

5th Meeting of the ESF Committee Ad-Hoc Group on the Future of the ESF

18 May 2010,

Future objectives and priorities of the ESF

1. OBJECTIVES OF THE MEETING

During the previous meeting of the ESF Committee ad hoc group on the future on 6 May 2010, the Group examined the issues of scope with regard to the Europe 2020 Strategy and the Integrated Guidelines.

3 scenarios were discussed:

- **Scenario A - An ESF scope architecture strictly aligned with the 3 priorities of Europe 2020** (smart growth; sustainable growth; inclusive growth)
- **Scenario B – An ESF scope architecture based on three main thematic policies** strongly linked to Europe 2020 and the Integrated Guidelines (employment, human capital development and social inclusion).
- **Scenario C – An ESF scope focused on employment related actions** (more and better jobs), a limited part of the Europe 2020 Strategy and the Integrated Guidelines

The aim of the fifth meeting of the Ad-Hoc Group on the future will be to bring this discussion forward with three related questions:

- (1) The desirable degree of alignment between Europe 2020 Strategy priorities and ESF priorities
- (2) The way to translate objectives and priorities of Europe 2020 into the ESF programming and reporting process
- (3) The different options to achieve concentration on the Europe 2020 priorities.

2. ALIGNING ESF PRIORITIES TO EUROPE 2020 STRATEGY PRIORITIES

In the previous discussion, the principle of a full alignment of ESF and cohesion policy to Europe 2020 priorities has been discussed, since some experts pointed out the specific rationale of cohesion policy. The ESF itself has a double Treaty base providing broad objectives. Under article 162 TFEU, the ESF aims to improve employment opportunities for workers in the internal market¹ and under article 175 TFEU, the ESF, as all structural funds, supports actions leading to the strengthening of economic, social and territorial cohesion within the Union.

In its document "Europe 2020 Strategy", the Commission has addressed this point: "*Cohesion policy and its structural funds, while important in their own right, are key delivery mechanisms to achieve the priorities of smart, sustainable and inclusive growth in Member states and regions*".

¹ rendering the employment of workers easier, increasing their geographical and occupational mobility within the Union and facilitating their adaption to industrial changes and to changes in production systems

Thus, the question is not really whether the ESF and cohesion policy should be aligned with the Europe 2020 (there is a consensus on this point) – but rather what degree of alignment can be and should be achieved in concrete terms.

The ESF should support the policies of Member States which are in line with the Integrated Guidelines currently under discussion with the Council², in order to better contribute to the implementation of the objectives and targets agreed in the framework of the Europe 2020 strategy. The integrated nature of the guidelines calls for ESF to support the guidelines for employment policies, as well as the broad Guidelines for economic policies.

The current General Regulation has provided an alignment mechanism with the Lisbon Strategy. Its article 3.3 states that the assistance co-financed by the funds shall target the European Union priorities of promoting competitiveness and creating jobs and obliges the Commission and the Member States to ensure that 60% of expenditure for the convergence and 75% of expenditure for the Regional competitiveness and employment objective. This provision is compulsory for EU15 and optional for EU12.

The main themes categories, where ESF intervenes are all, except two ("promoting partnerships, pacts and initiatives" and "institutional capacity building") in annex 4 of the general regulation which lists the "lisbonised categories".

Taking into account these points, 3 options could be identified for the next programming round:

- a. *The status quo;*
- b. *A compulsory earmarking for all Member States, e.g. at 80%;*
- c. *A full alignment for all Member States (100%).*

The first option will not address the requirement of a closer alignment of ESF priorities.

The second option introduces a compulsory commitment of EU 12 but there is not additional commitment for EU15.

Last, the third option provides a full alignment of ESF priorities to the Europe 2020 Strategy. In this option, pacts, partnerships and institutional capacity building are key elements to the Governance of Europe 2020. Developing ESF priorities that match Europe 2020 objectives means a strong capacity to design, implement and evaluate structural reforms.

3. PROGRAMMING AND REPORTING ON OBJECTIVES AND PRIORITIES

A second general question stemming from the principle of alignment is how to translate concretely the objectives and priorities of Europe 2020 in the programmes and how to ensure an effective process which will allow the Member States to report what has been implemented and achieved with regard to the objectives and the priorities.

