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Investing in regions to boost jobs

Cohesion policy and job creation

IN-DEPTH ANALYSIS

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This publication explores how investments made through cohesion policy support employment and job creation. The recent situation in the EU labour market is presented, with particular focus on post-crisis trends and regional disparities. The potential of cohesion policy interventions to address existing challenges is surveyed in light of the intended objectives, expected outcomes and delivered results. Lastly, approaches to the evaluation of direct and indirect employment effects of cohesion policy are examined.

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EXECUTIVE SUMMARY

Employment and job creation are high on the EU agenda. One of the main priorities of the European Commission under President Jean-Claude Juncker is boosting jobs, growth and investment. Raising labour market participation is one of the objectives of the Europe 2020 strategy, an overarching EU strategy for smart, sustainable and inclusive growth.

The EU is currently struggling with the legacy of the financial and economic crisis as well as with its own structural issues. The unemployment rate is still high, at almost 9 % in mid-2016, and youth unemployment and long-term unemployment are at even more alarming rates. National and regional disparities persist and, in some cases, continue to widen. An important challenge remains to raise the labour market participation of specific social groups, including women, young people, older workers and disadvantaged communities. The demographic situation in Europe makes employment an even more pressing issue, as the ageing population and shrinking labour force create pressure on social-protection systems, as well as overall competitiveness and productivity.

One of the means to address these challenges is EU cohesion policy, which amounts to one third of the EU budget (over €350 billion in the current programming period). As a major source of EU investment in growth and jobs, cohesion policy targets human capital development, education and training, labour market efficiency, entrepreneurship and job creation. In the previous programming period (2007-2013), an estimated 769 900 new jobs were created in the course of cohesion policy interventions. The current 2014-2020 period is expected to bring further employment gains in the form of new jobs created, enterprises supported and qualifications improved.

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1.1. State of play after the crisis

The EU labour market is still recovering from the financial and economic crisis of 2007/2008. The key employment indicators (see box) show some improvement, but the employment situation remains far from optimal. Unemployment has been slowly decreasing since its peak in 2013 (10.9 %), but was still relatively high, at 8.6 %, in August 2016 (down from 9.3 % at the same time last year).[1] This translates into about 21 million unemployed men and women. New job creation is slow, while the increase in employment is driven mainly by a rise in temporary contracts.[2]

Box 1 – Key employment indicators and definitions

Activity rate: percentage of active persons (i.e. classified as employed or unemployed) in relation to the comparable total population.

Employment rate: proportion of the working age (15-64) population in employment.

Labour force (or active population): total number of the employed and unemployed population. Excluded are economically inactive groups such as pre-school and school children, students, pensioners and people of working age who are neither working nor seeking work.

Long-term unemployment rate: share of persons unemployed for 12 months or more in the total active population, expressed as a percentage.

Unemployed person: person who is without work, actively seeking employment and immediately available for work.

Unemployment rate: number of unemployed people as a percentage of the labour force (age group 15-74).

Youth unemployment rate: number of the unemployed people aged 15 to 24 as a percentage of the labour force of the same age.

Source: Eurostat glossary.

While there are signs of overall improvement in average EU-28 indicators, divergences among and within Member States persist (see Figure 1). Despite the recent drop in overall unemployment, cross-country variations in mid-2016 ranged from the lowest unemployment rates in the Czech Republic (3.9 %) and Germany (4.2 %) to the highest in Greece (23.4 %) and Spain (19.6 %). The euro area (i.e. the 19 countries which share the common euro currency) had a slightly higher unemployment rate than the EU-28: 10.1 % in August 2016, down from 10.7 % in August 2015. Compared with the same time in 2015, the unemployment rate decreased in 24 Member States, remained stable in Denmark and increased in Estonia, Austria and Belgium.

The EU-28 employment rate in the 20-64 age group stood at 69.2 % in 2014.[3] This is still significantly lower than the EU target of 75 % established for this age group in the Europe 2020 strategy. However, in 2008 this rate was 70.3 %, fell subsequently in the course of

[1] Data in this and the subsequent paragraph stem from the Eurostat news release, Euro indicators, 186/2016 – 30 September 2016.

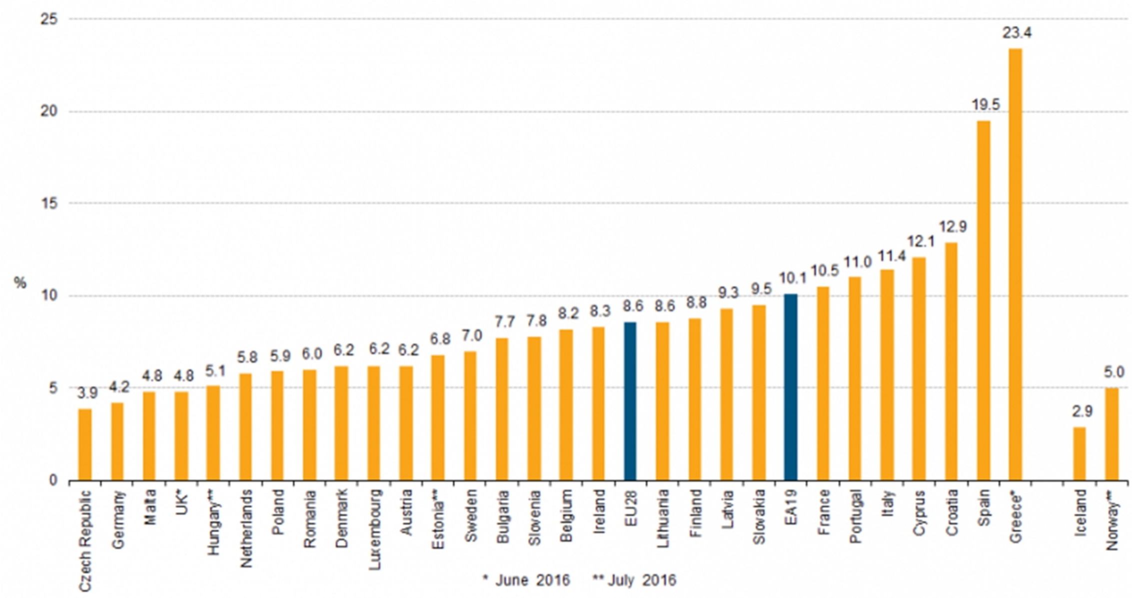
[2] Annual Growth Survey 2016, European Commission, 2015.

[3] Joint Employment Report from the Commission and the Council accompanying the Annual Growth Survey 2016, European Commission, 2016. Data refer to the 20-64 age group to ensure consistency with the Europe 2020 target for this age group.

the crisis and has recovered since 2013.[4] Based on recent trends, the European Commission predicts that meeting the 75 % target is unlikely, as the continuing economic and financial crisis has significantly affected progress in this area.[5]

In addition to the overall employment and unemployment rates, the most pressing concerns on the EU labour market are high youth unemployment and the high share of long-term unemployed. In August 2016, the youth unemployment rate in the EU was 18.6 % (more than twice that of the overall unemployment rate).[6] This amounts to about 4.5 million young persons (under 25) without work.[7] There was a slight improvement compared to the same time the previous year (20.1 %). Cross-country divergences ranged from the lowest youth unemployment rates in Germany (6.9 %) to the highest in Greece (47.7 %), Spain (43.2 %) and Italy (38.8 %).

Figure 1 – Unemployment rate in the EU, August 2016



Data source: Eurostat.

In the second quarter of 2015, the EU long-term unemployment rate amounted to 4.7 %, which corresponds to almost half of the overall unemployment rate, affecting about 11 million people.[8] The lowest long-term unemployment ratios (i.e. long-term unemployment expressed as a percentage of the total unemployment) were recorded in Sweden (18.9 %) and Finland (22.4 %), while the highest occurred in Greece (73.5 %) and

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4 Eurostat, Statistics Illustrated.

5 Taking stock of the Europe 2020 strategy for smart, sustainable and inclusive growth, European Commission, 2014.

6 Data in this paragraph stem from the Eurostat news release, Euro indicators, 186/2016 – 30 September 2016.

7 It is important to note, however, that the youth unemployment rate figures refer to the percentage of people aged 15 to 24 who are unemployed (i.e. without work but searching for a job) as a percentage of the labour force of the same age. It does not necessarily mean that this group is large, as many young people at this age are outside the labour market (e.g. at school or studying full-time and thus not available for work). An alternative indicator is the youth unemployment ratio, which illustrates the percentage of unemployed young people compared to the total population of that age group (9.1 % in 2014, i.e. half the youth unemployment rate which stood at 21.4 % in the same year, see Eurostat glossary and Labour Market and Labour force survey statistics).

8 The Employment and Social Developments in Europe 2015, European Commission, 2015.

Slovakia (70.2 %).[9] High levels of long-term unemployment are partially linked to structural unemployment.[10]

In addition to the disparities existing across the Member States, employment figures differ significantly when broken down by sex, age and educational level. Gender inequalities exist both in terms of labour force participation and pay gap. For instance, in 2014 the male employment rate was already equal to the Europe 2020 target of 75 %, while the female rate was 63.5 % (11.5 percentage points lower).[11] As far as the gender pay gap is concerned, women in the EU-28 were paid on average 16.1 % less than men in 2014.[12] In terms of age-based differences, the social groups with the lowest employment indicators are the youngest (below 25) and oldest (over 55) workers.[13] Educational levels also impact employment, with considerably higher unemployment among people with primary and secondary education than those with tertiary education. It is important to note, however, that the EU fares relatively well in terms of third level education. It has a target of 40 % of people with higher education by 2020, with 16 EU countries already exceeding this figure in 2014.[14] In addition to women, younger and older people, as well as workers with lower educational qualifications, under-represented groups on the labour market also include foreign-born populations (especially non-EU third country nationals), the disabled, migrants and minorities.[15]

The EU labour market is segmented, with temporary and part-time jobs existing alongside secure jobs with social protection (a phenomenon known as dual labour markets).[16] The proportion of the EU-28 workforce with part-time work as their main job rose from 16.75 % in 2004 to 19.6 % in 2014.[17] Also in this case, there were wide differences between countries, with the share of part-time workers ranging from 49.6 % in the Netherlands, through around 25 % in Germany, the United Kingdom, Sweden and Belgium, to about 5 % in Croatia and the Czech Republic, and 2.5 % in Bulgaria. Part-time work was also significantly higher among women (32.2 % v 8.8 % for men in 2014). It is important to note here that part-time work may be a preferred employment type in some cases (e.g. for people with caring responsibilities) but a necessity in others when full-time positions are unavailable. The proportion of workers with a fixed-term contract (i.e. contract of limited duration) was 14 % in the EU-28 in 2014, varying from 28.3 % in Poland, through 21.1 % in the Netherlands to 1.4 % in Romania.[18]

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9 Eurostat Regional Yearbook 2015, Eurostat, 2015.

