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Good Practices in Measuring Structural Fund Employment Effects



Centre for
**Strategy & Evaluation
Services LLP**

Introduction

- CSES reviewed experiences in measuring Structural Fund employment effects and helped prepare new Guidelines for 2007-13 for DG Regio;
- Assignment involved desk research to examine past Structural Fund evaluations, academic literature and other material. Case studies carried out 7 regions.
- Guidelines contained in 25-page document. This is supported by a full report.

Why new guidelines?

- **Shortcomings in practices** with regard to the measurement of Structural Fund employment effects;
- The **new Structural Fund Regulations** for the 2007-13 period introduce important changes with regard to the way in which Programmes are designed and implemented and new guidance is needed to reflect these changes;
- The **Lisbon Strategy** aim of creating 'more and better' jobs means that new guidelines are needed that take this and other wider EU policy developments fully into account.
- Assessing employment creation effects of Structural Funds critical in context of global 'credit crunch' & attendant increases in unemployment

Guidelines structure

► Common definitions and methodological guidance

Step 1 Setting Targets and Estimating Gross Employment Effects

- **Step 1.1** - Baselines and target setting
- **Step 1.2** - Monitoring and reporting framework
- **Step 1.3** – Surveys and other research
- **Step 1.4** – Programme level assessment of gross employment effects

Step 2 Estimating Net Effects and Regional Impacts

Programme level assessment:

- **Step 2.1** – Additionality
- **Step 2.2** – Displacement
- **Step 2.3** – Indirect effects

Step 3 Overall Assessment and Contribution to Key EU Priorities

Programme level assessment:

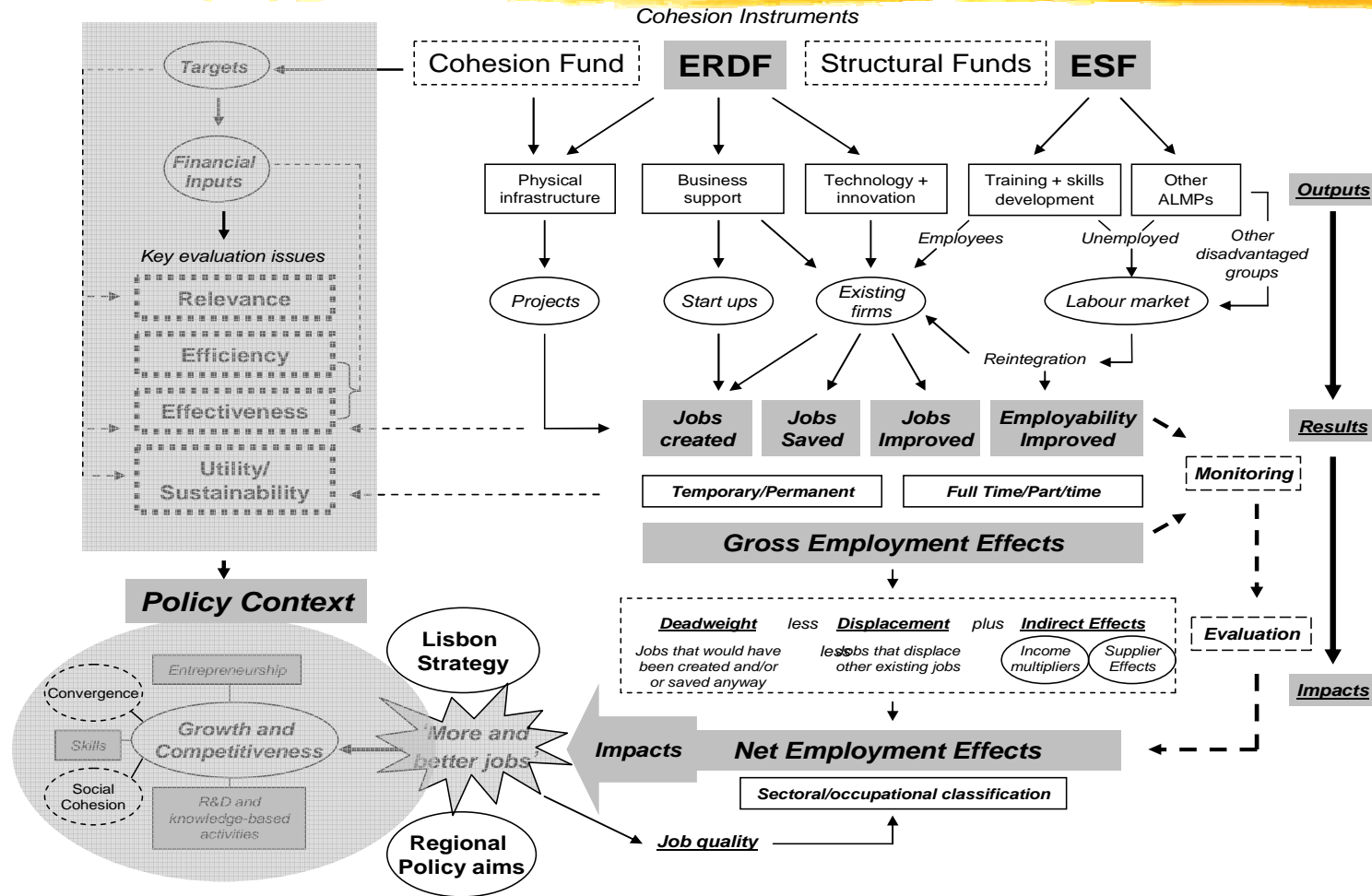
- **Step 3.1** – Key evaluation issues
- **Step 3.2** – Contribution to other EU policies
- **Step 3.3** – Relationship with national programmes
- **Step 3.4** – Intervention specific employment effects

