Biotechnology, the Institute of Computer Science and the Institute of Applied and Computational Mathematics. FORTH is one of Greece's largest research centers and was established in 1983. The foundation is headquartered in Heraklion (Foundation of Research and Technology Hellas 2007a; Invest in Greece Agency 2011: 31).

With support from the Greek government, the Region of Crete, and EU funds, FORTH initiated the Science and Technology Park of Crete (STEP-C) in 1993. The park aims to support entrepreneurial activity and regional innovation by providing infrastructure and services (e.g. legal assistance, intellectual property advice) for its currently 22 incubatees. STEP-C also takes part in international programs such as "Erasmus for Young

Entrepreneurs”. Since 2000, a total of 40 companies have “graduated”, underpinning the incubation character of the park. Most of the graduated companies came from the information and communication technology industry with some specializing in e-tourism of medical information technology applications. The presence of the University of Crete campus, the university hospital, FORTH, and STEP-C in Heraklion give the city a considerable concentration in RDI activities (Foundation of Research and Technology Hellas 2007b; Invest in Greece Agency 2011: 32; Science and Technology Park of Crete n.d.; Soufouli and Vonortas 2007).

Apart from the University of Crete, Heraklion hosts a variety of other educational institutions. For example, the Technological Educational Institute of Crete (TEI), which focuses mainly on business studies and technological and engineering science has a site in Heraklion as well as in other cities in Crete. In Heraklion, TEI offers programs in management and economics, social work and nursing, and engineering (Technological Educational Institute of Crete 2017).

In sum, within the region of Crete, Heraklion takes the position of regional economic and administrative hub, major educational center, and location for scientific and economic activities in science and engineering, medicine, and information and communication technologies including e-tourism and medical applications. In addition, with its airport and port Heraklion is a major hub for transport and logistics and plays a major role in tourism due to tourism agglomerations in its vicinity and touristic attractions such as Knossos castle, the Archeological Museum, and its surrounding winegrowing region.

4.3 Structures of local development in Heraklion

This section gives a brief and stylized overview of structures of local development in Heraklion. While embedded in structures of regional development in the Region of Crete, local development in Heraklion and its surroundings is mostly shaped by municipal and prefectural agents.

The Municipality of Heraklion is a critical driver of local development in the city which maintains municipal enterprises for economic development as well as social infrastructure such as youth centers, and participates in European inter-city networking projects (Municipality of Heraklion 2015b).

The Municipal Enterprise of Culture, Tourism and Development of Heraklion (DEPTAH) is an important entity in local development. The company was established in 1985 and is

charged with promoting the city at the interface between culture, tourism and economic development (Municipality of Heraklion 2015a).

On the prefectural level, the Herakleion Development Agency S.A. is a developmental entity held by municipalities in the Heraklion prefecture, cooperatives and banks, and charged with supporting regional development in the prefecture of Heraklion through, for instance, LEADER projects (Arabatzis et al. 2010; Herakleion Development Agency n.d.).

4.4 Economically underrepresented and disadvantaged groups in local development

This section sheds some light on initiatives in favor of inclusive local development in Heraklion focusing on economically underrepresented or disadvantaged groups, although it cannot claim any comprehensiveness or completeness.

On the local level, both Heraklion's youth center and the Youth Prevention and Advice Center (KESAN) are sensible attempts towards enhancing the social inclusion of marginalized youth in the wider context of high youth unemployment (Municipality of Heraklion 2015b).

Apart from these local projects for social inclusion, ESF-funded projects are relevant for inclusive local development in Heraklion in the context of regional development in Crete. For example, a budget of EUR 66 million in ESF-funded projects for social inclusion is planned for Crete in the period between 2014 and 2020, a significant part of which will presumably affect Heraklion. The impact of ESF funding will have to be evaluated after the end of the current programming period. More than 2,400 persons participated in actions funded by EU structural funds for social inclusion so far in the current programming period in Crete, as well as 19 persons with disabilities and 540 long-term unemployed. 256 migrants or people with a foreign or minority background participated in measures for social inclusion so far. However, given that these figures apply to all of Crete, the effect on local development in Heraklion is presumably limited for the time being (European Commission 2017c).

Furthermore, activities aimed at enhancing skills and employability of youth under YEI funding in Greece can be expected to affect Heraklion's local economy to a certain degree (European Commission 2015).