10 Structural unemployment is related to inefficient labour market matching, i.e. a mismatch between labour supply and demand. This may mean that job vacancies are unfilled because job applicants lack the required skills or the jobs are offered in another region, country or sector.

11 Eurostat, Gender statistics at regional level, last updated in December 2015.

12 Eurostat, Gender pay gap statistics, last updated in March 2016.

13 Eurostat Yearbook 2015, Employment statistics, Eurostat, 2015.

14 Smarter, greener, more inclusive - indicators to support the Europe 2020 strategy, Eurostat, 2015.

15 The Employment and Social Developments in Europe 2015, European Commission, 2015.

16 Joint Employment Report from the Commission and the Council accompanying the Annual Growth Survey 2016, European Commission, 2016.

17 Statistical data in this paragraph are based on Eurostat Yearbook 2015, Employment statistics, 2015.

18 Eurostat Yearbook 2015, Employment statistics, 2015.

1.2. Employment in the regions

Differences on the labour market exist not only between Member States, but also at the regional level within countries. Regional disparities can be attributed to a variety of factors. Employment performance in a region depends on the opportunities offered by the local economy, the supply of skilled human capital, as well as local government policies supported by national labour market institutions and regulations.[19] Regions with high rates of job creation tend to be more competitive, with sectoral specialisations allowing for a strong industry and service company presence, and supportive physical infrastructure (transport connections, housing, childcare facilities, employment services), enabling more people to engage in employment.[20] Other important factors fostering human capital development are the presence of institutions providing education and training, active labour market policies pursued by local government institutions, support for labour force mobility, and, to a lesser extent, social practices and cultural norms (e.g. propensity for risk-taking, entrepreneurial attitudes, and participation behaviour).[21] Labour market regulations, e.g. in the area of wages, benefits and employment protection, may also have an impact on regional disparities in employment.[22] While considering the scope for EU action in support of regional employment, it is important to note, however, that the EU can intervene only in some of these areas.

Although regional trends mirror those at EU-level to a certain extent (e.g. relatively high overall unemployment, high youth unemployment and long-term unemployment), a closer look at the regional landscape shows a more diversified picture. In 2015, the highest employment rates were to be found in the northern and western regions (see Figure 2). Employment rates of at least 75 % (i.e. the Europe 2020 target) and over were recorded in about 100 regions across the Czech Republic, Estonia, Denmark, Germany, the Netherlands, Austria, Sweden and the United Kingdom. The region with the highest employment rate in the EU-28 was the south-western Finnish archipelago of Åland (86.7 %), followed by the capital city of Stockholm (82.5 %) and Småland med öarna (82.4 %) in Sweden.[23]

The geographical distribution of employment rate patterns in 2015 partially reflected the concentration of manufacturing and services centres and proximity to large agglomerations. In several countries the highest rates tended to cluster generally in the south (e.g. in the case of Sweden and Germany). In the United Kingdom, the highest

19 R. Camagni and R. Capello, Regional competitiveness and territorial capital: a conceptual approach and empirical evidence from the European Union, Regional Studies, 47(9), 2013.

20 R. Martin, A Study on the Factors of Regional Competitiveness, a draft final report for the European Commission, 2003.

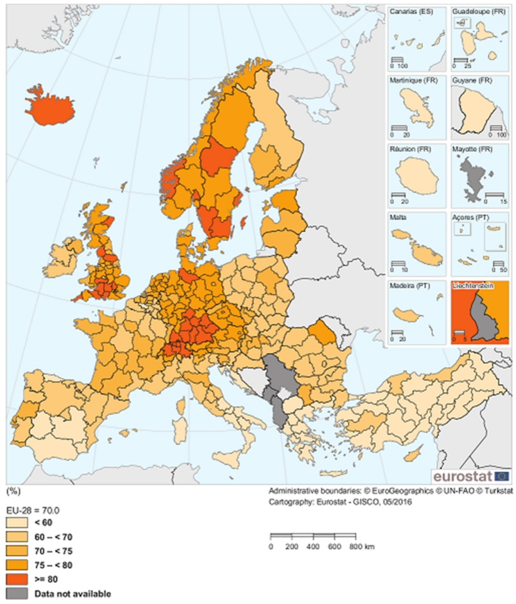
21 How Persistent are Regional Disparities in Employment? The Role of Geographic Mobility, in: OECD Employment Outlook, 2005.

22 P. Huber, Labour Market Institutions and Regional Unemployment Disparities, Welfare Wealth Work (WWW) for Europe working paper no. 29, 2013.

23 All statistical data in this section are based on the Eurostat Regional Yearbook 2016. The latest available data are from 2015. Regional statistics are generally presented at the NUTS 2 level (Nomenclature of territorial units for statistics), according to the NUTS classification system dividing EU territory. The NUTS 2 level is also used for determining regions eligible for cohesion policy support.

employment rates were dispersed more equally across the territory. In the southern Member States the employment distribution pattern reflected a geographical concentration of economic activity in the north. Thus, the lowest employment rates in Spain, Greece and Italy were often recorded in their southernmost regions. Moreover, wide disparities existed between their northern and southern regions, e.g. a gap of 17.1 percentage points between the highest employment rate in the capital city region of Comunidad de Madrid (69.7 %) and the lowest rate in Andalucía (52.6 %). In Italy the gap exceeded 30 percentage points, with a high employment rate in the Provincia Autonoma di Bolzano (76.7 %) and a low one in Calabria (42.1 %). Low employment rates (below 50 %) were also recorded in regions in the southern Member States: Puglia, Campania and Sicily (Italy), Dytiki Makedonia (Greece) and the autonomous city of Melilla (Spain).

Figure 2 – Employment rate (20-64) by region, 2015(1)

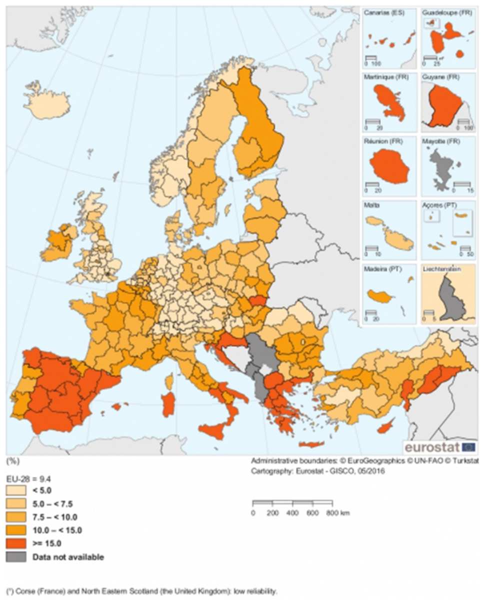


Data source: Eurostat.

The regional distribution of unemployment rates shows that high regional unemployment rates were concentrated in southern Member States: almost all regions in Greece (except for the island Notio Aigaio), the majority of regions in Spain (with the País Vasco and the Comunidad Foral de Navarra); five regions in south Italy (Calabria, Sicily, Campania, Puglia and Sardegna), and the four French overseas regions. High unemployment rates were also recorded in both Croatian regions, the Belgian Brussels capital region, Cyprus and Východné Slovensko in Slovakia.

The lowest regional unemployment rates were registered in Germany, with two regions at 2.5 % (Niederbayern and Freiburg) and seven regions at less than 3 % (Oberpfalz, Oberbayern, Schwaben, Mittelfranken, Unterfranken, Tübingen and Trier). The Czech capital city region of Praha had a low unemployment rate of 2.8 % and the Austrian region of Tirol of 3 %. In most western Member States unemployment was highest in cities, while almost all eastern Member States recorded higher unemployment levels in rural areas.

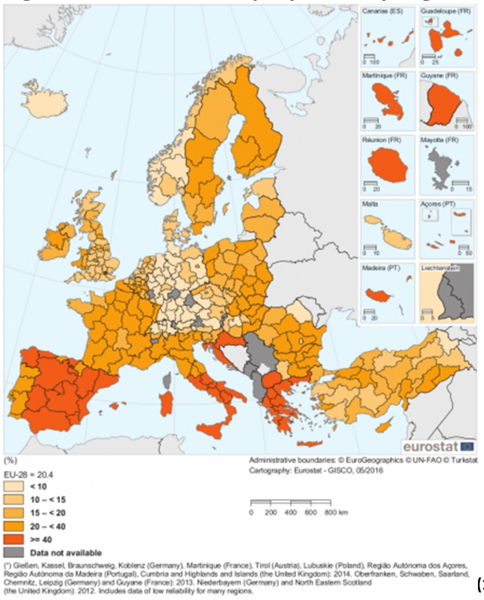
Figure 3 – Unemployment rate by region, 2015(1)



Data source: Eurostat.

Youth unemployment was often concentrated in regions with high overall unemployment. The lowest levels of youth unemployment were recorded in Germany (below 5 % in Oberbayern, Schwaben, Freiburg, Mittelfranken, Weser-Ems, Karlsruhe and Niederbayern). Relatively low youth unemployment rates (under 10 %) were also recorded in Austria (Tirol, Oberösterreich and Steiermark), the Netherlands (Zeeland and Noord-Holland), the Czech Republic (Jihozápad), Hungary (Közép-Dunántúl) and Romania (Nord-Est). The highest youth unemployment levels (over 50 %) were recorded in Greece, central and southern Spain, the French overseas territories and the Portuguese region of Madeira. In Italy, Spain and France there were wide variations in youth unemployment, which ranged for instance from 65.1 % in the southern region of Calabria to 11.9 % in the northern region of the Provincia Autonoma di Bolzano (Italy).

Figure 4 – Youth unemployment by region, 2015



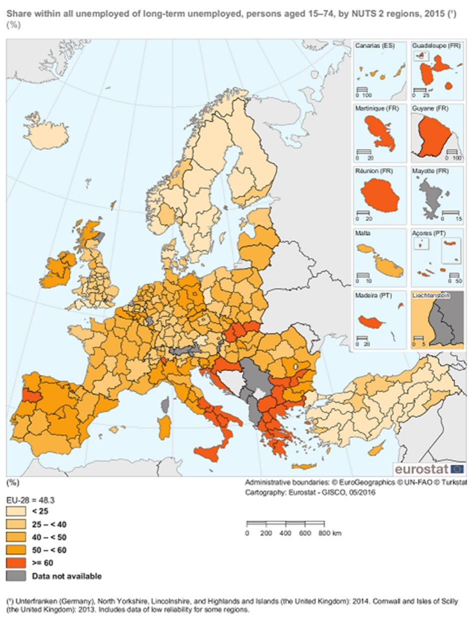
(1)

Data source: Eurostat.

The highest proportions of NEETs (young people not in employment, education or training) were concentrated in several regions of Italy, Greece, Romania, Bulgaria and Croatia (within the range of 20-30 %). In four EU regions this proportion reached over 40 % (French Guyana, Sterea Ellada in Greece, and Calabria and Sicily in Italy). The lowest proportions of NEETs were found in regions of the Netherlands, Luxembourg, Germany, Austria, Denmark and the Czech Republic (less than 10 %).

