

The European Social Fund as a lever for improving labour market policies: performance measurement and recommendations



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The paper is based on a number of researches including the ex post evaluation of the European Social Fund that was conducted for DG Employment by Vision & Value (Italy) together with LSE (UK); Expanzio (Hungary), Deutschland Denken (Germany) and Red2Red (Spain).

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Introduction

After having been a bank originated crisis, the crisis that Europe is currently living has become mostly an acute crisis of employment and of public finances. The decade that should have made Europe the most competitive, knowledge based economy of the world and that should have created “more and better jobs for everybody”¹, is about to end with a rapidly growing number of European citizens outside the labour market and an increasing financial constraint to the capability of states to react to this situation.

The assessment of the value for money of the public funds spent for the implementation of policies meant to improve the employability of European citizens has become essential. Even more strategic is the assessment of the European Social Fund given that this typology of public expenditure is directly under the European Commission’s supervision: the European Commission is supposed to be for the member states the benchmark of labour market policies within the European Employment Strategy and the ESF is or should be a model which is capable to influence the lay-out of other public expenditure.

As we will elaborate further, the performance of the ESF is – at the very least – to be investigated with care. The results that we are going to show say, for instance, that the largest recipients of ESF are not, necessarily, the ones that are doing better in terms of employment performance: should this be the case the ESF implementation processes may fail to prove to be successful and worthwhile to be imitated and an urgency to overhaul ESF regulations and implementation mechanisms would arise.

¹ Sapir A. et al. (2003), “*An Agenda for a Growing Europe – Report for an Independent High-Level Study Group established on the initiative of the President of the European Commission*”. Bruxelles, but also Kok W. and others (2004) “*Facing the Challenge: The Lisbon Strategy for Growth and Employment*”, Report from a High-Level Group, Commissioned by the EC.

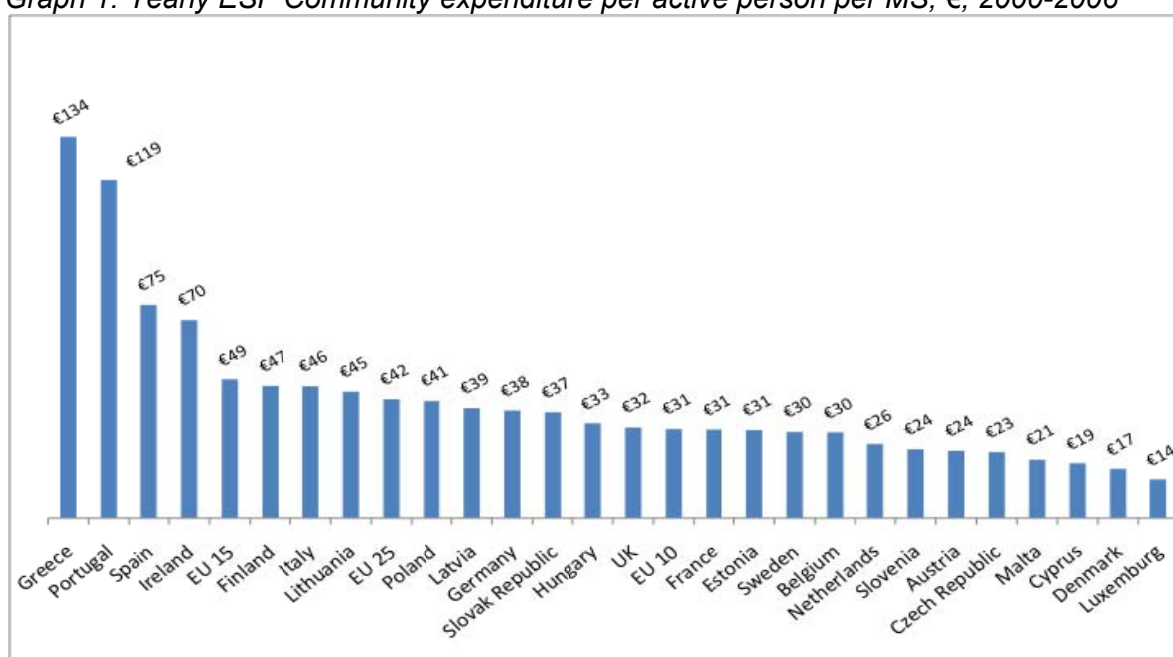
Resources allocation: objectives and funds distribution amongst member states

As said before the European Commission spent €80 billion for the 2000 – 2006 period, whereas an additional €40 billion euro were spent by National States and the private sector. The funds' objectives are supposed to be the improvement of the employability of the European workforce and to development of the institutional capabilities of administrations and organizations meant to intervene in the labour markets.

Differences amongst states are significant both in terms of size of allocations and distribution of them amongst objectives.

Graph 1 shows the allocation of resources per active person².

Graph 1. Yearly ESF Community expenditure per active person per MS, €, 2000-2006



Source: Structural Funds Common Database (SFC), Eurostat (2006)

Greece and Portugal, and at a lesser extent Spain and Ireland are by far the largest beneficiaries. In general terms if we aggregate states using the classical taxonomy³ of southern, central, northern and new member states we come out with a strong concentration with just four southern member states getting roughly 40% of available EC funds. With over 100€ per active person, ESF expenditure per active person in Greece and Portugal are about four times higher than the average amount received in other MSs. Also, in Spain and Ireland the allocation per active person was more than double the average. Apart from such exceptions, generally the ESF expenditure per active person was relatively homogeneous throughout the EU.

These patterns are explained by referring to different level of prosperities - and, thus, to GDP pro capita - and unemployment (or employment) rates – at the beginning of the programming period

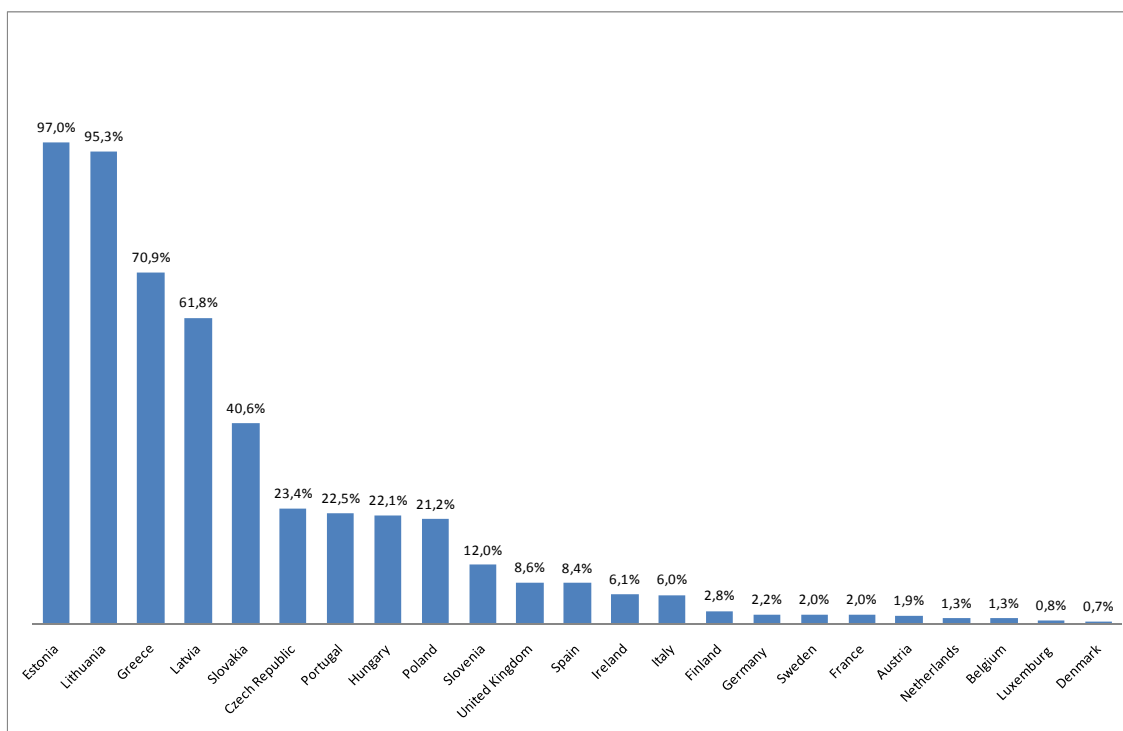
² By active people is meant the sum of employed and unemployed that are seeking jobs.