This issue is closely linked to the question on the different strategic documents which are needed or not at EU and Member States level in order to frame the design and the coordination of the different OPs (Community Strategic Guidelines, National Strategic Reference Frameworks). Many experts and stakeholders have criticised the usefulness of the Community Strategic Guidelines with regard to the Integrated Guidelines and the double exercise often poorly coordinated between the NSRFs and the National Reform Plans (NRP). A major simplification and a closer link between the ESF and the Europe 2020 Strategy could be achieved through an alignment with NRPs only. However this alignment will raise consequently the question of the synchronisation of the policy and funding temporal cycles

² They will also be examined in the coming months by the European Parliament.

When it comes to the operational programmes' level, three specific points should be discussed: (1) what kind of priority categorisation will translate, in the most appropriate way, the Europe 2020 priorities? ; (2) In the same perspective, what could be the best architecture of the programmes at priority axis level? (3) Finally, how could we ensure a better implementation of horizontal priorities?

3.1. Europe 2020 and the priority categorisation

Annex 1 below lists the 26 priority themes (based on the general Regulation's categorisation) where ESF OPs currently intervene. It includes two categories which concern technical assistance and which will not be further taken into account in this present section. The table illustrates the concentration of ESF in 15 categories (62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 80 and 81) and limited intervention in the remaining 10 categories (3, 4, 5, 9, 12, 13, 14, 15, 75 and 79).

The comparison between these current priority themes and the priorities of Europe 2020 Strategy shows a significant convergence in substance (table in annex 2). But the ESF priority themes will need a "re-designing" to stick closer to the Europe 2020 Strategy, its Integrated Guidelines and its headline targets³. Three main approaches could be identified.

a. An adjustment of the current priority themes on the basis of the Integrated Guidelines.

The current categorisation is divided in 6 policy fields: (i) adaptability, (ii) access to employment, (iii) social inclusion with a view to a sustainable integration in employment, (iv) human capital, (v) institutional capacity building, and (vi) partnership.

The future categorisation could well be divided on the same line, taking into account the new integrated guidelines: (a) Adaptability based on the Guideline 4, 6 and 8 and the Flagship "an agenda for new skills for new jobs"), (ii) access to employment on the Guideline 7, (iii) Human capital on the Guidelines 4 and 9, and (iv) Social inclusion with a view to a sustainable integration in employment and to fight against poverty on Guideline 10 and the flagship "European Platform against poverty". This option would include a "governance" priority covering pacts, partnerships, support to social partners (in relation to Guideline 7) and capacity building (in relation to guideline 1 and 6).

b. A transformation towards a people-based categorisation.

So far, we rely on annex 23 to get indication on the different types of participants. But these data are not directly linked to the financial allocation and they concern only reporting and not programming⁴. A transformation of the priority categorisation will be in line with the idea of ESF as a people instrument. It has the advantage that the ESF mission becomes clearer and easier to communicate.

The target groups envisaged under this scenario could include: (a) unemployed, in particular women, older people, migrants, minorities and disadvantaged people; (b) workers and (c) youth. However, this approach implies that it will be difficult to match important EUROPE 2020 policy priorities (e.g. facilitating and promoting EU labour mobility and better matching labour supply with demand, whilst the EUROPE 2020 Strategy explicitly refers to ESF support in this respect). Support to capacity building and to social partners (explicitly foreseen by the Guideline 7 and the 'New skills for new jobs' Flagship Initiative) could also be excluded when opting for this approach.

³ (a) the employment target of 75% through the greater involvement of women, older workers and better integration of migrants and minorities in the workforce; (b) the educational attainment target, tackling early school leavers by reducing the drop out rate to 10% whilst increasing the share of the population aged 30-34 having completed tertiary education to 40%; (c) the reduction of the poverty (ongoing discussion on the indicator).

⁴ Besides, in many cases the indicators collected do not provide data which can be aggregated at the European level partly caused by technical problems like the fact that the same indicator (e.g. participant) is defined differently in different cases. It might in practice not be easy to find standardised indicators.

c. A transformation towards a system built upon the Eurostat LMP database⁵

Labour market policy interventions are grouped by Eurostat into three main types then further classified into nine detailed categories according to the type of action.