The lowest ratios of long-term unemployment at country level were recorded in Sweden and Finland (less than 25 % of the total unemployed population), while Denmark, Luxembourg, Austria and the United Kingdom had ratios below one third relative to overall unemployment. Regions with the lowest unemployment rates were particularly concentrated in regions in the southern United Kingdom, Sweden and Finland, with single regions from Denmark (Midtjylland), Austria (Oberösterreich), Poland (Lubuskie) and Romania (Bucuresti – Ilfov). High long-term unemployment ratios were concentrated in the southern and peripheral regions of the EU. The highest regional long-term unemployment ratios were recorded in Greece, Italy, the four French overseas regions, Portugal, Bulgaria, Slovakia and Croatia. Germany had wide regional variations, with some of the lowest long-term unemployment rates recorded in the west, and a long-term unemployment ratio of over 50 % in

Figure 5 – Long-term unemployment by region, 2015(1)



Data source: Eurostat.

several north-eastern German regions (with the highest ratio in Germany recorded at 58.9 % in Chemnitz). In general, in the EU-28, almost half of the unemployed had been out of work for at least 12 months.

1.3. EU action in the area of employment

The EU shares competences in the area of employment and social policy with the Member States.[24] EU actions include coordinating and monitoring national policies, exchanging best practices, and legislating in the areas of workers' rights and coordination of social security arrangements, with a particular focus on cross-border situations to ensure the free movement of workers on the internal market.[25] While EU Treaties give every EU citizen the right to live and work in any EU Member State,[26] in 2014 less than 4 % of the working age population lived and worked in another EU country.[27] In this context, EU actions in the area of labour market integration are aimed at removing practical and legal obstacles to labour mobility, as well as matching cross-border labour supply and demand. Additional EU initiatives are aimed at investing in training and skills, promoting entrepreneurship and creating favourable conditions for job creation and growth. These objectives are pursued, among others, via EU-funded programmes, structural funding and EU-level policy coordination.

Supporting employment and job creation is very high on the EU agenda. One of the main priorities of the European Commission is boosting investment for growth and jobs.[28] The Investment Plan for Europe launched in 2015 (also known as the Juncker Plan) aims to mobilise €315 billion in additional investment over the course of three years, with the goal of improving the investment environment, kick-starting the economy, and stimulating job creation.

Employment is also one of the five headline targets of the Europe 2020 strategy – the overarching EU strategy for smart, sustainable and inclusive growth launched in 2010 (see box). The specific employment-related goal is to raise the employment rate of 20-64 year olds to 75 % in 2020. In addition to the headline target, the Europe 2020 strategy has two flagship initiatives linked to employment. The 'Agenda for new skills and jobs' is aimed at raising employment rates through investing in skills, supporting labour market reforms, improving working conditions, and encouraging job creation. The 'Youth on the move' initiative supports education and training to increase mobility and employability of young people. It also promotes employment policies that are conducive to helping young people find a job.[29]

Europe 2020 targets

Employment	75% of the 20-64 year-olds to be employed
R&D / innovation	3% of the EU's GDP to be invested in R&D/innovation
Climate change / energy	-greenhouse gas emissions 20% lower than 1990 levels -20% of energy from renewables -20% increase in energy efficiency
Education	-Reducing school drop-out rates below 10% -at least 40% of 30-34–year-olds completing third level education
Poverty / social exclusion	at least 20 million fewer people in or at risk of poverty and social exclusion

Data source: European Commission, 2016.

24 Article 4 of the Treaty on the Functioning of the European Union.

25 Employment policies and activities, European Commission, Directorate-General for Employment, Social Affairs and Inclusion.

26 Articles 21 and 45 of the Treaty on the Functioning of the European Union.

27 Employment and Social Developments in Europe 2015, European Commission, 2015.

28 10 Priorities, European Commission. See also: Commission Work Programme 2016, European Commission, 27 October 2015; E. Bassot and W. Hiller, The Juncker Commission's Ten Priorities: State of play in mid-2016, European Parliamentary Research Service, May 2016.

29 Europe 2020 in a nutshell, European Commission.

The European Employment Strategy is an instrument for coordinating national reforms in the area of labour market and social policies. Established in 1997, it is currently integrated with the EU economic governance framework (European Semester) and supports progress towards the Europe 2020 goals. The implementation of the strategy involves four steps of the European Semester.[30] Employment guidelines setting common priorities for national employment strategies and reforms are issued by the European Commission and approved by the Council. The latest employment guidelines of 2015 call for boosting demand for labour; enhancing labour and skills supply; improving the functioning of the labour market; ensuring fairness, combating poverty and promoting equal opportunities.[31] Moreover, the ever-increasing focus on employment and social performance within the EU economic policy framework is exemplified in the recent adding of three employment-related indicators (activity rate, youth unemployment, long-term unemployment) to the scoreboard of indicators supporting the alert mechanism tracking the state of the EU economy.

Another fundamental document linked to the European Employment Strategy is the Annual Growth Survey presented every year by the European Commission in order to take stock of economic and social developments and outline policy actions. The survey is accompanied by a Joint Employment Report. This document makes a detailed assessment of the employment situation, monitors progress in the implementation of employment guidelines and tracks key employment and social indicators (a scoreboard composed of unemployment, youth unemployment, disposable household income, at-risk-of-poverty rate and inequalities ratio). This scoreboard of key employment and social indicators[32] has been created in order to monitor employment and social trends that could threaten the stability of the EU and European Monetary Union. Two further European Semester documents linked to employment include National Reform Programmes adopted by the Member States and Country-specific Recommendations based on the assessment of these programmes by the European Commission.

Additional EU initiatives include several programmes and funding sources. The Employment and Social Innovation programme (EaSI) supports further EU actions in the area of employment. It currently brings together three programmes: PROGRESS (modernisation of employment and social policies), EURES (job mobility) and Microfinance and Social Entrepreneurship axis (formerly Progress Microfinance programme). The total budget for 2014-2020 is €919 469 000.[33]

The Youth Employment Initiative (YEI), a programme dedicated to youth unemployment, launched in April 2013 to help bring down the alarming post-crisis level of youth unemployment.[34] The programme started running in January 2014 with a budget of €6.4 billion for 2014-2020 (€3.2 billion from a dedicated youth employment budget line and €3.2 billion more from the European Social Fund). The YEI is part of the Youth Guarantee scheme, whereby the Member States shall ensure that young people under

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30 European Employment Strategy, European Commission, Directorate-General for Employment, Social Affairs and Inclusion.

31 Council Decision (EU) 2015/1848 on guidelines for the employment policies of the Member States for 2015, 5 October 2015.

32 Draft Joint Employment Report – frequently asked questions, European Commission, 28 November 2014.

33 EU Programme for Employment and Social Innovation, European Commission.

34 Communication Moving Youth into Employment, COM(2012)727, European Commission, Brussels, 5 December 2012.

25 find an apprenticeship, traineeship, job placement or further education leading to a qualification, within four months of leaving school or becoming unemployed. Thus, it targets the so-called NEETs, i.e. young people who are not in employment, education or training, and is available in regions where youth unemployment rates were over 25 % in 2012.

Additional funding is available under the European Globalisation Adjustment Fund, with a budget of €150 million for 2014-2020. The Fund supports people who have lost their jobs as a result of structural changes related to globalisation (such as offshoring or global crises). It finances projects related to career advice, retraining, mentoring, entrepreneurship and business creation.

European Investment and Structural Funds are another important source used to finance EU actions in the area of employment. These investments are discussed in chapter 2 of this paper.

1.4. Near-term priorities

According to the Annual Growth Survey 2016, the EU economy is in the process of moderate recovery.[35] The employment situation is likely to gradually improve in the future, thanks to projected GDP growth (2 % in 2016 and 2.1 % in 2017), among other reasons.[36] The main challenges remain to bring down the overall unemployment rate, counteract long-term unemployment, decrease youth unemployment, and raise labour market participation (employment rate), in particular for under-represented social groups.

In order to support a sustained recovery, the European Commission proposed three priorities for 2016 in its survey: re-launching investment, pursuing structural reforms and promoting responsible fiscal policies. All these priorities impact on employment. The investment component relates not only to improving the financial investment environment, but also moving from the traditional focus on infrastructure investments to intensifying investment in human capital (via education and training) and social investments (e.g. healthcare, childcare and housing support). The structural reforms proposed as a second priority focus on improving productivity and competitiveness, stimulating start-ups and facilitating job creation, notably in SMEs, through more integrated product and services markets, among others. The reforms also target labour market policies to balance flexibility and security, as well as addressing youth and long-term unemployment, in particular by boosting demand for jobs and improving skills matching. In terms of the third priority, i.e. more responsible fiscal policies, the Commission proposes continued growth – and equity-friendly fiscal consolidation, addressing disincentives to employment creation via adjustments to the tax system (e.g. shifting taxes away from labour) and modernising social security systems to improve their efficiency and sustainability.

The Joint Employment Report, which accompanies the Annual Growth Survey 2016, identifies in more detail the measures needed to boost employment.[37] It calls for a

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35 The annual growth surveys published every year by the European Commission present an overview of economic and social conditions at EU level, and outline the main aspects of EU economic policy actions over the coming year.

36 Annual Growth Survey 2016, European Commission, 2015.

37 Joint Employment Report from the Commission and the Council accompanying the Annual Growth Survey 2016, European Commission, 2016.

reduction in the tax wedge on labour, wage moderation in alignment with productivity, greater involvement of social partners in policy implementation and design (collective bargaining reforms and worker representation), improved care facilities and work-life balance arrangements (e.g. leave and flexible working time) for people with children and caring responsibilities, improved education and training systems, better skills matching with labour market needs, and increased labour mobility. An additional challenge in some countries is facilitating the integration of recently arrived refugees and asylum seekers into the labour market.

While many of these policy priorities and recommendations address challenges common to EU Member States, it is important to note the different impact of the crisis in individual countries and the (to date) uneven recovery. According to the 2015 report on Employment and Social Developments in Europe,[38] the Member States which proved the most resilient during the crisis were those with open labour markets and more equal societies, pursuing policies aimed at training, life-long learning and labour market activation. Countries with high labour market participation (high employment rates), e.g. in Scandinavia, proved particularly resilient, which can be attributed to the successful combination of social protection, investment in human capital, and labour market activation. Moreover, it has been shown that in Member States with high unemployment (e.g. Spain, Italy, Portugal), labour market spending concentrated on 'support', while in countries with lower unemployment rates, expenditure tended to focus on 'measures', or activation policies. The latter group is traditionally made up of Nordic countries, but recently central and eastern European countries are showing interest in pursuing Active Labour Market Policies (ALMP).[39]

While many of these general EU-level recommendations require national measures (such as changes to the tax system, modernisation of social protection, labour market reforms), others can be addressed by EU interventions and funding. EU employment-related actions target areas ranging from fostering entrepreneurship, removing barriers to investment, to developing skills and labour mobility. Cohesion policy, with its main aim of reducing economic and social disparities between Member States and regions, can play an important role in supporting upward convergence and making these measures a reality.