³ The taxonomy distinguishes countries by two dimension (“political institutional regime” and “welfare policy regime”) and produces the four following groups: southern member states - Spain, Italy, Portugal, Greece -, central - France, UK, Ireland, Germany, Austria, Luxembourg, Belgium -, northern - Sweden, Denmark, Finland, The Netherlands - and the new member states – Eastern European countries plus Malta and Cyprus.

(2000) when operational programs and allocations were established⁴. However, different prosperity levels fail to fully explain difference in the pro-capita endowment that we just mentioned. For instance, Portugal had in the year 2000 an employment rate higher than EU-15 average, while the employment rate of Poland was much lower than in Lithuania in 2004.

Another interesting observation is the weight of the ESF and, more specifically, the European Commission aid on the total money spent in different member states. Differences are, once again, large as the graph 2 shows.

Graph 2. Yearly ESF Community expenditure coming from EC expenditure as a percentage of public money spent on Labour Market policies, %, ESF 2000-2006⁵



Source: Structural Funds Common Database (SFC), Eurostat

The number show how important is the European Commission money within different countries and similar results would have been given calculating the percentage that ESF as a whole (with national public and national private co financing) would represent public money spent on LMP⁶.

⁴ The GDP pro capita is, in turn, the main eligibility criteria for being OB 1 area, whereas ESF funds are disproportionately allocated to Ob1 areas. As for the following table, more than half of the money (54%) of the funds were allocated to these Ob 1 areas, although in year 2000 they represented only 18% of the EU population.

⁵ Labour Market Policies data are for 2005 which is the only year where data are complete. For defining labour market policies, EUROSTAT proposes a classification in three broad types – **services** mostly performed by public employment services; **measures** (divided in training, job rotation and sharing, employment incentives, supported employment, direct job creation, start ups) and **financial supports** (out of work maintenance and early retirement). In fact, if we only consider the two above typologies that are similar to ESF interventions – services and measures – the amount of money spent at EU 27 level drops from 220 billion per year to 80 billion euro per year and thus ESF weight reveals to be higher (the ratio between ESF and LMP goes from 7 to 17%)

⁶ Assuming that ESF is, always, as it should, be included in the LMP figure, the ratio between ESF and LMP goes from almost zero (in Denmark) to almost 100 (in Estonia). In fact, due to different national accounting methods, ESF expenditures is not treated with a uniform method across countries when it comes to calculate public money spent on Labour Market policies (some items are within the LMP and some others are not in the figure).

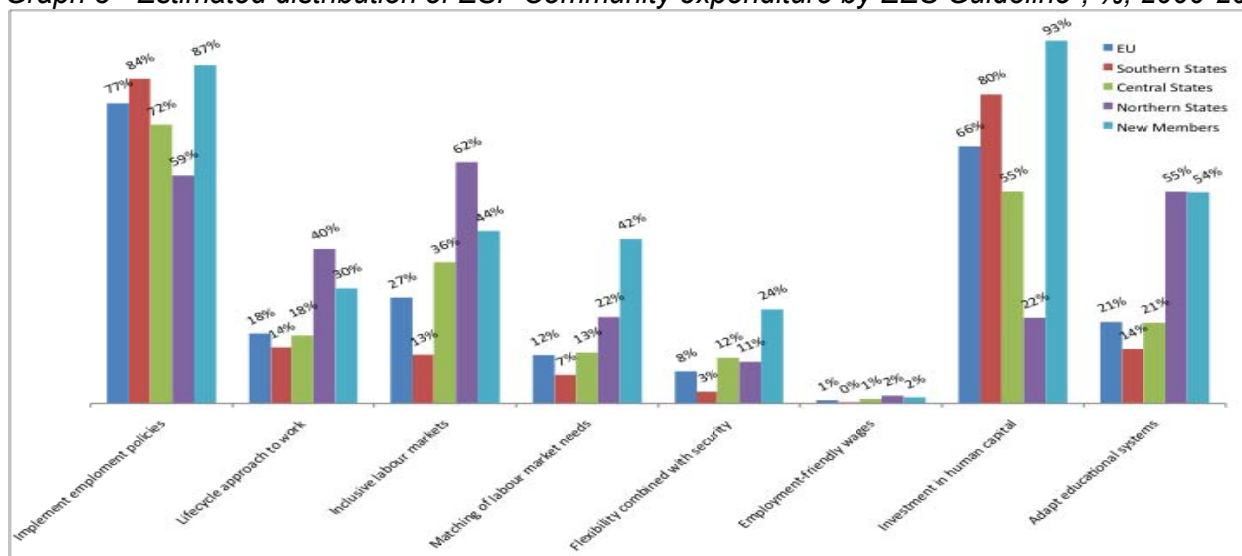
Although the money for New MS is only about 5% of the total EC resources spent for the ESF, the funds employed in New Member States has been crucial to the modernization of Labour Market Policies In older Member States such role has been much Less central.

Objectives, expectations and even evaluations of ESF must be, as a consequence, different in the two group of countries that are radically distinguished by the percentage of ESF on LMP: in the member states where EC contribution is indispensable even from a quantitative point of view to implement labour market policies we can expect more immediate and macro results to stem out of the programs; in the other countries where EC money is a small portion of the total spent in labour market policies, the challenge to ESF is to find and deliver its added value.

One of the analysis performed within the ex post evaluation was the measurement of the distribution of funds amongst different possible policy objectives⁷ of the European Employment Guidelines

As the graph 3 demonstrates “implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion” (*Guideline 17*) and “expand and improve investment in human capital” (*Guideline 23*) are by far the objectives that are drawing more financial resources. This is particularly true for Southern States (Spain, Portugal, Italy, Greece). Northern and, surprisingly, New Member States appear to have done more diversified choices with a stronger emphasis on adapting education systems, developing mechanisms of flexi security, lifelong learning, social inclusion, matching of supply and demand of labour.

Graph 3 - Estimated distribution of ESF Community expenditure by EES Guideline⁸, %, 2000-2006



Source: Structural Funds Common Database (SFC), Operational Programmes (OPs)