5 Towards a strategy of inclusive local development in Heraklion

Based on the concise profile of Heraklion's local economy within Crete's regional economy in Chapter 4, this chapter attempts to develop some ideas, following the guiding question posed by (Pike et al. 2017: 18), "what kind of local and regional development and for whom?", on how to develop Heraklion's local economy in view of its strengths and opportunities ("what kind") and how to do so in a way that benefits not just the mainstream of society but economically underrepresented or disadvantaged groups, too ("for whom").

Considering the preliminary character of the analyses performed in Chapter 4 and their methodological limitations, the ideas proposed below should be viewed as preliminary and requiring a detailed check of their feasibility and cost-effectiveness before being further pursued. Nevertheless, the following ideas are meant as an impulse for the further debate on inclusive local development generally and in Greece specifically.

Considering the strengths and opportunities of Heraklion's local economy within the regional economy of Crete, an inclusive local development strategy could include the following aspects:

- The "Cretan diet" is a powerful theme because it spans a number of sectors such as tourism, agriculture, agri-foods (such as wine or olive oil value chains) and healthcare, and it can be developed into a unique selling proposition for a variety of export products. While this holds true for all of Crete, Heraklion's local economy seems well suited to seize further economic opportunities related to the "Cretan diet", and in so doing promoting inclusive business models.
- Considering the natural assets of Crete and the natural produce prominent in the "Cretan diet" such as olive oil, citrus fruit or wine, culinary tourism centered around these products with seminars, tastings or specific tours is a logical way to seize opportunities at the intersection between Crete's two leading industries, tourism and agri-food. While culinary and wine tourism exists in Crete generally and Heraklion's surroundings specifically, promoting inclusive business models around Cretan cuisine and culinary products such as restaurants employing people with special needs (Boutboul 2016) or tasting restaurants of vocational schools for unemployed youth can serve to extend the growth effects of these industries and particularly the economic

potential of “Cretan diet” products and ideas to economically underrepresented or disadvantaged groups. Further, such business models might eventually be combined with further products or services such as cooking literature, music or arts.

- Agents in local development could promote the emergence of such inclusive business models through specifically dedicated business planning competitions and subsequent grants, mentoring and training. For example, a specific business planning competition could focus on inclusive business models revolving around the topic of the “Cretan diet” and involving economically underrepresented or disadvantaged groups such as youth or people with special needs, either as entrepreneurs or as employees. At the same time, inclusiveness could be mainstreamed in generic schemes of entrepreneurship promotion. For example, horizontal business planning contests might include the requirement to propose child-care possibilities to ease the double-day burden for women (and men). Alternatively, entrepreneurship support schemes could offer joint schemes for child care or for care for the elderly to allow entrepreneurs or employees to focus on developing their businesses and to fully participate in economic life.
- Further, vocational training for youth to be employed in hospitality might focus more on the “Cretan diet”, for example by developing a special training course for students to become ambassadors of the “Cretan diet” on nutritional and health-related aspects of traditional cooking, thus increasing the employability of youth in the local hospitality sector and beyond. On the employer side, awareness for the economic potential of the “Cretan diet” could include a labeling scheme for hotels and restaurants employing youth trained as ambassadors of the “Cretan diet”.⁷ These efforts might be implemented within the framework of ESF-funded projects. Further, labeling “Cretan diet” products could be complemented by online sales platforms or specific venture capital funds for entrepreneurs realizing ideas on “Cretan diet”-related products. Complementing these efforts of promoting the “Cretan diet”, higher-level tourism marketing and export promotion should increase the international visibility of Cretan cooking and produce.⁸ Culinary festivals dedicated to specific products of the

⁷ There is a label for “Cretan cuisine” which might be extended to include such a training scheme (Agronutritional Cooperation Region of Crete 2015).

⁸ There are indeed some efforts to position the “Cretan diet” in the framework of Cretan tourism marketing (Region of Crete 2017).

“Cretan diet” such as olive oil (not limited to food but including other applications such as olive oil cosmetics) could be a further piece in increasing the international visibility of the “Cretan diet” and might be combined with cultural events such as the Heraklion Summer Festival (Averbuck et al. 2016: 23).