38 Employment and Social Developments in Europe 2015, European Commission, 2015.

39 EU Labour Market Policies: how active are we and how do we respond to unemployment? European Commission news article, 18 November 2015.

2. Cohesion policy and employment

2.1. Cohesion policy framework 2014-2020

Cohesion policy is a major EU investment policy, supporting the achievement of EU priorities and contributing to employment and growth. With an allocation of over €350 billion it amounts to over one third of the EU budget. The funding is channelled via three funds – the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund.[40] The main Treaty-based mission of cohesion policy is to reduce social, economic and territorial disparities among EU regions.[41] The policy also supports the delivery of the Europe 2020 strategy. In this context, two main goals of cohesion policy in the 2014-2020 programming period are: 'Investment for growth and jobs' and 'European territorial cooperation'.[42] The policy is also 'structural' in nature, which means that it has long-term consequences through supporting structural changes within the economy.

The cohesion policy framework is organised in seven year periods, consistent with the EU budget planning cycle.[43] For the 2014-2020 period, the regions eligible for funding are divided into three categories:

- less developed regions (GDP per capita below 75 % of EU average);
- transition regions (GDP per capita between 75 % and 90 % of EU average);
- more developed regions (GDP per capita more than 90 % of EU average).[44]

Funding from the ERDF and ESF is available to all regions in EU Member States, while only 15 countries[45] are eligible for the Cohesion Fund (see Figures 6 and 7). The category of region determines, for instance, the amount of EU co-financing that a region will receive (ranging from 50 to 85 %) and the required shares that have to be allocated to various areas (e.g. low-carbon economy and social inclusion).

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40 The ESF, ERDF and Cohesion Fund are formally part of cohesion policy. Together with the European Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF), they form the five European Structural and Investment Funds (ESI Funds) covered by the 2013 Common Provisions Regulation.

41 Article 174 of the Treaty on the Functioning of the European Union.

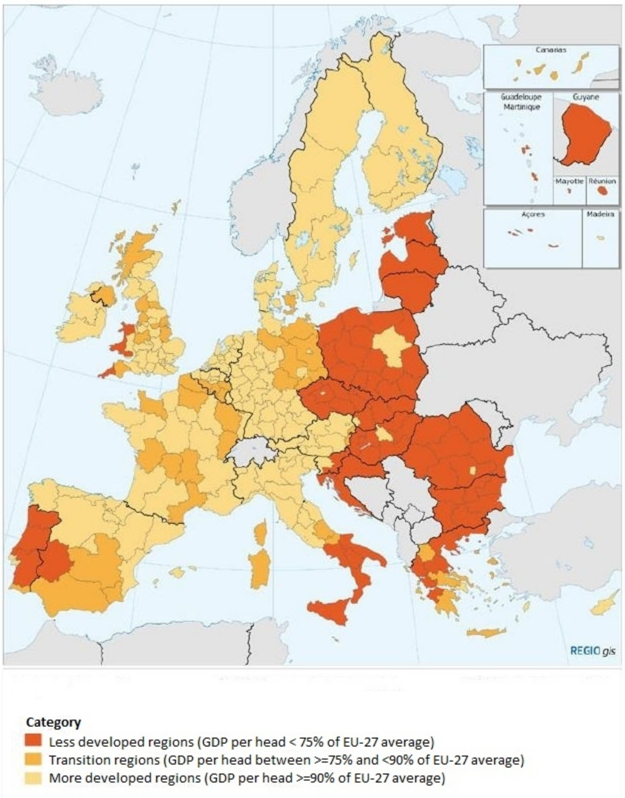
42 Article 89(1) of the Common Provisions Regulation, 2013. European territorial cooperation refers to cross-border, transnational and interregional cooperation (known as Interreg), supporting joint actions and policy exchange.

43 The Multiannual Financial Framework establishes EU budgetary planning for seven year periods. It lays down spending limits in various areas (e.g. cohesion policy) and guides the adoption of annual EU budgets.

44 Article 90 of the Common Provisions Regulation, 2013.

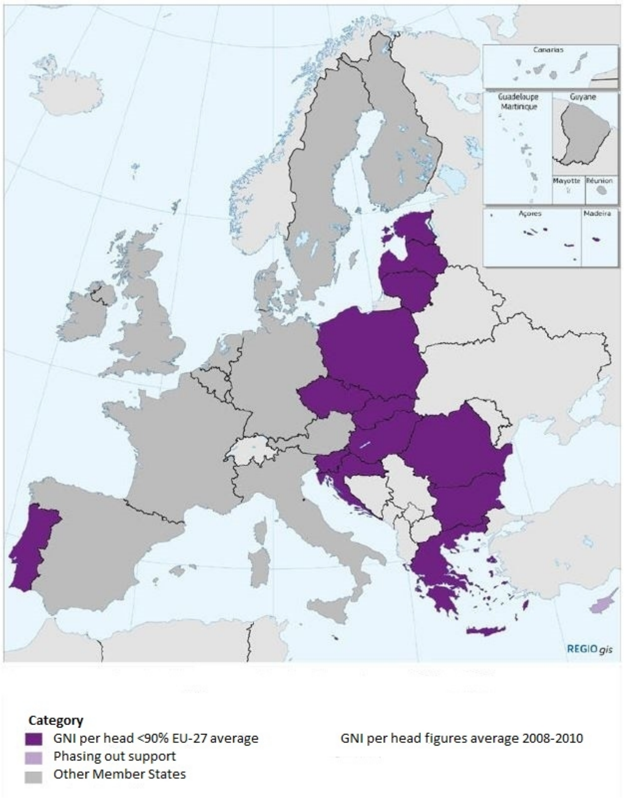
45 EU Member States with a Gross National Income (GNI) per inhabitant lower than 90 % of the EU average: Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia.

Figure 6 – Regions eligible for structural funds (ERDF and ESF) by category, 2014-2020



Data source: European Commission.

Figure 7 – Countries eligible for Cohesion Fund, 2014-2020



Data source: European Commission.

The legal framework for EU cohesion policy is based on the Common Provisions Regulation of 2013,[46] which lays down the general rules of funding allocation and specifies the objectives supported. In addition, separate regulations for every fund under cohesion policy (i.e. ESF, ERDF and Cohesion Fund) contain more detailed fund-specific rules regarding investment priorities, the management of funding and indicators measuring the results.[47]

The main strategic implementation documents at Member State level are Partnership Agreements and Operational Programmes. Their content is negotiated between the European Commission and the Member States. Social partners and civil society representatives are involved in this process and consulted both during the planning and implementation phase. While the funding amounts and implementation rules are established at EU level, the Member States have relative freedom to decide how they will spend EU funding. Partnership Agreements adopted in 2014 (one per Member State) outline how ESI Funds will be used over the period 2014-2020 to address national challenges and contribute to EU priorities. They present which thematic objectives and investment priorities have been selected for this purpose, along with the allocated amounts. The Operational Programmes describe the interventions in more detail, including the distribution of funds among various investment priorities, the concrete measures to be undertaken and the expected results. Operational programmes can be regional or thematic and range from several (Luxembourg) to a few dozen (Spain) per

46 Common Provisions Regulation, 2013.

47 ESF regulation, 2013; ERDF regulation, 2013 and Cohesion Fund regulation, 2013.

country. They are managed by national, regional and local authorities and implemented by means of individual projects.[48]

Cohesion policy is also linked to the EU economic governance framework, i.e. the annual cycle of EU economic policy coordination known as the European Semester. Since both the European Semester and cohesion policy support the delivery of the Europe 2020 strategy, they are closely interconnected. The European Semester serves to monitor the implementation of EU policy and funding measures, which is done via several crucial documents issued throughout the year. Each November, the European Commission publishes the Annual Growth Survey (AGS) – a strategic document presenting current economic challenges and outlining policy priorities for the coming year. In response, the Member States prepare National Reform Programmes showing how they intend to use both the EU funding (including structural funds) and national financing to address the EU priorities outlined in the AGS and to contribute to Europe 2020 goals. On this basis, the European Commission prepares Country-specific Recommendations tailored to each Member State.[49] The Partnership Agreements adopted in 2014 took into account the Country-specific Recommendations and National Reform Programmes in the choice of thematic objectives and investment priorities. In addition to addressing the issues identified in these strategic documents of the European Semester, the Partnership Agreements also explain how the chosen investment objectives contribute to the goals of the Europe 2020 strategy.

2.2. Thematic concentration

In the 2014-2020 period, cohesion policy is geared towards supporting a small number of investment goals.[50] Such 'thematic concentration' aims at better targeting funding towards the delivery of the Europe 2020 strategy. The so-called 11 'thematic objectives' (see box) are laid out in the 2013 Common Provisions Regulation for all ESI Funds, but in addition, each fund is governed by a separate regulation outlining the investment priorities for each thematic objective it covers in detail.

Thematic objectives of cohesion policy

1. Strengthening research, technological development and innovation;
2. Enhancing access to, and use and quality of, information and communication technologies;
3. Enhancing the competitiveness of SMEs;
4. Supporting the shift towards a low-carbon economy;
5. Promoting climate change adaptation, risk prevention and management;
6. Preserving and protecting the environment and promoting resource efficiency;

[48] European Commission, Inforegio, Cohesion policy: Frequently Asked Questions and European Structural and Investment Funds, European Commission.

[49] For a full description of the European Semester, with several additional stages see 'Making it happen: the European Semester', European Commission. See also: A. Stuchlik, European Semester: 'Revamping' and 2016 priorities, European Parliamentary Research Service, February 2016.

[50] Cohesion policy was reformed in 2013. The main new aspects included a clear link with Europe 2020 strategy and EU economic governance, coordinated use of five ESI Funds under a Common Strategic Framework, new classification of regions, improving efficiency by clear objective setting and result measurement, simplified procedures, as well as enhanced cross-border co-operation (see European Commission document (MEMO/13/1011) 'The Reform in 10 points' and presentation 'Investing in regions: The reformed EU Cohesion Policy 2014-2020').

7. Promoting sustainable transport and improving network infrastructures;

8. Promoting sustainable and quality employment and supporting labour mobility;

9. Promoting social inclusion, combating poverty and any discrimination;

10. Investing in education, training and lifelong learning;

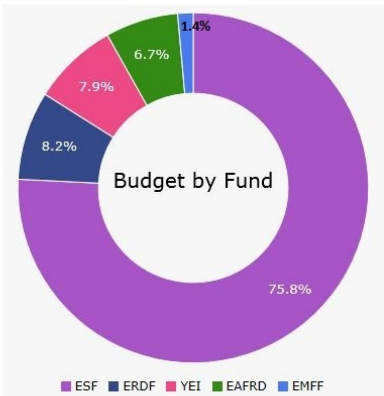
11. Improving the efficiency of public administration.[51]

One of the objectives is directly linked to employment – Thematic Objective 8 (TO 8) 'Promoting sustainable and quality employment and supporting labour mobility'. Other objectives, however, may be seen as closely related to employment support. In particular TO 10: 'Investing in education, training and lifelong learning' fosters upgrading upgrade skills, gaining qualifications and increasing the labour market relevance of education and training systems, including vocational training. TO 3: 'Enhancing competitiveness of SMEs', may also have direct impact on jobs, as SMEs account for about 85 % of new jobs created.[52] In addition, TO 9: 'Promoting social inclusion, combating poverty and any discrimination', puts a particular focus on active inclusion through improving employability of disadvantaged groups.[53] Other goals, such as supporting research and innovation, improving infrastructure and enhancing ICT can also contribute to the creation of new jobs in the sectors concerned.