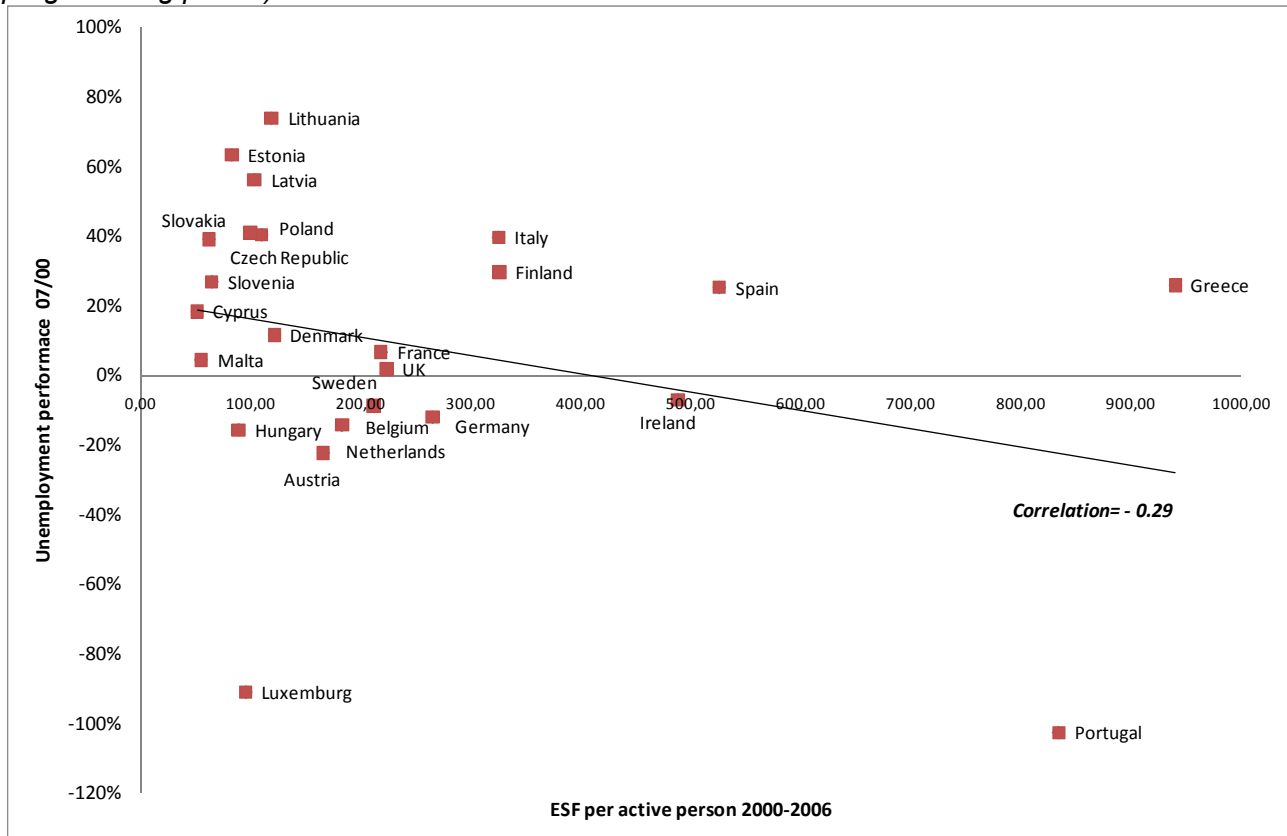
⁷ We refer here to the Employment Guidelines developed in 2005 to further substantiate the Employment Strategy. EES Objectives refers here to each of the Employment Guidelines: Guideline 17. Implement employment policies aiming at achieving full employment, improving quality and productivity at work, and strengthening social and territorial cohesion; Guideline 18. Promote a lifecycle approach to work; Guideline 19. Ensure inclusive labour markets for jobseekers and disadvantaged people; Guideline 20. Improve matching of labour market needs; Guideline 21. Promote flexibility combined with employment security and reduce labour market segmentation; Guideline 22. Ensure employment-friendly wage and other labour cost developments; Guideline 23 Expand and improve investment in human capital; Guideline 24. Adapt education and training systems in response to new competence requirements.

⁸ Only expenditure of measures with “high relevance” for each EES Guideline has been considered for this chart.

The macro evidence on the performance

Precise measurement of impact is difficult to determine both because of complexity of isolating different factors and because of inadequate data-availability. Graph 4, however, shows how employment performance - the main objective of the ESF - correlates to ESF expenditure.

Graph 4 – Map ESF expenditure per person and employment performance (measured as the inverse of the percentage growth of unemployment rates between the beginning and the end of the programming period)



Source: Eurostat

Overall, the performance of majority of countries appears to be good since they are above the line of no change.

However, the points on the map between the ESF expenditure per country for the period 2000-2006 and the employment performance for 2007-2009⁹ do form a sort of pattern but with very weak negative correlation of - 0.29. This means that there is a small evidence that the better the performance, the smaller the amount of funding is spent per active person.

In general, the evaluation results point out to a great differentiation among countries: there exist large difference in performance amongst countries and they can be explained by different governing mechanisms. Based on the identification of these differences, we propose the following recommendations.

⁹ Period for unemployment was chosen intentionally since we did not want to have the performance affected by the economic crisis that arrive after 2007

The recommendations

General recommendations mostly refer to the overall governing mechanisms of the ESF and they are based on commonalities that can be identified across different themes. They also take in account the fact that ESF plays a different role in what we call big as opposed to small recipients of ESF funds. In both groups of countries, however, the main challenge will be to narrow the focus of the ESF intervention. This will be important in the countries where ESF has a bigger weight, because here the urgency (highlighted by the current crisis) is to respond to economic challenges and make sure that structural funds intervention is temporary. It is likewise important in other countries where ESF has less weighting, since the ESF role is more a tool to promote reforms and experiment with the instruments that will be essential for the modernization of labour market policies.

The following recommendations provide what appeared to be priorities in terms of a review of the implementation processes.

They only marginally take into account the fact that new ESF programmes and regulations are in place. This is because an analysis of the current programming period is, at least partially, beyond the scope of the ex post evaluation.

However, some recommendations refer to more recent developments although our indications would require a further feasibility analysis in order to become actionable in the short term:

- 1. Segments of population and actors should become the main programming units to which certain amount of funds, specific outreach strategies and certain targets should be attached.**

The emergence of clearer choices (and, thus, the concentration of resources allocations) is – according to many of the parties involved into the implementation of ESF - essential¹⁰. The key is – in the evaluator's opinion - the adoption of a structure of operational programs that is per different segments of population whose employability is to be increased and per actors whose capabilities to intervene in the implementation of labour market policies must be improved.

In fact, currently programs headlines mix policy objectives, categories of recipients and instruments. An articulation by target segments (thus economic and institutional actors whose behaviour and capabilities the programs want to change) will force/ encourage programme managers (and policy makers) to more clearly say how they want to spend the available funds.

This may imply a progressive shift from a per policy field structure (whereas the policy fields definitions encompass segments, policies, instruments) to breakdowns first between actions aiming to directly reach individuals; and the ones that aim to reach actors (systems and structures); and then divide, in turn, the allocated resources by typology of individuals and of institutions.

This clearer, per segment definition of targets of actions was raised in different parts of the reports where, for instance, categories like “social inclusion” or “gender” or even “adaptability” proved to be too wide for distinguishing very different organisations and institutional value chains to reach and obtain certain objectives on individuals bearing different disadvantages, women with totally distinct problems of integration, workers of different age or education achievement.

In this context, one consequence would be a simplification of the level of segments and actors where the mix of instruments to select (training, consulting, advice, ..) would be left

¹⁰ To this purpose a clarification of the concept of *concentration* of resources and of ways to measure it may be useful.

to the phases of the implementation processes that come after the drafting of the programmes.

To each segment/ typology of actor specific analyses of their needs, bidding processes, as well as partnership and communication strategies to outreach them (and – as we will see later – targets and responsibilities) must follow.

We believe that the diagnosis upon which the ESF programmes' strategies are developed analyses must become more segments (and actors) specific.

A clear and in-depth understanding of the specific features and needs of the different segments amongst the identified target groups, would strengthen the identification and selection of projects, recipients and beneficiaries.

The lack of robust and analytical understanding of key needs of the final recipients of the identified policy priorities in the OPs most likely results in the lack of clarity in the selection of projects, beneficiaries and recipients in the implementation of the ESF-funded measures. Often, particularly in the case of MAs or beneficiaries with lower capacity and capabilities, the identification of effective projects is not rooted in the active engagement with local final recipients in order to identify their priority needs.

Moreover, once target segments and actors have been identified and typology of projects (mix of instruments) have been established in order to reach the expected outcomes, a proper marketing campaign of ESF programmes, as well as of specific ESF measures, must be implemented in order to mobilise intended clients of ESF, as well as to involve the best possible providers of the services to be delivered to those clients.

ESF does, in fact, spend significant amount of funds towards institutional campaigns. However, very little is done to reach the specific recipients whose behaviour and expectations must be improved.

Such a per segment approach should also bear consequences for partnerships that should become more specific to segments and actors to be reached, and should shift their focus from general programming phases (typically the scope of monitoring committees) onto specific implementation problems.