- Further, Heraklion might consider setting up a specifically dedicated museum on the “Cretan diet”, its history, its relationship to traditional rural life in Crete, its effects on Cretan arts and culture, its links with other Mediterranean cuisines, and its health effects. In a sense, such a museum would be consistent with Heraklion’s functions as a cultural and medical center in the region and as a transport and logistics hub in the Eastern Mediterranean. Initiating such a project could be part of an ERDF-funded project. In terms of inclusiveness, such a museum might be complemented by a food court or covered market for ethnic restaurants or food stalls offering other Mediterranean cuisines and operated by immigrant entrepreneurs, as well as inclusive business models for restaurants or food stalls offering Cretan produce involving entrepreneurs or employees from other economically underrepresented or disadvantaged groups.
- Extending the notion of the “Cretan diet” to the wider concept of a healthy lifestyle and healthy aging, Heraklion might try to attract senior citizens from other regions or possibly from all across Europe for extended stays during winter months or for taking a second home, and to contribute their knowledge and experience to the local economy. For instance, senior citizens with entrepreneurial experience could enroll in a pool of mentors for younger entrepreneurs from Crete.
- Heraklion’s Koules fortress could be set in value for cultural events with a special character, e.g. for a summertime festival for theater by actors with special needs or by senior actors. For instance, a festival for senior citizens’ theater could be inspired by the character of Alexis Zorbas by Cretan writer Nikos Kazantzakis (who is buried in Heraklion). Such a festival could complement the broader Heraklion Summer Festival (Averbuck et al. 2016: 23).
- Apart from tourism, other sectors present in Heraklion could be supported with targeted schemes to enhance their inclusiveness. For example, in industries such as services, cultural and creative industries, or information and communication

technology, dedicated co-working spaces and/or incubators (e.g. at STEP-C or the University of Crete) with their own child-care facilities or with specific support for people with special needs (e.g. in terms of medical support and accessibility for physically disabled entrepreneurs or employees) could significantly facilitate the full participation of women or people with special needs in economic life. Another idea is setting up specific incubation or co-working programs for people on the Autism spectrum. Such an incubator or co-working space might focus on specific topics (e.g. the use of information and communication technologies in tourism or medicine) and offer support not only by entrepreneurial mentors but also by social workers, thus combining the competencies of two separate professions important for inclusive entrepreneurship. At a minimum, specific events such as hackathlons for people with special needs and talents relevant for information and communication technologies should be considered.

- Policymakers in Heraklion might consider following the model of a third-age university (Gausas and Vosyliūtė 2015), maybe in collaboration with the University of Crete, and set up specific schemes to promote entrepreneurship among senior citizens attending such a third-age university or to engage them in mentor pools for younger entrepreneurs and/or for entrepreneurs from other economically underrepresented or disadvantaged groups such as women or immigrants.
- Considering the importance of role models and visible success stories (Isenberg 2010), successful inclusive businesses should be engaged in awareness-raising campaigns. For instance, a local or regional award for successful inclusive businesses can serve to enhance the visibility of entrepreneurs from economically underrepresented or disadvantaged groups, of successful gainful employment of people from underrepresented or disadvantaged groups, or of social businesses.

6 Conclusions

The present study has attempted to apply the notion of inclusive development to structural policy on the local level in the case of Heraklion, Greece. It needs to be stressed again that the methodological constraints of the study do not allow for definitive recommendations. To come up with a comprehensive strategy on inclusive local development for Heraklion, profound on-the-ground research involving extensive explorative stakeholder and expert interviews will be necessary. Further research might take this direction and could further refine the preliminary ideas presented in Chapter 5.

Still, the present study has come up with an approach to link inclusiveness with generic efforts in local development. We argue that inclusiveness should be a built-in element into generic strategies of local (or regional) development, thus answering both parts of the guiding question asked by Pike et al. (2017: 18), “what kind of local and regional development and for whom?”

Considering the current debate on inclusiveness in macro-level policies (e.g. OECD 2016; 2017), further research on how to achieve more inclusiveness in local development is certainly needed. In particular, a context such as the Greek one which is marked by severe structural crisis and reform offers a highly relevant case for evidence-based policymaking on inclusive meso-level development. Further research might look at other localities in Greece and contribute different or complementary perspectives. In any case, research on inclusive local and regional development is highly important to develop effective tools for policymakers to tackle the challenge of inclusiveness, one of the major social and economic challenges of our time.

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