2.3. Funding

Thematic Objective 8 – Employment and labour mobility – is mainly supported by the European Social Fund (75.8 % of total EU funding; see Figure 8). Additional funding for this goal is available from the European Regional Development Fund (8.2 %). The third cohesion policy fund – the Cohesion Fund – does not have allocations dedicated to employment support, as it only targets investments in environmental and transport infrastructure. However, it is to be expected that Cohesion Fund investments will have indirect spillover effects on employment, as its infrastructural projects lead to the creation of temporary (construction, project management) and permanent jobs (operations and maintenance). Moreover, funding in support of the employment objective is also available from the remaining two ESI Funds which are not formally part of cohesion policy – the European Agricultural Fund for Rural Development and European Maritime and Fisheries Fund – as the thematic objectives are common to all ESI Funds. In addition, the Youth Employment Initiative provides additional funding for the employment objective, with a particular focus on fighting youth unemployment.

Figure 8 – EU financing for Thematic Objective 8 (Sustainable and Quality Employment)



Data source: European Commission.

In every cohesion policy fund, the fund-specific regulations establish minimum shares to be allocated to certain thematic objectives for various categories of regions. In addition,

51 Article 9 of the Common Provisions Regulation, 2013.

52 Entrepreneurship and SMEs, European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs (DG GROW).

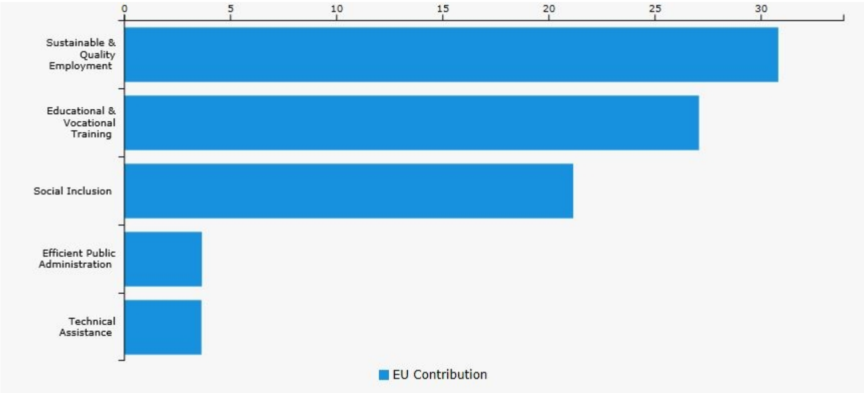
53 C. Van Lierop, Harnessing cohesion policy to tackle social exclusion: Opportunities and limitations, European Parliamentary Research Service, May 2016.

each fund has its own investment priorities. This ensures that the funding is targeted at the overall EU goals, especially the Europe 2020 strategy.

2.3.1. European Social Fund

The European Social Fund is the main cohesion policy instrument focusing on employment. It supports investing in people through boosting employability, skills, education and entrepreneurship. The total ESF budget for 2014-2020 is €86 412 346 357.[54] Out of this amount, over €30 billion is dedicated specifically to supporting the thematic objective of sustainable and quality employment (see Figure 9).

Figure 9 – ESF budget (2014-2020) by theme, € billion



Data source: European Commission.

The European Social Fund prioritises four thematic objectives, although it may also support other objectives: [55]

- TO 8: Promoting sustainable and quality employment and supporting labour mobility;
- TO 9: Promoting social inclusion, combating poverty and any discrimination;
- TO 10: Investing in education, training, and vocational training for skills and life-long learning;
- TO 11: Enhancing institutional capacity of public authorities and stakeholders and efficient public administration.

Within each of the four main objectives, the ESF regulation sets out a number of investment priorities. In the case of Thematic Objective 8, these include a wide range of actions supporting employment (see box).

Thematic Objective 8 – Employment and labour mobility (ESF regulation)

Article 3 of ESF Regulation No 1304/2013: Scope of support

(a) Promoting employment and supporting labour mobility through:

(i) access to employment for job-seekers and inactive people, including local employment initiatives and support for labour mobility;

(ii) sustainable integration of young people not in employment, education or training into the labour market;

(iii) self-employment, entrepreneurship and business creation;

(iv) equality between men and women and reconciliation between work and private life;

54 Source: European Commission, Cohesion Data portal, European Social Fund.

55 Art. 3 ESF Regulation, 2013.

(v) adaptation of workers, enterprises and entrepreneurs to change;

(vi) active and healthy ageing;

(vii) modernisation and strengthening of labour market institutions, including actions to enhance transnational labour mobility.[56]

Obligatory funding allocations must target up to five investment priorities within the four prioritised Thematic Objectives, with varying amounts for each category of region (80 % for more developed regions, 70 % for transition regions and 60 % for less developed regions). Moreover, 20 % of allocations in case of all regions have to be dedicated to TO 9.[57] This enforced thematic concentration ensures that the focus of the ESF remains on investments in human capital, particularly on employment, social inclusion, education and training, as well as administrative capacity-building. Although ESF actions provide support to all, they place a special emphasis on disadvantaged groups, such as the (long-term) unemployed and inactive, people with disabilities, ethnic minorities, migrants, marginalised communities, women, young people and older workers, as well as people at risk of poverty and social exclusion. The actions geared towards improving the employment prospects of workers include improving their skills and promoting entrepreneurship and self-employment. Specific ESF projects can go beyond individuals and target employment and education services: contributing to active labour market policies; improving access to the labour market; and facilitating labour mobility; as well as improving childcare facilities and supporting flexible working arrangements (allowing work and private life reconciliation), thus helping to bring about employment-conducive structures.[58]

The expected results for the 2014-2020 period (i.e. the targets set for the ESF) are as follows:[59]

Unemployed participants supported:	10 031 408
Economically inactive participants supported:	2 567 881
Participants below 25 supported:	4 090 229
Disadvantaged participants supported:	2 481 890
SMEs supported:	396 499
Participants in education/training:	400 600
Participants gaining a qualification:	2 920 602
Employed participants upon leaving:	2 276 021

2.3.2. European Regional Development Fund

The ERDF supports various aspects of regional development in order to reduce social and economic disparities between regions and support the growth and jobs goal, with particular attention paid to the least favoured regions.[60] The fund's total budget for

[56] Draft thematic guidance fiche for desk officers Thematic Objective 8: employment and labour mobility version 2, 27 January 2014.

[57] Articles 4(2) and 4(3) ESF Regulation, 2013.

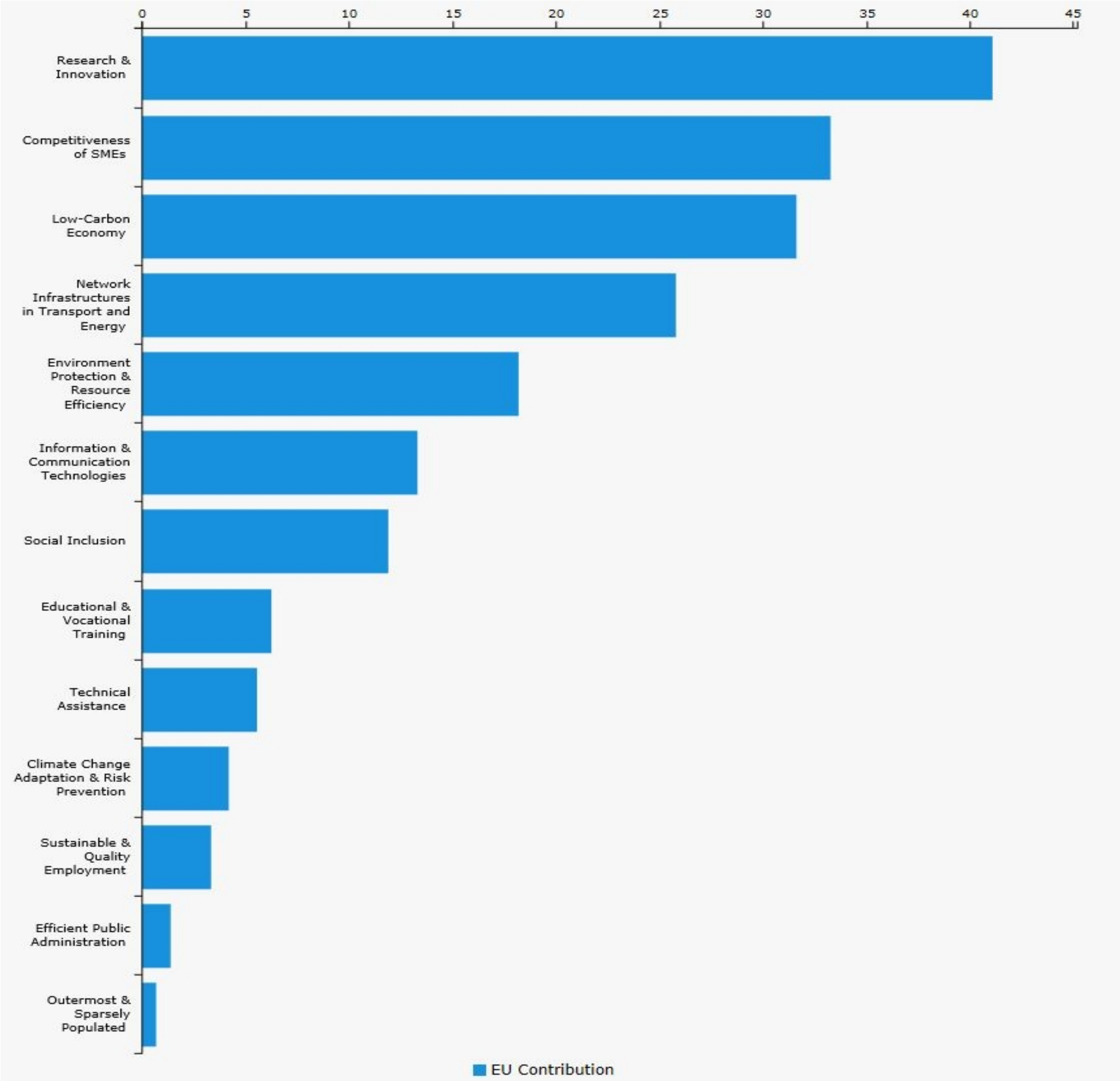
[58] Communication on Investing in jobs and growth - maximising the contribution of European Structural and Investment Funds, COM(2015) 639 final, European Commission, Brussels, 14 December 2015.