Member States and MAs should be encouraged to invite non-traditional target groups for instance “well educated but somehow derailed youngsters” (social cohesion) or 50+ working people (life - long learning and information society) to become engaged in projects. The MAs could more clearly identify the main features and needs of the selected target groups, particularly local enterprises, by engaging with those groups beyond a consultation with local Universities and Institutions. In fact, the features and needs of targets groups typically differ, not only from State to State, but also amongst local areas within each Region. The ESF-supported measures could surely benefit by a clear recognition of such diversity.

In addition, prior assessment of basic conditions regarding target groups, national policies in place, future developments and the potential impact that can be generated by ESF activities, should become a central element of the planning process.

This was, in fact, one of the main conclusions of the evaluation that was carried out with reference to social inclusion and gender: both the allocation of ESF resources and the design of the intervention must be tailored to the very different needs and strategies necessary to reach and then serve the segments that may be interested by the two policies.

- 2. Integration between ESF and other structural funds as well as other national policies should be improved, although, at the same time, the role of ESF also needs to be better specified, and the capability of programs to respond to discontinuities should be increased..**

Many overlaps amongst policies and missed synergies appear to emerge from many of our analyses and from the prospective of different target of the interventions: the observation of projects meant to support disadvantaged people revealed that recipients may not fully benefit from ESF actions because other services that are needed to do that are not organized in a coordinated way; training for employees in the firms were found to be disconnected from firms needs and development strategies.

In less advantaged regions the integration of ESF and ERDF within packages that are meant to generate development (or counter the crisis) appear to be urgent.

In more advanced regions similar need exist as far as strengthening the link between the national labour market policies and ESF.

From a more operational point of view, integration needs to be strengthened and verified at the level of the single beneficiary or geographical area/ cluster of firms

Moreover the diagnoses upon which ESF programs are drafted should become more specific to industries that are present in certain areas. Diagnosis should also pay more attention to the identification of more specific demand – in terms of skills and other characteristics – of workforce in those industries/ areas, and to the identification of the competitive positioning of industries, areas, segment of population in the national or international comparison. This recommendation answers some of the conclusions produced by our investigation on adaptability, where the need to strengthen the link between firms' development plans and ESF actions emerged (whereas a higher involvement of the firms' point of view was urged not only in the programming but also in the project selection phase).

Last but not least, as far as timing is concerned, we also believe that ESF programming must be considered on a more continuous time frame with an initial document that must be more flexible and more frequent adjustments during the programming cycle. In the programming phase per industry, per segment diagnoses are to be introduced

3. Indicators, monitoring, controlling, evaluation circuits must become more relevant and flexible

The lack of reliable, updates and relevant data is an important factor of the conclusions of the work done on each of the EQs proposed by the terms of reference. Most investigations signal that current systems of accountability are seen often as both cumbersome and ineffective in terms of results that can improve the performance of the programmes.

The concept of indicators should, in our opinion, must be replaced by Key performance indicators (KPI) that unlike many "indicators" have the more realistic ambition to send a signal that some phenomena (improvement or worsening of performance, as well as bad practices in terms of inefficiency or irregularities) may, indeed, be taking place on the basis of monitoring even the sub sets of the population (trainees, for instance) to be observed.

KPI may, moreover, be chosen within a grid that is proposed by the European Commission to programme managers: some of them may be dropped, some will be selected and others may be common for all programmes to guarantee some comparability.

This will allow the combination of flexibility (to adapt indicators grids to different regions and different priorities) and comparability. The KPI will be, in the end, fewer (two-three for each priority - segment or actor) than those that most programmes mention, without then monitoring them.

Yearly targets for the selected ones will then be established. Common, minimum KPI may be : hours of training, number of individuals reached (out of the total for the segment), placement, improvement of skills, students satisfaction.

Crucial to a system where accountability is increased is, of course, the capability of the monitoring system to provide information of high quality (high quality information meaning

data that are reliable, relevant to decision makers and timely for the decisions to incorporate this knowledge). Provision of high quality information depends – on the basis of other evaluation exercises that involved the independent evaluator – on the degree by which monitoring systems are developed on the basis of an “information agreement”. By this we mean that monitoring systems’ contents (in terms of information) and architecture (in terms of flows) is agreed upon by all different actors of the implementation processes so that each of them not only provides but also receives information relevant to improve his/her performance. This may mean an overhaul of present, top down arrangements with an information flow which is multidirectional and open.

Control and audit also need to be both simplified and made more effective. These two activities are to be better integrated into the monitoring systems. As for the KPI’s arguments, one idea is to move from a systematic control to embed KPI into monitoring systems so that it becomes possible to identify – per comparison – typology of actions/programmes where anomalies may take place and produce “red flags” that in turn trigger further controlling activity.

Evaluations, also, need to be better integrated into the circuit of indicators selection, monitoring, control and adjust to different needs within different programmes¹¹.

It seems necessary to make a distinction between two – equally useful and still different – types of evaluations (to which different indicators and functions of the monitoring systems). In fact we believe that the role of the entire evaluation exercise should more clearly distinguish (as it is partially done by the Structural Funds Regulation of the 2000 – 2006 programming period) between:

- a) an overall, systematic evaluation whose scope should be more clearly expanded from an objective “to gauge the effectiveness of the community structural assistance” to the identification of areas of improvements (by typology of investments and segments) through the comparison of performances (across different Regions and Member States)¹² assessed by KPI ;
- b) an ad hoc assessment of the results of specific innovations¹³ that, as said before, should be evaluated as experiments of specific solutions to certain problems of design or implementation of labour market policies.

We believe that the first type of the evaluation should move more towards incorporating policy advice (beyond the policy evaluation) components. The second type of assessment should become increasingly important. However, it should also become an integral part of a proper knowledge management system that we are going to describe briefly and that is likely to be distinguished from the overall evaluation assessment.

4. Rewards should be made more effective and promoted at all levels

One of the common elements that emerge from analyses on gender, social inclusion, local initiatives is that mechanisms to orientate the use of available funds towards a more productive use is limited. Both individuals and territories should, instead, be rewarded for

¹¹ Although there is a risk into the formulation – as far as the evaluation is concerned – in the Art. 48 (COUNCIL REGULATION (EC) No 1083/2006 of 11 July 2006).

¹² This point has been partially reflected into the change between the article 40 of the 1260/ 1999 2000 – 2006 structural funds regulations and the provisions of the article 47 of the 1083/ 2006 new Regulations for the 2007 – 2013 Structural Funds Regulations. In the new article it is more broadly established that the “evaluations shall aim to improve the quality, effectiveness and consistency of the assistance from the Funds and the strategy and implementation of operational programs”

¹³ This distinction is partially done by the Regulations when they state (art. 40 of the 1260/ 1999) that “supplementary evaluations, if appropriate ... be launched with a view to identifying transferable experience”.

better than average performances, whereas situations in which 'return on money spent' is consistently below the average should be questioned.

The idea of the structural funds regulation to establish¹⁴ a performance reserve was not adequately deployed. Our opinion is that the idea of performance linked incentives must be further developed¹⁵, although the mechanism could be reconsidered.

Primary functional responsibility should be attached to each priority and joint responsibility should then be articulated.

A reward system should be specified distinguishing two incentive systems which are distinct amongst them. This would thus provide:

- a) additional (reserve) funds to programmes or section of programmes that are demonstrating better results (and even discontinue situations where problems appear to be more structural) or
- b) incentives for public administrators (individual or team), private or not for profit actor that manage public money achieving better performances.

At project level, beneficiaries should be selected and rewarded on the basis of their capability to reach targets and on differences between interventions that are comparable. This may, also, apply as a tool to reward training agencies that – in the same region - outperform others regarding placement or employment services that reach better targets in terms of matching supply and demand – with reference to, for instance, similar segments of individuals being assisted.

Indicators, targets and incentives should be extended to all institutional and even local levels and mechanisms to make partnerships more outcome oriented should be developed.

5. Transfer of knowledge and systems of knowledge management should become one of the most distinctive, adding value feature of the ESF and one of the main role of the European Commission.