- LMP services cover all services and activities of the Public Employment Services (PES) together with any other publicly funded services for jobseekers.
- LMP measures cover interventions that provide temporary support for groups that are disadvantaged in the labour market and which aim at activating the unemployed, helping people move from involuntary inactivity into employment, or maintaining the jobs of persons threatened by unemployment (training; job rotation and job sharing; employment incentives; supported employment and rehabilitation; direct job creation; start-up incentives).
- LMP supports (probably not in the ESF scope) cover financial assistance that aims to compensate individuals for loss of wage or salary and support them during job-search (i.e. mostly unemployment benefits) or which facilitates early retirement.

This categorisation only addresses the ESF interventions closely related to the labour market. It should be expanded to include other types of interventions that are not LMP according to the decided scope (social inclusion, health....).

The advantages of this categorisation are threefold. First, these categories could be easily crossed with annex 23 type of data on participants. Secondly, there is no need of discussion on indicators, as there are already EU definitions agreed. Finally, it will be possible to situate the bulk of the ESF interventions in a broader context. The major inconvenient of this approach lies in the fact that ESF priorities and Europe 2020 priorities seem less directly linked, at least at first sight.

The three identified approaches are not mutually excluding and could be partially combined to address the different kinds of political priorities (themes, people categories, and activities). Some elements could also be used for reporting purposes only and not for programming.

3.2. Europe 2020 at priority axis level

The priority axis level has become in the current programming period central. Financial allocations are agreed at priority rather than action level between the Commission and the MS. At EU level, the 117 OPs contain 454 priority axes. On average, a priority axis covers between 3 and 4 priority themes based on the categorisation.

This situation offers a wide room of manoeuvre for Managing Authorities. It explains partly why the crisis has induced a few OPs changes, since Managing Authorities were able, within the priority axis, to shift allocations towards crisis related measures. It has, however; a negative effect on the readability of the OPs at the EU level and our ability to aggregate objectives and priorities at programming stage and data at reporting stage from OPs at EU level.

If a closer alignment of ESF to the Europe 2020 Strategy is to be pursued, the Commission and the MS should reflect on how to program and to report at priority axis following the Europe 2020 Strategy framework.

Two options could thus be examined, in addition to the possibility of maintaining the status quo:

a) One priority axis = One priority theme.

This option will improve considerably the monitoring of the fund (aggregation and analysis at EU level). On the other hand, it will reduce the ability of Managing Authorities to adapt the activities of

⁵ European Commission , Eurostat, Labour market policy database, Methodology, Revision of June 2006

the programme according to the economic and social situation, except if there is an in-built flexibility in the system (ability to shift part of allocations under certain specific circumstances or with a mid-term review).

b) One priority axis = One policy field (one priority) = several priority themes (in a defined list of priorities)

This option will improve the consistency between the priority axes, the policy fields and the priority themes. It will not improve significantly the monitoring, but it will only reduce marginally the room of manoeuvre for the Managing Authorities.

4. CONCENTRATION

The ex-post evaluation of Cohesion Policy in the period 2000-2006 have concluded that a more substantial concentration is required to ensure that interventions have a tangible impact and achieve critical mass. There are two main ways to achieve thematic concentration, either by limiting the scope or by requesting more focus on a limited number of priorities.

4.1. Limiting the scope

In the issue paper related to the scope, option C proposes to limit the scope on "more and better jobs". One could even argue for a more drastic limitation, as an earlier Bruegel paper⁶ did, when it proposed to make ESF the instrument of the flexicurity agenda. ESF could thus become the financial incentive for implementing flexicurity policies aimed at (a) more flexible and secure contractual arrangements from both employer and employee perspective; (b) lifelong learning strategies improving workers' adaptability and employability; (c) effective ALMPs facilitating transitions to new jobs and (d) modern social protection systems providing adequate income support during transitions. However, this particular approach might pose problems of a political and financial nature. More generally, limiting interventions to particular sectors will limit the flexibility needed to take specific national and regional circumstances into account and it could be to the detriment of integrated solutions.