[59] Source: European Commission, Cohesion Data portal, European Social Fund.

[60] ERDF Regulation, 2013.

2014-2020 amounts to €196 580 820 589. Within this budget, the allocation to the Sustainable and Quality Employment Objective is €3 331 565 063.[61]

Figure 10 – ERDF budget (2014-2020) by theme, € billion



Data source: European Commission.

The four key priority areas of intervention correspond to the thematic objectives 1-4:

- TO1: Strengthening research, technological development and innovation;
- TO2: Enhancing access to, and use and quality of, information and communication technologies;
- TO3: Enhancing the competitiveness of SMEs;
- TO4: Supporting the shift towards a low-carbon economy.

As in the case of the European Social Fund, this thematic focus means that obligatory allocations are reserved for these priority areas in different categories of regions. In the less developed regions, 80 % of the funding must go to two or more of these TOs, with, correspondingly, 60 % in transition regions and 50 % in less developed regions.[62] This

[61] Source: European Commission, Cohesion Data portal, European Regional Development Fund.

[62] In case of TO 4 (low-carbon economy) the obligatory percentage is fixed at 20, 15 and 12 % in more developed, transition, and less developed regions respectively. Moreover, at least 5 % of the ERDF

means that the remaining part may be dedicated to other TOs, including the employment objective (TO 8). Moreover, the provisions allow even more resources to be freed-up for allocation to other goals than these limits would suggest. For instance, the obligatory percentages for the total of TO1-4 allocations may be even lower if such a decrease is compensated by an increase in the share allocated to other categories of regions. In the 15 countries eligible for the Cohesion Fund, resources allocated to the low-carbon economy may also be counted towards the minimum share of the ERDF required for this area under TO4, which frees up additional resources for other Thematic Objectives, including employment.

The specific employment-related actions are laid down in the ERDF regulation under scope of support and specific investment priorities (see box).

Thematic Objective 8 – Employment and labour mobility (ERDF regulation)

Article 3: Scope of support (selected provisions)

(a) productive investment which contributes to creating and safeguarding sustainable jobs, through direct aid for investment in SMEs;

(d) Investment in social, health, research, innovation, business and educational infrastructure;

(e) Investment in the development of endogenous potential through fixed investment in equipment and small-scale infrastructure, including small-scale cultural and sustainable tourism infrastructure, services to enterprises, support to research and innovation bodies and investment in technology and applied research in enterprises.

Article 5: Investment priorities

(8) Promoting employment and supporting labour mobility through:

(a) Supporting the development of business incubators and investment support for self-employment, micro-enterprises and business creation;

(b) Supporting employment friendly growth through the development of endogenous potential as part of a territorial strategy for specific areas, including the conversion of declining industrial regions and enhancement of accessibility to and development of specific natural and cultural resources;

(c) Supporting local development initiatives and aid for structures providing neighbourhood services to create jobs;

(d) Investing in infrastructure for employment services;

(10) investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure.[63]

According to Commission estimates, in the 2014-2020 period, the ERDF is expected to create the following results in the area of employment:

- contribute to creating 423 114 new jobs (measured as full-time equivalents),
- support 1 101 114 enterprises, including 153 949 start-ups,
- finance 237 490 participations in cross-border mobility initiatives,
- support 50 147 participants in joint local employment initiatives and joint training,

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resources allocated at national level under the Investment for growth and jobs goal must be earmarked for integrated actions for sustainable urban development (art. 4(1) and 7(4) of the ERDF regulation).

[63] Draft thematic guidance fiche for desk officers Thematic Objective 8: employment and labour mobility version 2, 27 January 2014.

- support 49 981 participants in youth actions.[64]

These actions show that the ERDF supports employment mainly through actions targeting SMEs (in practice through grants, business services, loans, guarantees or equity stakes). This is in line with the EU priorities in this area, supported by the fact that these enterprises are considered an engine for economic growth and account for over one third of new jobs created in the EU.[65] Moreover, employment-related funding focuses on SMEs, business environment and various types of infrastructure, such as employment services, education and community. Some ERDF actions are likely to have immediate employment effects, by promoting entrepreneurship and innovation, fostering the creation of new companies and growth of SMEs, and supporting business incubators. Other actions are targeted at areas which enhance regional competitiveness, and which may have indirect employment effects, such as securing broadband access, improving transport networks, environmental actions and RTD/investments in low-carbon technologies, and energy efficiency projects, as well as sustainable and multimodal transport.

2.3.3. Other funds supporting the employment objective

The Youth Employment Initiative (YEI) provides support for labour market integration of young people who are not in employment, education or training (NEETs).[66] Specific measures include ensuring traineeships and apprenticeships, job placements and further education leading to a qualification. The YEI is programmed together with the European Social Fund.[67] The YEI budget for 2014-2020 amounts to €6.4 billion (€3.2 billion from a dedicated Youth Employment budget line and €3.2 billion from the ESF). The expected number of participants to complete YEI interventions is 3 072 652.[68]

Two other funds which are not formally part of cohesion policy also support Thematic Objective 8 (employment) established for all ESI Funds. The European Agricultural Fund for Rural Development (EAFRD) has an overall budget for 2014-2020 of over €98.7 billion, with over €2.7 billion dedicated to supporting sustainable and quality employment, the main actions being targeted at the agriculture and forestry sectors, as well as rural areas. The fund facilitates the creation of small enterprises, fosters life-long learning and vocational training, supports knowledge transfer and offers advisory services, including for seeking employment outside agriculture. The expected results include training for over 3.8 million participants and support for over 175 407 young farm holders.[69]

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64 Source: European Commission, Cohesion Data portal, European Regional Development Fund.

65 EU cohesion policy contributing to employment and growth in Europe, Joint paper from DG REGIO and DG EMPL, European Commission, 2013.

66 In the years 2014-2015, eligible regions are those where youth (15-24) unemployment rates were more than 25 % in 2012 (more than 20 % in the case of Member States where the youth unemployment rate increased by over 30 % in 2012).

67 See provisions on the European Youth Initiative in art. 16-23 and Annex II of the ESF Regulation, 2013.

68 European Commission, Cohesion Data portal, Youth Employment Initiative.

69 European Commission, Cohesion data portal, European Agricultural Fund for Rural Development and EARDF regulation, 2013.

Another ESI Fund – the European Maritime and Fisheries Fund (EMFF) – has a budget of over €5.7 billion, with over €580 million dedicated to employment. It supports job creation in fisheries and aquaculture, provides training and fosters enterprise competitiveness, including diversification of activities. Its expected results in the period 2014-2020 are 4 083 new jobs and 35 910 jobs maintained in the fisheries sector, as well as 1 546 new jobs and 22 462 jobs maintained in the aquaculture sector. Under community-led local development projects (CLLD), the expected results include 828 new firms, 4 624 new jobs and 26 550 jobs maintained.[70]

2.4. Measures in Partnership Agreements and Operational Programmes

Partnership Agreements and Operational Programmes are the main strategic documents for implementing cohesion policy on the ground.[71] Member States outline their choice of thematic objectives and investment priorities along with the spending allocations in the Partnership Agreements, while the Operational Programmes present more detailed information on the concrete measures and expected results.

The Review of adopted Partnership Agreements observes that most Member States have chosen to channel funding to all the thematic objectives, despite the possibility to focus only on some.[72] However, more explicit concentration was observed within the individual funds, with the ERDF supporting a wide range of thematic objectives, the Cohesion Fund mainly used to support TOs 4 to 7 and the ESF focusing on TOs 8 to 11. The allocation of funding to Thematic Objective 8 (Employment) within the funds in all Partnership Agreements combined was 37.39 % in the case of the ESF and 2 % of ERDF (no allocation to TO 8 in the case of the Cohesion Fund).[73] Moreover, 60.54 % of ESF and YEI funding is concentrated on five ESF priorities: active inclusion (9i), sustainable integration of young people (8ii), access to employment (8i), early school leaving (10i) and life-long learning (10iii).

The employment objective in terms of percentage of all funding allocated in the Member States was only the sixth largest allocation with 8.8 % of overall funding (see Figure 11), after areas such as environment, transport, SMEs and social inclusion.

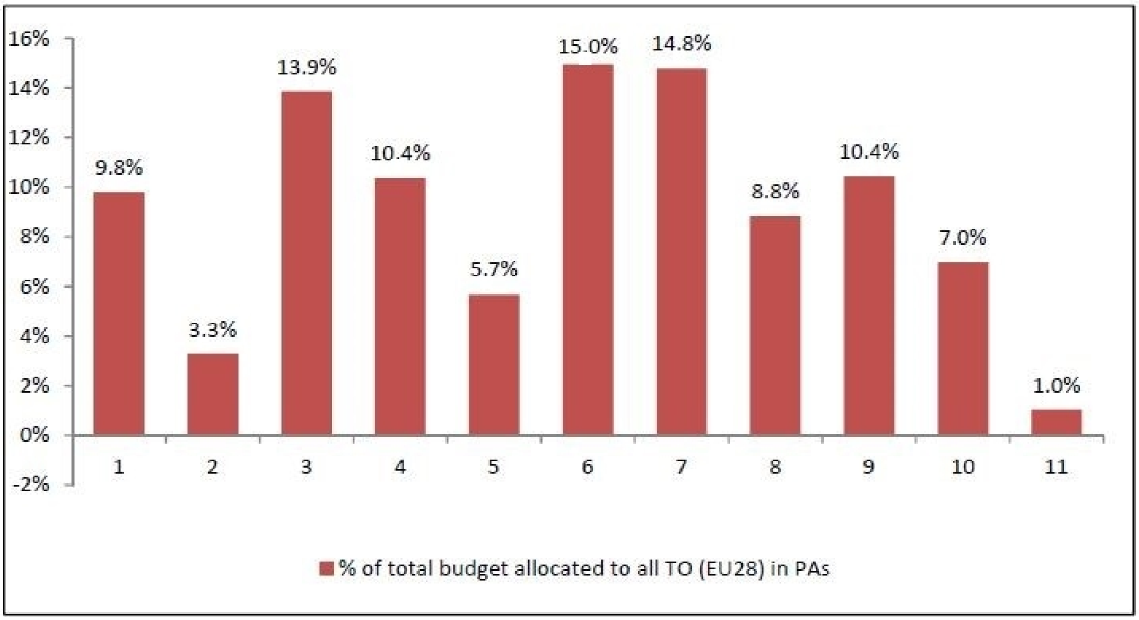
[70] European Commission, Cohesion Data portal, European Maritime and Fisheries Fund and EMFF regulation, 2013. Job numbers refer to full-time equivalents (FTE), which means that effectively there may be more jobs created if some of them are part-time.

[71] See the list of Partnership Agreements (with summaries in English) and summaries of Operational Programmes financed by the ERDF and Cohesion Fund and ESF, European Commission.