If ESF needs to find a more distinct role regarding its relationship with nationally funded labour market policies¹⁶, ESF has to leverage on its competitive advantage which should be to finance a portfolio of projects that can afford an experimental/risk taking approach where solutions to labour market and welfare policies are attempted so that knowledge about what may work may be increased and best practices may be disseminated across regions and across countries.

An issue related to evaluation will be, as mentioned, the development of systems capable to identify, measure, and disseminate knowledge in a systematic way. The systems that we are envisaging need to allow for a proper cycle where possible problems are identified; a corresponding set of solutions/ innovations, indicators and assessment criteria to be established so that successes and failures are recognized as well as the factors affecting the performance; and a formalisation of channels to make the results available.

The shift of focus of the ESF towards an "effective governance platform", however, will also need more than systems and procedures. It will need a cultural shift and higher propensity of administrations and other actors involved in the implementation processes towards innovation and risk. Failure, more specifically, will have to be recognized as useful if it generates knowledge.

To this end, differences between regions should be encouraged and, given the importance of "innovation" regions, should also be encouraged to risk funds on experiments that may even fail but which may provide to other regions knowledge about the effects of novel ways to intervene in labour markets.

¹⁴ In the new regulation the institution of a performance reserve becomes an option for the member states (art. 23 and 50 of the COUNCIL REGULATION (EC) No 1083/2006 of 11 July 2006)

¹⁵ This also the direction recently indicated by recent EC and EC commissioned papers

¹⁶ To this purpose a clarification of the concept of *additionality* of resources and of ways to measure it may be useful.

Last but not least, it will be crucial that transfer of knowledge happens not only amongst actors involved in ESF implementation, but also, and more importantly, in other areas of intervention in labour market policies so that ESF can display its added value as a generator of capacities and instruments.

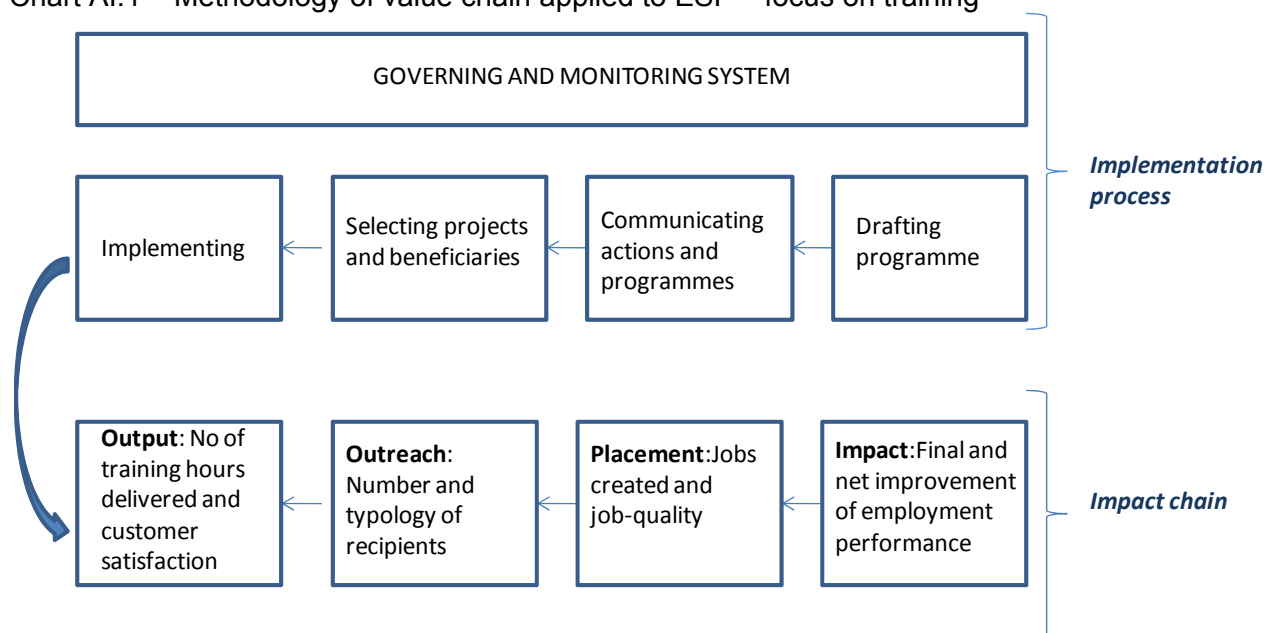
The entire idea of using ESF as a tool to promote modernization of national policies through learning is especially urgent where ESF appears to be financially a small part of the overall spending on labour markets. However, one way to improve institutions' capacities is also to transfer skills from competitiveness to convergence regions, where the former may be in a different stage of development of institutional capabilities.

These recommendations point to a future which also expresses the attempt to recover the original spirit of the Social and the other Structural Funds experience: a programming exercise that can leverage – through a more systematic approach - a possibility unique in the world to the European Union to exchange methods, values, and skills amongst its different Regions, Member States and policy areas.

Annex I - Methodology and evidence on performance and the findings on outputs, outreach and job creation

The performance of different ESF programme was evaluated with a methodology that is exemplified by the following chart.

Chart AI.1 – Methodology of value chain applied to ESF – focus on training



This chart gives a schematic overview of the chain of decision/ activities implied by the design and implementation of programmes/ policies including the cohesion ones, where the tool adapts the concept of “value chain” to the more complex domain of public investment programmes¹⁷. The process consists in a series of logical steps which are useful to analyse individually. The process therefore foresees that overall performance can be explained by evaluating *quality* and *consistency* of different phases. Since one of the main objectives of EU strategy is its competitiveness, employability of its citizens, here we focus on the training as one of the instruments used for the support of HR improvement. More specifically in the methodology of value chain we elaborate on:

1. The **drafting of programmes and of policies** whose quality is function of the mechanisms by which **needs** and opportunities (both in economic and social terms) are identified, **objectives** (with targets and timing of achievements if for programs) are developed in a way that is consistent with above mentioned needs, and, eventually, policy **decisions** (laws or resources allocation/ management lay outs if it is programs) are taken;
2. A **communication** of the existence of the aforementioned interventions and incentives to the targeted recipients (entrepreneurs, women etc.) or to actors (policy makers, administrators, opinion makers) is deployed so that the likelihood of reaching them is increased;
3. A **project selection** mechanism must be deployed so that effectively the above mentioned target in terms segments of the population are reached;

¹⁷ As in Porter, “The Competitive Advantage of Nations”, *The Free Press*: New York.

4. It is then necessary that a **steering mechanism** ensures that the implementation of programmes and policies is deployed as forecasted;

Once all these phases are realized the final outcome will still be dependent and measured on a basic foundation of data such as:

5. **Number of training hours** having been delivered which can be complemented with **recipients' satisfaction** - how respondents describe the delivery of ESF activities in terms whether it was suitable for their needs and if it was applicable on their actual jobs)
6. Effective **number of target individuals and organizations** reached and **improvement of their capabilities or their motivations** to act in a way that is consistent with the rationale of the policies as well as **the typologies of recipients** (segmentation per gender, age, education achievement, employment status and quality, typology of disadvantage if any)
7. **Jobs created** directly by the programs being the basic and compulsory data that could lead us to better conclusion if accompanied by **job-quality** information in terms of recipient-job suitability, employee satisfaction, work environment, skill use, pay and benefits, work-life balance etc.;
8. Overall impact will be the sum of the direct effects mentioned in the above points plus the **spill over within the target area to other non target organizations and individuals** whose expectations of further interventions may enhance the outcomes

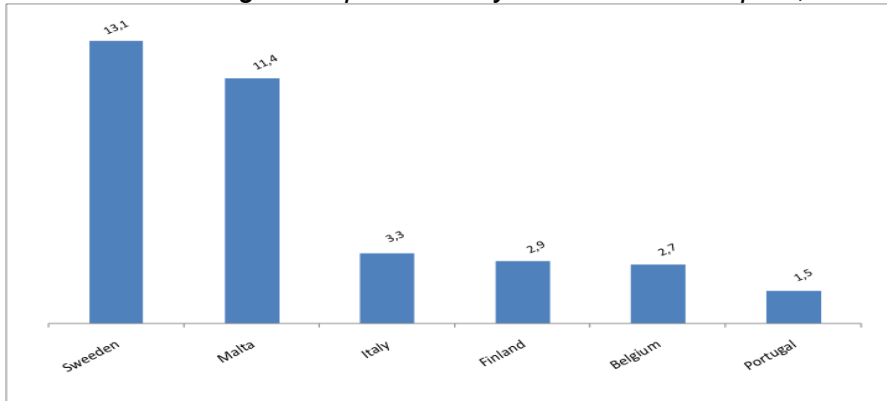
A process like this one is, then, conditioned by a informational, organizational supra-structure and it is necessary that it adds (and not subtracts) efficiency to the roadmap that we have described: other not regional policies specific **regulations** and **organization** layout of programmes seem most relevant issues to be analyzed.

