

# 1<sup>st</sup> Meeting of the ESF Committee Ad-Hoc Group on the Future of the ESF

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18 December 2009, Brussels  
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## European Added Value and Geographical Coverage

### 1. Objectives of the meeting

The objectives of the first meeting are:

1. to agree on a discussion framework to structure the debate on the future of the ESF and in particular its added value; and
2. to identify the major issues regarding the future geographical coverage of the European Social Fund

### 2. A discussion framework

The added value of the European Social Fund and the question how it manifests itself in the Member States and at European level have been discussed repeatedly over the last year. Lately, the political guidelines President Barroso presented to the European Parliament in September 2009 stated:

*"The EU budget must focus on activities which produce genuine European added value. Beyond political considerations, efficiency criteria must help prioritise EU spending activities in terms of their added value (for instance on the basis of cross border effects, economies of scale, or resolving market failures)."*

Future EU interventions or instruments should thus focus even more on those policies and instruments that generate high levels of **Added Value**. This added value can be defined by the extent to which an instrument passes a sequence of tests: (i) the authorisation to act (***policy relevance***), (ii) the issue at hand is of European scale and merits treatment at the European level (***subsidiarity***) and (iii) it can be expected to be both effective and efficient (***proportionality***).

(i) ***Policy relevance*** is rooted directly in the Treaties or flows from the political agenda set by the Institutions (f.i. EU2020).

(ii) ***Subsidiarity*** needs to be assessed in the following terms: whether the intervention or instruments address cross-border or transnational issues; produce economies of scale if spending is at EU level; or whether national spending alone or lack of Community spending is in conflict with treaty requirements.

(iii) ***Proportionality*** refers here to the expected effects and the delivery systems. The expected effects can be described in terms of volume (doing more), scope (broadening of actions), process (how we do it) and role (innovation).

Together these three criteria are useful to develop and compare broad added value 'profiles' of possible future ESF approaches.

### 3. Policy context

The added value of the ESF cannot be discussed in an abstract manner, but only in the light of the challenges Europe is facing. There are several challenges identified. Within a general context a move towards a **low-carbon society**, it will have to tackle the effects of **ageing and the scarcity of labour supply** with a view to ensure economic growth and the sustainability of public finances. Moreover, the next decade will indeed see an increasing demand for a **high-qualified and adaptable workforce** and more skills-dependent jobs. **Inequalities**, including health inequalities will persist between and within the EU MS. Poor health entails high economic costs and needs to be addressed to ensure longer working lives, higher productivity, employment and sustainability of social protection systems. Given the low level of **mobility** within and between the EU MS, the potential to contribute to economic development of the EU remains underexploited.

Ultimately the priorities and objectives of the future ESF will need to be defined in the light of the new Commission framework **EU2020**. In its recent consultation document, the Commission suggested that the key drivers of EU 2020 should be thematic, focused on the following priorities:

1. *"Creating value by basing growth on knowledge. Opportunity and social cohesion will be enhanced in a world where innovation makes the difference in both products and processes, harnessing the potential of education, research and of the digital economy;*
2. *Empowering people in inclusive societies. The acquisition of new skills, fostering creativity and innovation, the development of entrepreneurship and a smooth transition between jobs will be crucial in a world which will offer more jobs in exchange for greater adaptability;*
3. *Creating a competitive, connected and greener economy. The EU should compete more effectively and increase its productivity by a lower and more efficient consumption of non-renewable energy and resources in a world of high energy and resources prices, and greater competition for energy and resources. This will stimulate growth and help meet our environmental goals. It will benefit all sectors of the economy, from traditional manufacturing to new hi-tech start ups. Upgrading and inter-connecting infrastructure, reducing administrative burden and accelerating the market uptake of innovations will equally contribute to this goal."*

Although these priorities have not yet been finalised, the assumption is that the ESF should remain focused on employment while strengthening the social cohesion within the EU. Several Council recommendations from 2008 and 2009 emphasise the need to reinforce employment policies within an overall integrated flexicurity approach and this is likely to remain the framework for future ESF support. In this context, the ESF can be effectively used by investing in the following key determinants of growth and employment:

**Investment in human capital.** A logical consequence of the evolution in terms of quality and skills of the workforce is the need to invest in human capital in formal education and training as well as in life long learning. There are two basic aspects to this issue: the formal education and training delivered essentially to young people

before they enter the labour market, and life-long learning. Nearly half of the MS are concerned by Council recommendations on the improvement or reform of the education and training sectors.

***Social inclusion.*** About 17% of the EU population are at risk of poverty<sup>1</sup>. As having a job is the best way out of poverty, more efforts are needed for guiding disadvantaged groups to the labour market. Specific Council recommendations aimed at the inclusion in the labour market of disadvantaged groups (disabled, minorities, migrants, long-term unemployed, low-skilled) are addressed to about one third of the MS in the overall EU.

***Participation in the labour market.*** The EU has, for instance, set itself an overall employment rate target of 70% by 2010. By 2008, only 8 MS had employment rates equal or above 70% (EU 27 average: 65.9%). The remaining MS would need to lead over 17 million people into employment to achieve this target. Given the forecasted negative employment growth for 2009 (2.25%) and 2010 (1.25%) due to the crisis, this number is expected to increase.

***Improving the efficiency of labour market services and measures.*** About a third of the MS were recommended by the Council to improve the efficiency of labour market services and measures. When analysing the available data on ALMP, the needs for more and better ALMPs can be noted in EU 15 and EU 12. Based on Eurostat estimates 34.4 % of the persons wanting to work participate in regular activation measures in the EU 27. There is therefore wide scope for increasing the number of participants in ALMP measures.

#### **4. Geographical coverage**

In the current programming period (2007-2013), the ESF operates across the entire EU. This was also the case in the previous programming period (2000-2006). Nevertheless there was and still is a certain geographical differentiation. Both programming periods made the level and intensity of possible support dependant on the level of economic development as expressed by GDP. The 2006 ESF regulation actually increased the geographical differentiation, setting also a wider scope of assistance for Operational Programmes for the less developed regions.

There are some other important differences between the two programming periods. The 2006 General Regulation did not continue the former objective 3 (training system and employment policies) which was an exclusive ESF Objective. The Equal (ESF) Community Initiative is not taken over in the new European Territorial Cooperation objective which does not foresee ESF financing, although some previous ESF activities are included in the scope of ETC OPs].

In April 2008, the ESF Committee expressed the opinion that the future ESF should be present across the entire EU. However, the eventual degree of differentiation of future ESF support should be established in view of its perceived added value, too.

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<sup>1</sup> Joint report on Social Protection and Social Inclusion 2008

## 5. Questions to the WG

Against the background of the above, the Working Group is invited to discuss the set of questions below. It is proposed to discuss the three blocks of questions during three sub-sessions of the meeting.

Questions 1: In how far is the proposed Added Value discussion framework useful for the debates on the future of the ESF? Where and how would the proposed discussion framework need to be reviewed, expanded or reduced? How do you judge the relevance of the criteria used (policy relevance / subsidiarity / proportionality)? Which other relevant criteria do you see?

Questions 2: "What are the different aspects of CAV effects that are important in your country"? Can you give examples of Added Value for the ESF relevant for your country? Would you expect the ESF to have different types of effects (volume, scope, process, and role) and hence a different added value "profile" in different MS? If so, which factors explain these differences? Are there factors that hamper an added value of the ESF?

Questions 3: Given potential different added value profiles, how should ESF interventions be differentiated between MS? If so, how should this be done and to what extent could that be done? Would it be useful to have interventions common to all? On which grounds would an eventual differentiation be justified?