[72] Review of the Adopted Partnership Agreements, Directorate-General for Internal Policies, European Parliament, 2015.

[73] Non-paper on the Effectiveness and Added Value of Cohesion Policy, European Commission, 2015.

Figure 11 – Distribution of allocations to Thematic Objectives in Partnership Agreements



Data source: Review of the adopted Partnership Agreements, EP, 2015.

The Member States with the highest relative (i.e. percentage) budget share allocated to the employment goal were: Belgium, Cyprus, Hungary, Greece, Spain and Sweden. In absolute (monetary) terms the highest allocations will go to Poland, Spain, Hungary, Germany, Romania and France. As far as specific measures undertaken by the Member States to support employment are concerned, several recurring trends are mentioned in the majority of Partnership Agreements. One of the most frequently identified issues is human capital development, in particular improving employability via enhancing skills and educational qualifications. Some Member States (e.g. Belgium) additionally focus on facilitating school-to-work transition for young people, improving labour productivity (Spain, Estonia) and supporting human resources development in specific sectors such as tourism (Greece and Cyprus) and high value-added sectors (Bulgaria). Improving the quality of the education and training systems is also often emphasised in this context. Facilitating labour market integration and improving labour market participation is another major theme, with a particular focus on disadvantaged groups such as the young and long-term unemployed, but also the elderly (Estonia, Netherlands, Austria, Bulgaria, Malta, Romania); women (Germany, Ireland, Croatia, Italy, Malta); and marginalised communities such as the Roma (Bulgaria, Romania, Slovakia). Ensuring better matching of skills with labour market needs is also mentioned in most Partnership Agreements, while provisions regarding improving the quality of employment services tend to cluster in Central and Eastern Europe (Bulgaria, the Czech Republic, Estonia, Croatia, Lithuania and Poland). Labour mobility is considered one of the top priorities in Sweden and Ireland. Several Member States have a strong focus on improving childcare facilities (the Czech Republic, Estonia, Hungary), while others aim to boost job creation in enterprises and through entrepreneurship (Sweden, Germany, Ireland, Croatia, Poland).[74]

Some Member States have separate Operational Programmes (OP) dedicated solely to Employment, e.g. the Czech Republic (OP Employment) and Italy (OP Active policies for employment). Others support employment combined with associated areas. Examples

[74] Own analysis based on the summaries of Partnership Agreements. It is important to note that the highlighted Member States put a particular focus on some aspects of supporting employment, but they often also, to a lesser extent, implement most of the other actions.

include education and training in Spain (OP Employment, Training and Education) and Greece (OP Human Resources Development – education and life-long learning and social inclusion in France (OP Employment and Inclusion), Luxembourg (OP Employment and Inclusion) and Portugal (OP Social Inclusion and Employment). Several countries have a separate operational programme dedicated to human resources development: Croatia (OP Efficient Human Resources), Hungary (OP Human Resources Development), Malta (Investing in Human Capital), Portugal (OP Human Capital), Romania (OP Human Capital), Slovakia (OP Human Resources) and Bulgaria (OP Human Resources Development). Occasionally, Member States combine several elements under one more comprehensive Operational Programme, e.g. OP 'Employment, Human Resources and Social Cohesion' in Cyprus and OP 'Employability, Inclusion and Learning' in Ireland.[75]

Examples of concrete allocations within Operational Programmes include €1.1 billion in Belgium dedicated to developing human capital and improving labour market participation, in particular by improving education at all levels and focusing on the most vulnerable groups in society (the young and long-term unemployed) to find work. The expected result is to enable around 460 000 people to find a job, start their own business, go back into education or follow training. In the Czech Republic almost €1.4 billion will be dedicated to promoting sustainable and quality employment and supporting labour mobility, with a particular focus on disadvantaged groups, such as the low-skilled, older and young people (support for 585 000 people, 230 000 of whom are expected to gain a new qualification). Denmark will invest €270 million in increasing the employability of people on the margins of the labour market, via participation in vocational training and higher education. Concrete results include around 5 500 new jobs created and improved employability for 52 000 people. In Hungary €3.3 billion will be used to strengthen the labour market, enabling at least 150 000 disadvantaged jobseekers to benefit from active labour market policy measures. Another 150 000 young people not in education, employment or training will be offered personalised services from the employment offices. Moreover, 18 000 new nursery places will provide improved quality of and access to childcare.[76] These concrete measures show alignment with the overall goals indicated in the Partnership Agreements. The overview also shows a certain overlap between countries, with a variety of measures undertaken under the overarching themes of increasing employability, improving labour market participation and creating new employment. Many countries also display a strong focus on disadvantaged groups.

2.5. European Parliament

The European Parliament played a key role in shaping the 2014-2020 cohesion policy framework in its role as co-legislator with the Council.[77] It managed to ensure that the Treaty-based goal of reducing regional disparities remains the core mission of cohesion policy, while also supporting Europe 2020 goals. During the negotiations on the cohesion policy package, as regards employment, Parliament was successful in adding 'quality employment' to the thematic objectives. Moreover, it managed to ensure that the

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[75] See lists of OPs in the Partnership Agreements and summaries of Operational Programmes.

[76] For details on other Member States see 'Annex II: Country fiches' in: Communication 'Investing in jobs and growth – maximising the contribution of European Structural and Investment Funds', COM(2015) 639 final, European Commission Brussels, 14 December 2015, and summaries of Operational Programmes under ERDF and Cohesion Funds, and ESF.

[77] Since the Treaty of Lisbon (2009) the European Parliament is a fully fledged co-legislator with the Council in the area of economic, social and territorial cohesion (under the ordinary legislative procedure).

minimum share of the European Social Fund, in total combined resources for the structural funds, is no less than 23.1 %, to ensure sufficient investment for employment, education and social inclusion.[78] In the context of linking cohesion policy with the European Semester, Parliament achieved a compromise to include a reference confirming the relevance of National Reform Programmes, alongside Country-specific Recommendations for the assessment of Partnership Agreements. The Parliament considered these to be more long-term strategic planning documents than CSRs, allowing for optimal alignment of cohesion policy funding with national challenges.

In its resolution of September 2015 on 'Investment for jobs and growth: promoting economic, social and territorial cohesion in the Union',[79] Parliament emphasised the role of SMEs in job creation and the potential of business initiatives for generating sustainable employment. It also recommended that the top focus remain on the integration of young people in the job market, with additional consideration for disadvantaged groups and ensuring gender equality. It highlighted the importance of investment in adapting workers' skills, increasing employability and facilitating cross-border mobility. It also called for effective cooperation between educational institutions and the labour market, and pointed out the possibilities offered by the Digital Agenda in creating quality jobs with the use of new technologies.

The European Parliament's October 2015 resolution on cohesion policy and the review of the Europe 2020 strategy[80] reiterated the links between cohesion policy and the strategy, pointing to the potential of cohesion policy to contribute to the employment goal. In a 2015 resolution on the European Structural and Investment Funds and sound economic governance, Parliament emphasised the role of cohesion policy in times of fiscal constraint and the significant share of EU funding in public investment in the Member States most affected by the crisis.[81]

In its more recent resolution of February 2016 on 'European Semester for economic policy coordination: Employment and Social Aspects in the Annual Growth Survey 2016',[82] Parliament called for 'an adequate focus on employment' in the context of the European Semester and structural reforms, pleaded for better use of European funds to foster employment, and welcomed Commission efforts to boost jobs by re-launching business investment.

2.6. Stakeholders' opinions

The European Trade Union Confederation (ETUC) highlighted the role of the European Social Fund as the key EU budget instrument in implementing the Europe 2020 strategy in the field of employment and focusing on direct investment in 'people and their

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78 European Union Cohesion Policy 2014-2020. A comprehensive presentation of the legislative package and the role of the European Parliament, Directorate-General for Internal Policies, European Parliament, 2014.

79 European Parliament resolution of 9 September 2015 on investment for jobs and growth: promoting economic, social and territorial cohesion in the Union.

80 European Parliament resolution of 28 October 2015 on cohesion policy and the review of the Europe 2020 strategy.

81 European Parliament resolution of 28 October 2015 on the European Structural and Investment Funds and sound economic governance: guidelines for the implementation of Article 23 of the Common Provisions Regulation.

82 European Parliament resolution of 25 February 2016 on the European Semester for economic policy coordination: Employment and Social Aspects in the Annual Growth Survey 2016.

competences and opportunities'.[83] ETUC also insisted on allocating at least 2 % of ESF resources to activities undertaken by social partners, as their involvement in programming, implementing and monitoring of ESI Funds via Partnership Agreements and Operational Programmes is important. ETUC also identified particular areas of expertise where trade unions can make the highest contribution – 'promoting gender equality, training and retraining of workers and strengthening institutional capacity', among others. It also called for strengthening of the role of social partners in the structured dialogues.

Moreover, ETUC highlighted the need for cohesion policy not only to focus on regional disparities but to promote 'a society enjoying full employment, equal opportunities, social integration', offering European citizens 'opportunities for quality and stable jobs in line with the skills they have acquired'.[84] It also pointed out the ESF role in supporting the implementation of the European Employment Strategy as well as alleviating the effects of the crisis on the most disadvantaged regions and citizens. It also highlighted the role of reintegration into the labour market, adapting qualifications and labour mobility.

BusinessEurope, representing national business federations, stated that the 'structural funds should focus on priority areas with a clear impact on growth and jobs, and be subject to a results-oriented approach, with independent evaluations and effective monitoring'.[85] BusinessEurope also emphasised that, in order to maximise the impact of cohesion policy on local development and job creation, investments should be targeted at companies not based on their size, but on the quality and expected economic impact and absorption capacities. It therefore pleaded for recognition of the role of both SMEs and large enterprises in supporting economic development in regions, especially SMEs which often collaborate with large companies as part of the value chain. BusinessEurope also supported a reduced number of priorities and a strong emphasis on human capital. In particular, it identified the key drivers in this area as 'innovation, business start-up, apprenticeship and long-term employment, transport and infrastructures.' In order to boost employment, it proposed increasing structural funds support for entrepreneurship and business development.

The European Committee of the Regions, representing local and regional authorities at EU level, in its 2015 opinion on the outcome of the negotiations on the partnership agreements and operational programmes,[86] made several proposals on maximising the effectiveness, efficiency and impact of ESI Funds. It welcomed the alignment with the Europe 2020 strategy and the European Semester, but called for more synergy between the funds and with the Investment Plan for Europe. It also proposed a more uniform methodology for drawing up the Partnership Agreements to allow for better comparison. Moreover, it identified further scope for simplification of procedures, more focus on long-term results and strengthening the partnership with local and regional authorities.

The European Economic and Social Committee (EESC), representing civil society organisations at EU level, in its 2012 position paper on cohesion policy, expressed

[83] European Structural and Investment Funds 2014-2020: Trade Union Guide, ETUC 2014.

[84] The proposed EU Multiannual Financial Framework and Cohesion Policy 2014-2020: ETUC position and call for consultation, ETUC, 2011.