The added value of a methodology like the one that we have described is to unbundle, as we said before, the phases of the realization of a policy, but also to specifically point to a number of characteristics that may explain the success of programmes aiming to socio economic development.

Which have been the results of the ESF been against this background? An attempt to calculate the correlation between expenditure of ESF per country and employment performance provides a very initial impression that the ESF outcomes have been at the least questionable.

Of the MS for which data are available, Sweden and Malta represent the countries that are most efficient in terms of financial resources spent per each training hour, especially when compared to Italy, Finland, Belgium and Portugal. Potential reason for this great difference could be that data in Sweden and Malta was easier to access and that in general monitoring of their authorities was better than in other countries. As more detailed and comparable information is generally not available, it is difficult to discuss further other reasons behind the difference in costs.

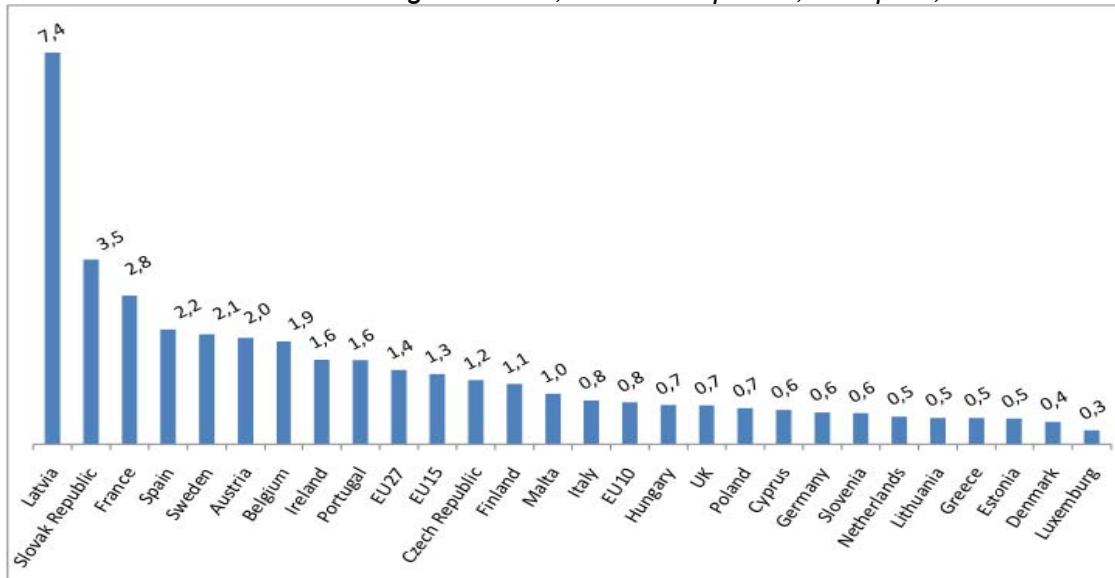
Chart A1.2. Training hours promoted by ESF each €100 spent, MS sample¹⁸, 2000-2006



Source: Structural Funds Common Database (SFC), Implementation Reports (AIRs)¹⁹

Nonetheless, if measured by the number of participants per each €1,000 spent by the ESF²⁰ (Chart 7), New Members have a much higher score than in the previous chart. In fact, not only do Latvia and Slovak Republic score the highest number of participants per each €1,000 spent, but the average number of participants for New Members gets closer to the EU27 average, with, the difference amongst large and small, as well as “old” and “new” Members, being less evident. In addition, in this chart Spain finally separates from Greece and Portugal and points out to a greater efficiency in comparison to its Southern companions. This does not necessarily imply that a higher number of individuals benefitting from the ESF-supported activities must be associated with a higher quality in the ESF intervention. Lower number of individuals might mean a higher expenditure per each person and therefore a more sophisticated and tailor-made service provided.

Chart A1.3. Individuals benefiting from ESF, estimation per €1,000 spent, 2000-2006



Source: Structural Funds Common Database (SFC), Implementation Reports (AIRs)

¹⁸ The sample is based on the information available on AIRs 2006, therefore total values are not available. The number of hours is divided by the Community expenditure for the measures with available data.

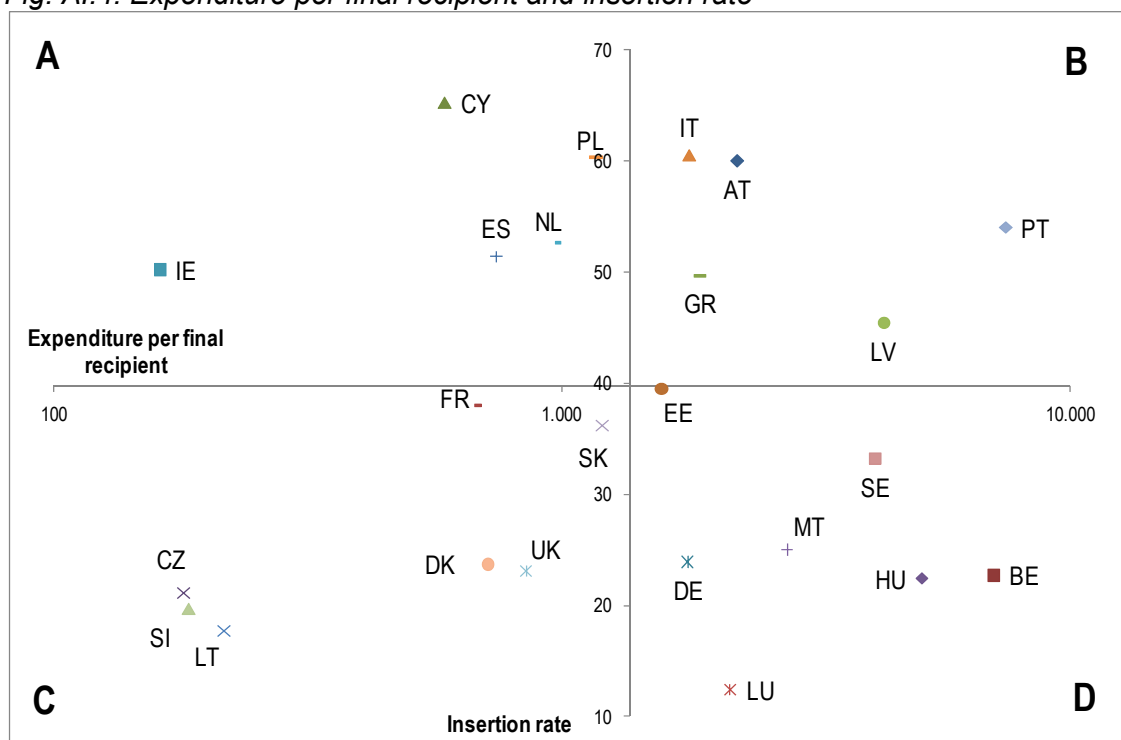
¹⁹ Estimations for training hours promoted refer to the AIRs 2006 only and total values are not presented.

²⁰ We weight here the number of participations by the total ESF Community expenditure.