Bottom-up method

The guidelines set out a bottom-up approach to measuring Structural Fund employment effects. This approach has several advantages:

- Greater scope to fine-tune methodologies for estimating employment effects to reflect the particular characteristics of a Programme;
- Only a bottom-up approach can identify the specific outcomes achieved by projects;
- A 'bottom-up' approach is better able to establish causality, i.e. the link between financial inputs and outputs, results and impacts.
- But there are also drawbacks – a tendency to overlook synergies & wider effects. 'Top-down' approaches better able to capture totality of Structural Fund employment impacts. From a more practical point of view, 'top-down' methods tend to be less resource-intensive.

Intervention logic and key concepts



More focused/strategic approach

- Commission guidance for 2007-13 programming period suggests that the focus should be on using a relatively limited number of **core indicators**.
- While output indicators deliver information on physical effects, emphasis should be placed on **results indicators** focusing on social-economic factors and are the basis for evaluation of impacts.
- Employment effects generally fall into the category of results and impacts.
- The focus on a more limited range of indicators also reflects the more **strategic orientation of Programmes** in the 2007-13 period.

Core indicators

- **Number of jobs created** – new jobs that are created directly by Structural Fund intervention. These may be temporary or permanent;
- **Number of jobs maintained** – existing jobs that are at risk and would be lost without Structural Fund intervention;
- **Number of employees receiving training** – employees who receive training and/or other assistance to develop skills;
- **Number of jobless receiving training** – unemployed people benefiting from training that either improves employability and/or leads to actual employment.

Focus on new jobs

- The priority with regard to the ERDF for most Programmes should be on measuring permanent full-time equivalent **jobs created** directly by Structural Fund interventions.
- Jobs created are likely to account for bulk of employment effects and have the largest impact. In addition to this, other types of employment effects (particularly jobs maintained) can be difficult to measure accurately.
- It is important to distinguish between jobs created during the **implementation/operational phases** of projects.

Outputs, results and impacts

Structural Fund employment effects should be seen in the context of the overall intervention logic with a distinction between:

- **Outputs** – these are the project activities and immediate outcomes (e.g. new start-ups, physical infrastructure) that can have employment effects;
- **Results** – the number and type of gross jobs created, saved, improved, etc, as a result of actions supported by the Structural Fund;
- **Impacts** – net employment effects and the impact on labour markets and the socio-economic situation generally in a region.