The previous discussion in the ad hoc group showed there was little appetite for limiting the scope. There seems to be general agreement that a broader choice should be left to the Member States or the regions which have a broad range of development challenges in comparison to richer regions.

4.2. Focusing on limited number of strategic objectives

Three options could be discussed:

a) One common list of priorities for the RCE objective and an additional menu for the Convergence objective (current systems)

b) A common list of priorities with a "two course" menu for the RCE and a "three course" menu for the Convergence regions.

This option would mean that MS would have exactly the same list of available priorities, but they would need to choose a more limited numbers of priorities for RCE regions than for convergence regions (number of priorities to be defined for both cases).

c) A common list of priorities for all MS and regions with two levels of priorities.

The first level of priorities (broad priorities) should not exceed, for instance 60% of the total OP budget. The second level of priorities (core priorities) should be concentrated on two priorities only for at least 40% of the OP. The % can vary but the idea is to bring about a certain financial concentration.

⁶ "Europe's economic priorities 2010-2015 – Memos to the new Commission"

5. QUESTIONS TO THE AD-HOC GROUP

Against the background sketched above, the Working Group is invited to discuss the questions below:

- 1) What degree of alignment can be and should be achieved between ESF and Europe 2020 Strategy? To what extent do the options outlined in the paper (part 2) cover the subject?
- 2) How to translate concretely the objectives and priorities of Europe 2020 in the programmes?
- 3) In the perspective of simplification:
 - Is there a need to have at EU level "Community Strategic Guidelines" in addition to the Integrated Guidelines?
 - Is it possible at national level to put aside the National Strategic Reference Framework (NSRF) using instead the National Reform Programmes (NRPs) as the national strategic documents for the ESF? In this case, how do you see the synchronisation of the policy and funding temporal cycles?
- 4) How to achieve a greater involvement and ownership of the EPSCO Council and the European Parliament?
- 5) What kind of priority categorisation will translate, in the most appropriate way, the Europe 2020 priorities? And what kind of priority categorisation will ensure an effective process of reporting in line with the political objectives and priorities of Europe 2020? (Policy-based, people-based, activity-based categories...)
- 6) How to ensure an effective process of reporting in line with the objectives and priorities of Europe 2020?
- 7) What could be the best architecture of the programmes at priority axis level?
- 8) Which horizontal priorities should be established? How could we ensure a better respect of horizontal priorities when implementing programmes?
- 9) Do you prefer to limit the scope of ESF or to limit the number of priorities an OP can pursue?
- 10) What is, in your view, the best way, to achieve the concentration on a limited number of priorities? Do you have a preference between the 3 options offered by this paper? Are there other options you would favour?

Annex 1: Priority themes by OPs

Priority themes	Number of OP concerned
Category 03: Technology transfer and improvement of cooperation networks	2
Category 04: Assistance to R&TD, particularly in SMEs (including access to R&RD services in research centres)	1
Category 05: Advanced support services for firms and groups of firms	1
Category 09: Other measures to stimulate research and innovation and entrepreneurship in SMEs	3
Category 12: Information and communication technologies	2
Category 13: Services and applications for citizen (e-health...)	4
Category 14: Services and applications for SMEs (e-commerce...)	2
Category 15: Other measures for improving access to and efficient use of ICT by SMEs	1
Category 62: development of life-long learning systems and strategies in firms; training and services for employers to step up their adaptability to change, promoting entrepreneurship and innovation	99
Category 63: design and dissemination of innovative and more productive ways of organising work	77
Category 64: Development of specific services for employment, training and support in connection with restructuring of sectors and firms, and development of systems for anticipating economic changes and future requirements in terms of jobs and skills.	78
Category 65: Modernisation and strengthening of labour market institutions	59
Category 66: Implementing active and preventive measures on the labour market	95
Category 67: Measures encouraging active ageing and prolonging working lives	56
Category 69: Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation and to reconcile work and private life such as facilitating access to childcare and care for dependant persons.	93
Category 70: Specific action to increase participation of migrants in employment and thereby strengthen their social integration	78
Category 71: Pathways to integration and re-entry into employment for disadvantaged people: combating discrimination in accessing and progressing in the labour market and promoting acceptance of diversity at the workplace	104
Category 72: Design, introduction and implementation of reforms in education and	91