The first analysis explores whether a relation existed between the increase of expenditures per final recipient and the insertion rate per country. To get a more accurate view of the reality, the total cost of the measures, co-financed both by national and private funds was analysed accordingly. In addition, a correction was applied to expenditure by country (PPS) to ensure that the different purchasing power did not affect the results (see methodology for III.c in Annex I.3).

The following Fig. AI.4 shows the relation between both data:

Fig. AI.4: Expenditure per final recipient and insertion rate



Source: Data compiled by the evaluators on the basis of Final Evaluations and AIR 2000-2006.

Bearing in mind the limitations of the country analysis, the graph allows observing some general trends.

The first finding is that there are two groups of MSs displaying different scenarios, which correspond to two different contexts in relation to labour markets:

- In the first place (quadrant A) there are the MSs whose insertion rate is higher than the average and which also spend relatively less per final recipient. These countries efficiently utilized their resources in order to maximize the benefit to their citizens. It can be observed that, the more resources that are concentrated on each participant, the better the insertion results are in the respective country (as they are able to create integrated employment itineraries and not isolated actions). The Member States like Poland, Spain and Ireland share a common feature, where in relation to the employment scenario (during the period 2000-2006), their unemployment rates decrease (except for Ireland, where they were already very low in 2000). It confirms that the programmes and measures were implemented in a favourable environment and hence logically facilitated the insertion outcomes. On the other hand (in quadrant B), other MSs spent more per recipient and experienced good results, but their profile is less clear: generally, the countries which were above the average of the insertion had decreasing unemployment rates during the period (such as Italy and Latvia) or very low ones (such as Netherlands or Austria in respective Quadrant A and B).
- In the quadrant D are situated the MSs, which, apart from spending more per final recipient had insertion rates below the average. These include Sweden, Germany, Hungary or

Belgium – whose unemployment rates increased in the period in question, despite the money injected into the programme. The co-financed programmes therefore were implemented in a less favourable environment and/or used less efficiently than other countries. These countries have another common feature which can add to the explanation of the insertion outcomes. They have, in general, mature labour markets with very specific and marked unemployment, concentrated in unemployed youth, foreigners, and under-qualified people etc. The unemployment in these collectives rose in the period analyzed.²¹

We can assume, and the case studies shown in the next section confirm it, that there are at least *two environments of change* and *two ways of utilisation of resources* that influenced the results: when the labour market was changing and the trend of employment was favourable, the ESF contributed with policies for guidance, training and activation of the markets, achieving good results with relatively low costs. In more stable labour markets, where unemployment was low but there were processes of occupational segregation of specific groups, the ESF was used more intensively but achieving more limited results.

In general, it is the difference in governing mechanisms that explain difference in performance.

²¹ In particular unemployment of non EU citizens has been higher than the country average: 19% in Sweden in 2007 (compared with a 5% unemployment rate); 28% in Belgium (with a general rate of 7.5%); or Germany (20% versus 8.7%). Source: Eurostat.

Annex II – Policy field specific recommendations

In the following lines we will refer to recommendations specific to policy themes that were produced by the ex post evaluation.

Life long learning, information society and work force adaptability

Scientific findings about the importance of lifelong learning and of the diverse ways information society contributes to improving employment and social development are abundant and have been widely incorporated into EU policies. ICT user competence is considered and operationalised in the EU discourse as a necessary precondition for employability, and increasingly for participation in non-profit and general social activities. The concepts of lifelong learning and information society blend together, where technology is seen as the prime carrier of expanded learning opportunities on the one hand, while lifelong learning is considered a pre-requisite for participation in information society (see the Policy Observatory for Lifelong Learning and Employability). The analysis of the financial inputs for the two policy fields also indicated that similar importance had been given in the programming phase to the two topics, strategically weaving the two aspects together.

Answering evaluation questions on the impact and sufficiency of Lifelong Learning and ICT measures proved challenging because of the poor quality of data and the lack of benchmarks for the assessment of ESF performance. Indicators available on an ex-post basis for the 2000-2006 period did not allow an assessment of results in raising awareness or increasing learning attitude, which would be needed to evaluate the sustainability of ESF interventions. The conclusions on this topic are therefore aimed at illustrating the inputs, outputs and mechanisms of ESF success cases, while impact assessment remains feasible within certain constraints.

The original hypothesis assumed that greater attention was paid to lifelong learning and information society in the technical sense – i.e. providing training for workers or ICT skills – than in the broader sense of increasing self-learning attitude and participation in the social and labour market dimension. The analysis of lifelong learning measures led to the conclusion that ESF activity on lifelong learning still focused on closing specific knowledge or skill gaps for specific groups rather than raising lifelong learning potential systematically. Similarly, the understanding of information society was more about the acquisition of ICT skills than the improvement of competitiveness and employability.

Further analyses on the composition of the target groups revealed the absence of a common strategy among member states in identifying relevant target groups. The analysis of qualifications and age among ESF final beneficiaries led to the conclusion that strategic and systematic attention was not paid to those target groups that are unanimously seen as being at risk of multiple disadvantages. Therefore, there is room to further improve the access and attendance opportunities of most vulnerable groups to lifelong learning and ICT interventions.

In spite of the poor quality of quantitative data, the qualitative analysis of ESF interventions - through interviews - offered some conclusions about results. Firstly, it is best to market lifelong learning through certification, which can increase motivation in final beneficiaries. It can also improve traceability and comparability of the actions undertaken, with advantages for final recipients, potential employees and the ESF monitoring system. Secondly, learning is generally perceived as an abstract concept and thus rather unattractive by people who do not have a learning attitude. Therefore, lifelong learning and ICT measures need to have strong supporting arguments to create the necessary motivation in final beneficiaries. Finally, it must be emphasized that the success of lifelong learning and ICT interventions depend largely on offering a wide range of competences to create fully fledged members of the information society able to insert themselves both in the labour market and in the social reality. Projects which aim exclusively at passing on ICT skills are too narrow for the ESF scope and miss the target of helping people to reintegrate in a full social and employment life.

Regarding the evaluation question which inquires about the extent to which ESF interventions have improved adaptability, the evaluation team worked on the hypothesis that ESF was more successful with individuals and marginal groups than with work organisations and mainstream groups. The analysis, however, led to the conclusion that the allocation of ESF funds was not focused on marginal groups measured by skill levels. On the other hand, marginal groups, such as women or elderly people, had better success indicators.

In general, two types of adaptability were identified in the analysis with regard to input allocation. Adaptability of enterprises generally received less money, and no pattern can be identified in the combination of the expenditure on the two adaptability targets (enterprises and employees). The analysis of the target groups indicated that enterprises are on average less frequently targeted, when the adaptability concerns individuals and enterprises. In both cases ESF seems to be keener on considering individuals.

Due to the lack of data, impact analysis on improved adaptability was not possible. Some conclusions could be reached through declarations of project promoters, which indicated that ESF reached circa 42.0 million people with its adaptability actions, and 416,000 enterprises were involved in such schemes. Furthermore, at least 23,000 workplaces were created as follow up of ESF activities on adaptability of enterprises and the continuous training of workers, and more than 43,000 safeguarded. These numbers are likely to be the lower bounds as many member states did not measure the success of ESF-funded interventions in this way.

The same is true for a more general indicator of successful adaptability interventions that is “positive outcome.” A positive outcome can be, gaining a qualification, changing a job or progressing to a higher level of training. At least 1.5 million participants reported a positive outcome in this sense. Data from the ESF monitoring system also reported of 4.4 million qualifications, but in the absence of other reliable data on the intervention further conclusions cannot be reached.

With regard to how ESF supported activities have improved adaptability, the analysis indicated four dimensions that proved effective. Firstly, performance appeared to have been better with respect to individual requirements than to those of companies. Secondly, ESF supported activities have imported soft skills to final beneficiaries who were far from the labour market and were not typically represented in the measures under examination in this theme. Thirdly, ESF contributed to an improved market relevance of skills through awarding standardised certificates and recognised qualifications. Finally, the involvement of enterprises through tailor-made co-financing arrangements seemed effective. Especially in the case of SMEs, tailored needs assessments, marketing and execution support proved to be important mechanisms supporting adaptability. Integration between organizations and individuals proved to be important but not adequate.