Guidelines

Step 1 – Setting targets and estimating gross employment effects

1.1 - Baselines and targets

1.2 - Monitoring and reporting framework

1.3 - Surveys and other research

1.4 - Programme level assessment of gross employment effects

1.1 - Baselines and targets

Key tasks:

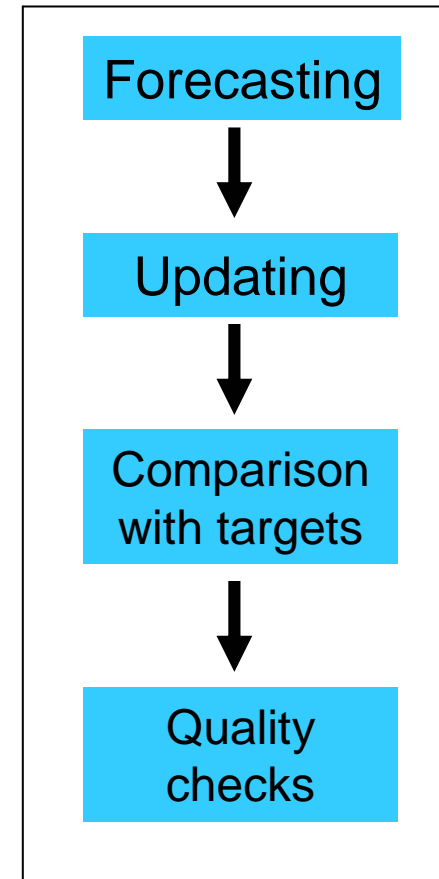
- Establishing the baseline in a region for employment, unemployment and other key job-related indicators;
- Based on this analysis, setting employment related targets for what Structural Fund interventions should achieve over the lifetime of a programme;
- Using cost per job data derived from previous programming periods and EU benchmarks to help set targets and to check that they are realistic.

Ideally, baselines should be reviewed at a later stage in the programming period: the time-lag in the availability of statistics means that when a Programme is being prepared, the available data may be several years out of date.

1.2 – Monitoring and reporting

Key tasks:

- Providing clear **definitions and guidance** together with a common template for Beneficiaries and Intermediary Bodies to collect and report project data on jobs;
- Developing the necessary **monitoring systems** at a Programme level so that jobs data on projects can be stored and analysed;
- Periodically carrying out an **aggregation of job data** at the Programme level so that progress against targets can be monitored.



1.3 – Surveys and research

In addition to routine monitoring, surveys and other research should be undertaken to examine Structural Fund employment effects in more depth. Priorities in this respect might include:

- Examining in more detail the extent and nature, quality and duration of Structural Fund employment effects;
- Investigating the employment effects arising from Structural Fund interventions where quantification is otherwise difficult;
- Checking the accuracy of employment estimates based on monitoring data.

The Guidelines provide a number of examples from Structural Fund programmes of studies that have helped improve the understanding of employment effects.

1.4 – Gross employment effects

Key tasks:

- Analysing monitoring data to estimate the number and quality of jobs created, jobs maintained, etc and providing an analysis (where relevant) by gender, age, size/sector of undertaking and other key variables, e.g. area;
- Aggregating the various types of gross employment effects at the Priority, Programme level and NSRF level;
- Comparing actual employment effects with the original targets so that the Programme's performance can be assessed.

Job quality

- Job quality more useful in context of knowledge economy
- There should be a requirement at project level to classify Structural Fund employment effects as far as possible by sector using the NACE classification system;
- At a Programme level, the NACE classification should be overlaid with a ranking of sectors that are strategically important to the region/have good long term growth potential and hence should offer high quality, long term employment opportunities;
- If possible, a sectoral analysis should be supplemented with other information on job quality including occupational classifications, the skills content of jobs, remuneration levels, feedback from surveys and other research;

Guidelines

Step 2 – Estimating net effects and regional impacts

2.1 - Additionality

2.2 - Displacement

2.3 - Indirect/multiplier effects

2.4 - Other indirect effects and regional impacts

Net Jobs = (gross impact – deadweight) plus (1 – displacement) plus (1 + supplier multiplier) plus (1 + income multiplier)

2.1 - Additionality

- **Absolute additionality** – i.e. a situation in which none of the employment effects would have occurred without Structural Fund intervention;
- **Partial additionality** – in the absence of intervention, projects would have proceeded but the employment effects would have been on a reduced scale or occurred at a later stage;
- **No additionality ('Deadweight')** – i.e. a situation where all the employment effects associated with Structural Fund interventions would have occurred anyway because projects could have proceeded with support from other sources.