training systems in order to develop employability, improving the labour market relevance of initial and vocational education and training, updating skills of training personnel with a view to innovation and a knowledge based economy	
Category 73: Measures to increase participation in education and training throughout the life-cycle, including through action to achieve a reduction in early school leaving, gender-based segregation of subjects and increased access to and quality of initial vocational and tertiary education and training.	92
Category 74: Developing human potential in the field of research and innovation, in particular through post graduate studies and training of researchers, and networking activities between universities, research centres and businesses'	74
Category 75: Education infrastructure	1
Category 79: Other social infrastructure	1
Category 80: Promoting partnerships, pacts and initiatives through the networking of relevant stakeholders	54
Category 81: Mechanisms for improving good policy and programme design, monitoring and evaluation at national, regional and local level, capacity building in the delivery of policies and programmes.	39
Technical assistance:	
Category 85: Preparation, implementation, monitoring and inspection	115
Category 86: Evaluation and studies; information and communication	114

Annex 2: Comparison between Europe 2020 strategy and the current priority themes

Europe 2020	EU flagship initiatives	Integrated guidelines	Priority themes in the current regulation
<ul style="list-style-type: none"> • Smart growth: Creating value by basing growth on knowledge, in a world where innovation makes the difference in both products and processes, harnessing the potential of education, research and of the digital economy; • Sustainable growth: Creating a competitive, connected and greener economy. • Inclusive growth: 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; 	<ul style="list-style-type: none"> • Innovation Union • Youth on the move • A digital agenda for Europe • Resource efficient Europe • Industrial policy for the globalisation area • An agenda for New skills and New Jobs • European Action against poverty 	<p><u>Broad guidelines</u></p> <p><i>Guideline 1: Ensuring the quality and the sustainability of public finances</i></p> <p>Guideline 2: Addressing macroeconomic imbalances</p> <p><i>Guideline 3: Reducing imbalances in the euro area</i></p> <p>Guideline 4: Optimising support for R&D and innovation, strengthening the knowledge triangle and unleashing the potential of the digital economy</p> <p>Guideline 5: Reducing greenhouse gas emissions and using resources efficiently</p> <p>Guideline 6: Improving the business environment and modernising the industrial base</p> <p><u>Employment guidelines</u></p> <p>Guideline 7: Increasing labour market participation and reducing structural unemployment</p> <p>Guideline 8: Developing a skilled workforce, promoting job quality and lifelong learning</p> <p>Guideline 9: Improving the performance of education systems at all levels and increase participation in tertiary education</p> <p>Guideline 10: Combating poverty and social exclusion</p>	<p>Category 62: development of life-long learning systems and strategies in firms; training and services for employers</p> <p>Category 63: design and dissemination of innovative and more productive ways of organising work</p> <p>Category 64 Development of specific services for employment, training and support in connection with restructuring of sectors and development of systems for anticipating economic changes</p> <p>Category 65: Modernisation and strengthening of labour market institutions</p> <p>Category 66: Implementing active and preventive measures on the labour market</p> <p>Category 67: Measures encouraging active ageing and prolonging working lives</p> <p>Category 69: Measures to improve access to employment and increase sustainable participation and progress of women in employment to reduce gender-based segregation and to reconcile work and private life</p> <p>Category 70: Specific action to increase participation of migrants in employment and thereby strengthen their social integration</p> <p>Category 71: Pathways to integration and re-entry into employment for disadvantaged people, combating discrimination and promoting acceptance of diversity at the workplace</p> <p>Category 72: Design, introduction and implementation of reforms in education and training systems</p> <p>Category 73: Measures to increase participation in education and training throughout the life-cycle (reduction in early school leaving, gender-based segregation of subjects...).</p> <p>Category 74: Developing human potential in the field of research and innovation, in particular through post graduate studies and training of researchers, and networking activities</p> <p>Category 80: Promoting partnerships, pacts and initiatives</p> <p>Category 81: Mechanisms for improving good policy and programme design, monitoring and evaluation, capacity building in the delivery of policies and programmes.</p>

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