As an overall conclusion it must be emphasized that in cases where adaptability needs respond to competitive pressures in the product and service markets of companies, it will always be difficult for managing authorities or project providers to translate these into effective personnel measures. Hence the involvement of enterprises provides the most effective way to ensure high relevance of the intervention. Nonetheless, enterprises need support over the whole action period and it needs to be explicit why it is vital for them and for their employees to get involved in adaptability interventions. This is especially true for SMEs that, due to their peculiar decision making and management structures, need tailor-made help and long-term support in tackling adaptability issues and making their results sustainable.

Labour market policy

In terms of matching demand and supply the analysis indicated that ESF generally supported improvement in infrastructures and services provided by PES. Nevertheless, efforts to diversify

skills and competencies amongst personnel in the least effective beneficiary institutions (generally for Southern and New Members) seemed insufficient.

Furthermore, although ESF has provided some incentives to measure the outcomes of supported changes, no rigorous and systematic actions were promoted. Finally, ESF has supported the exchange of experiences, even though exchanges were mostly based on field trips and case studies, without long-term involvement in joint projects or benchmark analysis on most effective practices at the EU level.

As has been elaborated in theme 3.3.2, ESF provided significant additional resources to introduce and implement labour-market reforms, both at the national and regional levels. Nonetheless, the sustainability of ESF-supported interventions largely differed throughout Europe depending on the capability of the implementing bodies. At both national and regional levels ESF-supported programmes often lacked adequate outcome-based indicators that could go beyond the outputs of the large number of projects.

Overall, the analysis of quantitative and qualitative data indicated that ESF had an important impact on social cohesion. Co-financed programmes helped overcome differences between European regions, between active and inactive population, and social groups. Co-financed measures targeted towards the unemployed had positive effects with regard to the re-integration of this population into the labour market (an insertion rate of 40% in average from all the final recipients). Furthermore, ESF had a valuable role in the activation of labour markets (the average contribution to employment of the programs financed by the ESF was 26%).

When analyzing the effects of ESF on the adaptability of unemployed and the ability of employment policies to support those adaptations, the evaluation proposed three profiles of countries and regions. In the case of countries and regions that went through adaptation to productive changes, ESF supported collective and individual change through the adaptation of certain instruments. ESF increased the scope and volume of employment policies, reaching more people and sustaining social cohesion. In countries and regions inserted in the modernisation of growing economies, ESF activated the labour market - increasing active population - and filled the gap between educational and production systems. Finally, in countries that encountered exclusion processes in the labour market, ESF corrected new forms of exclusion generated by social change. ESF intensified actions with special-needs groups and generated innovation and creativity in employment oriented interventions.

Consequently, it can be concluded that the model of utilization of the ESF along with its effects is context-specific, determined by the kind of social and economic change in countries and regions. In this sense, the dynamic effects of ESF on innovative ways of working, methods and philosophies of national policies could be seen in the way authorities incorporated new concepts, new methods or new social groups into their daily work within respective institutional frameworks. Above all, a new way of working was tested in cooperation with civil society bodies and NGOs in dealing with specific groups or focusing on certain areas or territories.

The third main conclusion of the evaluation underlines that co-financed policies have serious problems in anticipating the changes brought about by international competition. These policies are not efficient in integrating various policies (employment, economic, educational) in a common strategy to change labour markets and to help the reintegration of individuals to into them. The problem seen by stakeholders and managers is that these interventions are reactive and more adaptive than strategic. They rarely succeed in having a strategic perspective or in providing skills that match future trends. Moreover, they are seldom able to cope with market forces which now demand specific types of labour skills that may not be needed in the future. Secondly, employment policies should be generated to offset deficiencies in education systems, often poorly adapted to the needs of production. Finally, these policies focus on individuals and their ability to adapt, rather than on the structural problems which explain the poor situation of these groups.

Equal opportunities and social cohesion

Due to difficulties regarding spending on various target groups and specific equal opportunities and social cohesion related problems, overall ESF was hard to measure. However, evaluation results led to the conclusion that the intensity of spending on equal opportunities and social cohesion is not determined only by the relative gravity of such problems, as they are marked by comparative indicators. There are other factors determining the weight of funding among which the level of awareness of certain problem seems to be a decisive one.

In most Member States ESF provided additional resources to carry out supportive measures to specific target groups. In some Member States equal opportunity and social cohesion related policies would have been impossible without the help of ESF. The most typical pattern of the use of ESF funds was the complementary use of public resources and ESF. However, in several cases – especially in countries with lower public financing capacities - ESF funds seemed to substitute domestic public resources.

The coherence between equal opportunities and social cohesion related community priorities and goals and those set by Operational Programmes was strong. This suggested the conclusion that there was a supportive policy context at the national and regional levels. However, since at the local level individual measures and projects were based on the interpretation of community goals, at this level their coherence was found to be much weaker. In certain cases the contextual relevance of broadly defined community goals was questioned by various actors of ESF funded programmes. Clarification of segments of disadvantaged people on which to focus efforts is seldom explicit.

In general, Managing Authorities possessed – or developed - necessary capacities. However, in many cases, handling uncertainties and complexities of the development process led to the tightening of control. Bureaucratic project management rules especially seemed detrimental for social cohesion related projects where NGOs would play an important role as beneficiaries.

The extent of positive impact was not homogeneous, reflecting the vast differences between Member States, regions, measures and programmes in this respect. The analysis of fieldwork interviews led to the conclusion that implemented measures resulted in positive micro-level impact in the area of mobilisation, (re)motivation and rehabilitation. As far as concrete employment results are concerned, impact was largely dependent on the external context of the ESF-activities (social policy context, national employment service, economic trends). The implemented measures resulted in positive meso-level impact in the area of structural reforms. However, these impacts in many cases are rather soft ones (new competences, positive attitudes) that remain invisible for the statistical monitoring system of ESF. The modernisation of national employment services for instance provided more personalised and relevant services to the clients and integration of services.

Gender Equality

The gender equality impact of the ESF was assessed by the Consortium in two ways: by evaluating the efficacy of its gender oriented measures (direct impact) and by analyzing the importance of other measures in terms of gender equality (indirect or social policy mainstreaming impact). The conclusions below follow this pattern and are drawn separately for the two themes.

The *general hypothesis* assumed that ESF-supported measures across regions and states, directly (gender oriented measures) and indirectly (gender mainstreaming measures) have made a significant contribution in terms of meeting the challenge of improving the condition of women in

the labour market. The *territorially specific hypothesis* assumed that ESF-supported measures have made a greater contribution to meeting the challenge of improving the condition of women in the labour market in higher growth, more urbanized and culturally less traditional regions of member states. In regard to the gender mainstreaming measures we hypothesized that the maximization of the gender equality impact of non-gender specific action or activities was driven by the application of the gender mainstreaming perspective in the ESF.

Evidence garnered regarding this hypothesis was more inconsistent and thus not as convincing when it came to establishing the greater effectiveness of gender measures in richer and less traditional regions. While the cultural and institutional factors inhibiting or containing the adoption of innovative gender oriented projects were different across regions, ultimately the degree of difficulty to innovate was similar across traditional and less traditional regions. Given that the gender challenge in employment calls for innovation in project responses, this remains an overarching issue and future ESF measures should focus on it.

The analysis of several findings led to three main conclusions. Firstly, the experimental and innovative nature of 'best practice' projects directly designed as integrated projects to accompany women in either their family-to-work journey or their better-job-seeking journey did succeed and were the most effective when compared to traditional and sectorial job training projects. Secondly, the novel focus on gender everywhere served the cause of gender equality in the labour market and helped to create mutually re-enforcing interactions between ESF mandates and national and regional responses. The latter included the taking on board of new professional profiles on the part of public administrations. Thirdly, the beneficial role played in the implementation of gender measures by civil society stakeholders must be emphasized, in particular by those keen on experimenting with new approaches.