The Guidelines suggest four methods for assessing additionality – feedback from beneficiaries, comparisons between assisted and non-assisted groups, follow up of rejected applications and existing research.

2.2 - Displacement

Positive employment outcomes that can be attributed to Structural Fund interventions could be offset by negative side effects:

- There could be displacement between ERDF target groups and non-assisted organisations/projects;
- In the case of the ESF, there may be both displacement and substitution effects arising from interventions;
- From a regional/spatial perspective, displacement between areas eligible for Structural Fund assistance and non-eligible areas is possible but less relevant in the new programming period since there will no 'zoning'.

The Guidelines suggest that existing research should be relied on as a source of parameters for displacement effects.

2.3 – Indirect effects

Indirect effects will arise from a combination of:

- **Income multipliers** – where job creation leads to additional incomes that are spent in local economies which leads to an increase in demand for goods and services, in turn creating further jobs;
- **Supplier effects** – i.e. where an assisted business or project increases leads to additional order for local goods and services, again resulting in second-round job and wealth creation effects;
- **Other indirect employment effects** – arising, for example, from developments that enhance the attractiveness of an area to business.

The Guidelines suggest that existing research should be relied on as a source of parameters for indirect effects.

Guidelines

Step 3 - Overall assessment and contribution to EU priorities

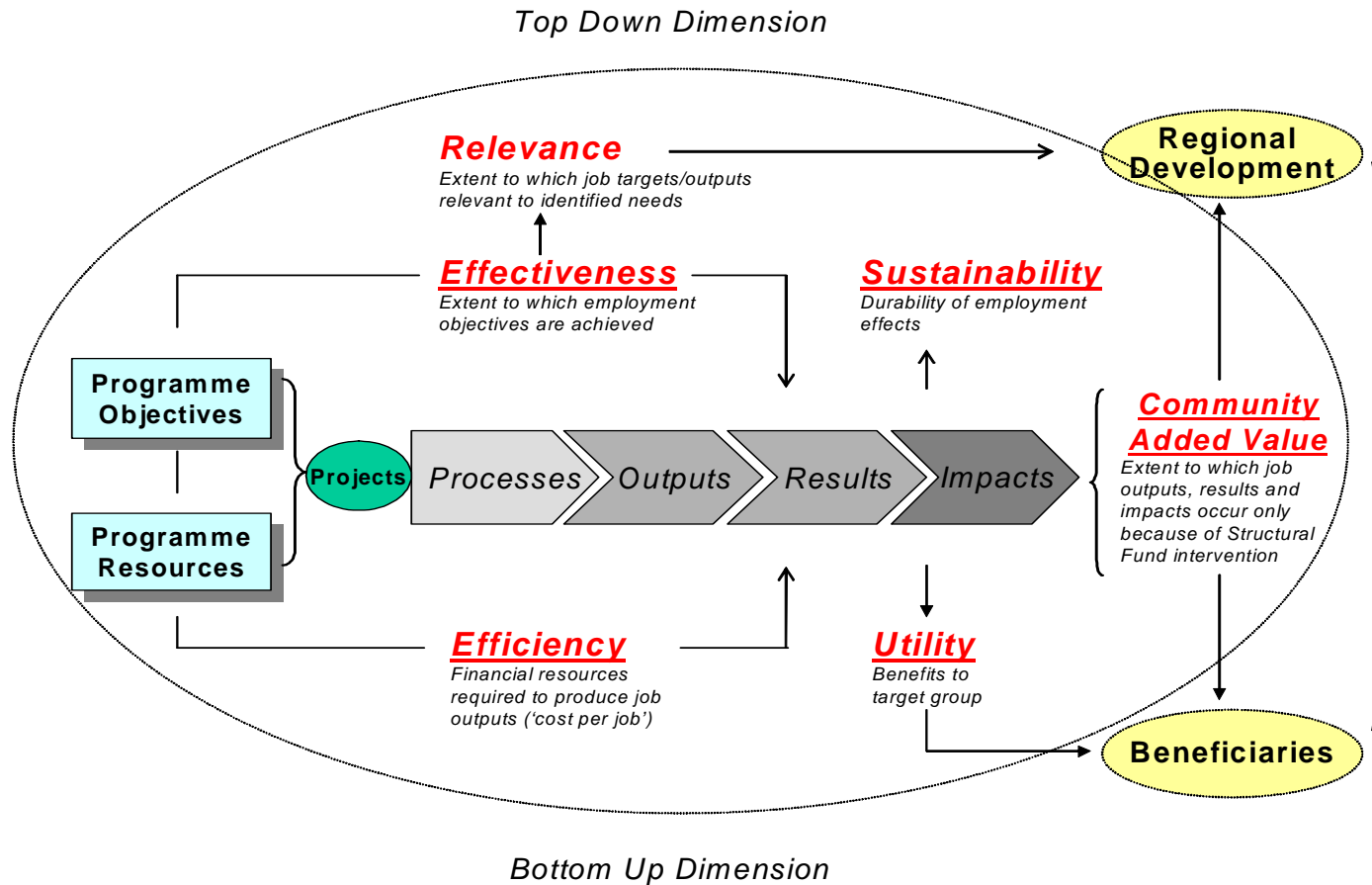
3.1 - Key evaluation issues

3.2 - Contribution to EU priorities

3.3 - Intervention-specific employment effects

3.4 - Project life cycle and employment effects

3.1 – Key evaluation issues



3.1 – Key evaluation issues

- Relevance – the extent to which Structural Fund interventions relating to jobs benefit/are likely to benefit regions/targets groups and to address their needs ('utility').
- Effectiveness – extent to which the targets for jobs set at the outset of the programming period (or as subsequently amended) are achieved, and whether this has been done in the most effective way possible.
- Efficiency – the relationship between financial inputs and employment outputs, i.e. 'cost per job' and value for money.
- Impacts – the scale and nature of longer term (net) Structural Fund employment effects on a target group or region.
- Community Added Value – i.e. the extent to which interventions achieve employment effects that would be difficult/impossible to achieve through purely national or regional initiatives.
- Sustainability – the extent to which employment effects are likely to last beyond the period of Structural Fund intervention.

3.2 – Contribution to EU priorities

- Enlargement - an estimated four million jobs need to be created if the average level of employment in the ten new Member States is to be aligned with that of the rest of the EU – being able to measure progress towards this aim is therefore important.
- European Employment Strategy – the Structural Funds should be able to contribute to the three key aims of full employment, quality and productivity at work, cohesion and an inclusive labour market.
- Lisbon Strategy – there is an obligation on Member States to monitor progress towards the Lisbon Strategy aims including those relating to ‘more and better jobs’.
- Relationship with National Programmes - how do Structural Fund programmes add value to purely national or regional schemes?

3.3 – Intervention-specific effects

- The nature of employment effects will vary according to the nature of Structural Fund interventions.
- As part of an overall assessment, the Guidelines recommend that an analysis should be undertaken of intervention-specific effects. Ideally, the overall assessment will draw on thematic and other research carried out during the course of the Programme.
- Section 3.3 of the Guidelines explains what sort of employment effects can be expected from interventions relating to physical infrastructure, business support, training and skills development, support for R&D, innovation etc, and community economic development/social economy.

3.4 – Project life cycle

Structural Fund employment effects will vary according to the stage in the project life cycle:

- Temporary jobs will be created during the inception and implementation phase (some of these may become permanent);
- Once a project becomes operational, this should lead directly to more permanent employment effects;
- Direct employment effects will have a number of indirect effects.

The Guidelines highlights the fact that the life cycles of different projects making up a Programme do not coincide and this means that data on employment effects will inevitably be collected at different points for different projects. A way of doing this is suggested.

Project life cycle and jobs