[85] Business views on the future of cohesion policy, BusinessEurope, 2012.

[86] Opinion of the European Committee of the Regions, Outcome of the negotiations on the partnership agreements and operational programmes, Official Journal C 313, 22 September 2015, p. 31–39.

concern about the growing regional disparities and identified reducing unemployment as a policy priority.[87] It also pointed out the continuing administrative burdens and insufficient partnership with civil society. In its 2015 opinion on the sixth cohesion report,[88] the EESC advised better focus on current challenges, channelling investment to areas crucial for growth and jobs in a given region, better training for public officials implementing the funds, considering the use of qualitative indicators, cutting red tape and closer involvement by social partners.

2.7. Results of cohesion policy 2007-2013

Evaluation of the results of cohesion policy is subject to substantial delay. The ex-post evaluation of the 2007-2013 programming period of cohesion policy is still underway, as some funds could be used until the end of 2015 and additional time is needed to aggregate results from all projects and Member States. First comprehensive ex-post evaluations are expected in July 2016. Preliminary estimates based on partial reports show that in 2007-2014 at EU level, 940 000 new jobs were created, including over 323 000 jobs in SMEs, and 41 600 new long-term research jobs.[89] Moreover, 15 million people per year took part in projects co-financed by the ESF and 2.4 million participants in ESF actions targeting access to employment found a job within six months.[90] ESF actions targeted mainly disadvantaged groups on the labour market. Among all participants, two thirds were inactive or unemployed, over half were women, and young people (below 25) accounted for about 30 % of participants, while over 40 % participants had, at most, lower secondary education.[91] In addition, up to 2012, over 497 000 people attained new qualifications and nearly 42 000 people moved into self-employment.[92] ESF support was also an important tool in supporting active labour market policies (ALMP) during times of crisis, exceeding national funding in this area by 50 % in several EU-12 Member States.[93]

According to the European Commission,[94] these early results show that cohesion policy helped cushion the effects of the crisis and that this had positive and significant, counter-cyclical, direct job-creation effects. Initial analysis of national reports[95] shows that cohesion funding, in particular the ESF, played a key role in preserving employment and containing unemployment, especially youth unemployment, supported modernisation of education systems, and strengthened the labour market through reforms.

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87 Position paper on cohesion policy, European Economic and Social Committee, 2012.

88 Opinion of the European Economic and Social Committee on the 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Sixth report on economic, social and territorial cohesion: investment for jobs and growth' COM(2014) 473 final, Official Journal C 242, 23 July 2015, p. 43–47.

89 Key achievements of regional policy, European Commission, last updated on 11 April 2016.

90 Data for 2007-2010.

91 EU cohesion policy contributing to employment and growth in Europe, Joint paper from DG REGIO and DG EMPL, European Commission, 2013. Cohesion policy: Strategic report 2013, European Commission, 2013. Factsheet: Labour market, European Commission, 2013.

92 Latest data are available in the 2013 European Commission Strategic report 2013 on programme implementation 2007-2013, and the Sixth Cohesion report, 2014.

93 EU cohesion policy contributing to employment and growth in Europe, Joint paper from DG REGIO and DG EMPL, European Commission, 2013.

94 Sixth Report on Economic, Social and Territorial Cohesion, European Commission, 2014.

95 Cohesion policy: Strategic report 2013 on programme implementation 2007-2013, European Commission, 2013.

3. Evaluation of employment effects

3.1. Importance of evaluation

Evaluating the impact of cohesion policy is an increasingly important challenge, as the policy is currently driven by the rules of efficiency and result-orientation. Cohesion policy interventions can contribute to employment in various ways. They can lead to direct job creation, but they can also support employment via education and training leading to higher qualifications and better employability; improved transport infrastructure allowing better access to currently remote workplaces; lower transport costs and reduced travel-to-work time; investments in childcare facilities to increase the labour market participation of parents; and enhanced public employment services which allow more efficient activation policies.

Measuring employment effects is important for monitoring progress towards the objectives, with growth and jobs being a major goal of cohesion policy. Evaluation provides detailed feedback, which allows management of and adjustments to the interventions. It also provides an account of the overall impact of policies and helps to judge the success of the interventions.[96]

It is, however, important to bear in mind that evaluations have their limitations, as they depend on the quality of the indicators and methods used, analytical skills of the evaluators, and the accuracy of ex-ante projections and ex-post measurement. In practice, often a combination of techniques is used and, in more comprehensive evaluations, quantitative measurements (e.g. number of jobs created) are supplemented by qualitative data on the sustainability of the new employment and long-term structural effects (e.g. labour market improvements).

3.2. Types of evaluation

Cohesion policy is subject to various types of evaluation, depending on the stage of implementation. There are three basic types of evaluation: ex-ante, during the programming period and ex-post. The ex-ante evaluation is carried out by Member States and regions in order to ensure good quality planning; assess the initial situation and verify whether targets are realistic. It includes an estimation of employment effects. During the programming period, evaluations are carried out for each operational programme and, at least once, to assess the contribution of ESI Funds' support to the objectives for each investment priority.[97] Ex-post evaluations are carried out by the European Commission, in cooperation with Member States, to assess the effectiveness of ESI Funds and their contribution to the funds' objectives and Europe 2020 goals. Data is gathered at national and regional level, and subsequently aggregated at EU level, to produce an overview of overall cohesion policy impact on the whole EU territory. The final results for the whole programming period are presented in a synthesis report prepared by the European Commission with the main conclusions of ex-post evaluations.

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[96] Evaluating the Contribution of the Structural Funds to Employment, MEANS handbook No 6, European Commission, 1996.

[97] These types of evaluation are referred to in Articles 54-57 of the Common Provisions Regulation. It is important to note that the monitoring process is described separately in art. 47-53. Monitoring includes progress reports on the implementation of partnership agreements (twice in the programming period, due in 2017 and 2019), and annual implementation reports presenting progress on operational programmes. These documents include information on distance to objectives and, when available, statistical data on indicators.

3.3. Methodology

Good evaluation methodology and clear result indicators are the basis of successful assessment of cohesion policy. In order to tackle this challenge, harmonised terminological conventions and techniques are needed. Since 2004, the European Commission's Directorate General for Regional Policy (DG REGIO) has been operating an online resource: Evalsed (Evaluating Socio-Economic Development),[98] to provide guidance on evaluating socio-economic aspects of cohesion policy and ensure a harmonised methodology. It presents the basic concepts used in cohesion policy evaluation (e.g. outputs, results and impacts), describes the indicators and evaluation methods, and details the monitoring and evaluation procedures. Evalsed is periodically revised, with its most recent update of 2013 containing several new methods and adjustments to the new programming period (e.g. theory-based and counterfactual impact evaluation, regression analysis and beneficiary surveys). In addition, the European Commission prepared a series of evaluation guidelines for the 2014-2020 period, tailored to the evaluation requirements for ESI Funds and specific areas, such as climate change and innovation.[99]

3.4. Indicators

Indicators are the main instrument of monitoring and evaluation. They define what is to be measured and help set the targets to be achieved. The European Commission guidance documents distinguish between common indicators and programme-specific indicators.[100] The 'common' indicators are listed in the annexes[101] to the regulations on every fund used to finance cohesion policy (ESF, ERDF and Cohesion Fund). They provide a required minimum set of indicators for each operational programme, reflecting the investment priorities and types of action supported. In addition, Member States may set other 'programme-specific' indicators, in line with project needs and goals.

The required common indicators fall into two categories: output indicators and result indicators.[102] These reflect the fundamental concepts of cohesion policy evaluation. Outputs tend to refer to what is being directly produced or supplied, typically measured in physical or monetary units. Examples include the number of enterprises which received a grant, kilometres of newly built roads, or the number of people who participated in training. Result indicators go beyond output indicators insofar as they refer to a positive change of situation. An example could be the number of participants who gained a qualification or found a job after participating in the programme. Further, result indicators can be immediate (upon leaving the programme) or long-term (i.e. capturing effects six months after a participant has left an action). In addition to the common indicators, every operational programme may contain programme-specific output and/or result indicators set by the Member States and managing authorities.

[98] The Evalsed online resource consists of a Guide and a Sourcebook. The Guide provides guidelines on evaluation design and implementation, while the Sourcebook describes methods and techniques.

[99] Guidance Documents for the 2014 – 2020 funding period, European Commission, last updated on 10 January 2015.

[100] European Commission, Inforegio, Evaluation guidance.

[101] Annex I to the ESF Regulation; Annex I to the ERDF regulation; Annex I to the Cohesion Fund Regulation.

[102] Output and result indicators are used only in the case of the ESF. In the cases of the ERDF and the Cohesion Fund, only output indicators are required.

The key issue in evaluating the employment effects of cohesion policy is quantification, i.e. expressing employment changes in numerical terms. The ESF regulation (Annex I)[103] specifies common output and results indicators in the areas supported by this fund. The unit of measurement is typically the number of participants (or projects) in ESF actions. When reporting, the numbers of participants have to be broken down by gender and classified into categories based on employment status (e.g. long-term unemployed, self-employed), age (e.g. below 25 or above 54 years of age), education level (primary, secondary, tertiary), household situation (e.g. jobless households, single parents) and belonging to disadvantaged groups (e.g. foreigners, minorities, participants with disabilities).

Table 1 – Output and result indicators (ESF)

Common output indicators for participants: — unemployed, including long-term unemployed, — long-term unemployed, — inactive, — inactive, not in education or training, — employed, including self-employed, — below 25 years of age, — above 54 years of age, — above 54 years of age who are unemployed, including long-term unemployed, or inactive not in education or training, — with primary (ISCED 1) or lower secondary education (ISCED 2), — with upper secondary (ISCED 3) or post-secondary education (ISCED 4), — with tertiary education (ISCED 5 to 8), — participants who live in jobless households, — participants who live in jobless households with dependent children, — participants who live in a single adult household with dependent children, — migrants, participants with a foreign background, minorities (including marginalised communities such as the Roma), — participants with disabilities, — other disadvantaged — homeless or affected by housing exclusion, — from rural areas.	**Common output indicators for entities:** — number of projects fully or partially implemented by social partners or non-governmental organisations, — number of projects dedicated at sustainable participation and progress of women in employment, — number of projects targeting public administrations or public services at national, regional or local level, — number of supported micro, small and medium-sized enterprises (including cooperative enterprises, enterprises of the social economy). **Common immediate result indicators for participants:** — inactive participants engaged in job searching upon leaving, — participants in education/training upon leaving, — participants gaining a qualification upon leaving, — participants in employment, including self-employment, upon leaving, — disadvantaged participants engaged in job searching, education/training, gaining a qualification, in employment, including self-employment, upon leaving. **Common longer-term result indicators for participants:** — participants in employment, including self-employment, six months after leaving, — participants with an improved labour market situation six months after leaving, — participants above 54 years of age in employment, including self-employment, six months after leaving, — disadvantaged participants in employment, including self-employment, six months after leaving.

Source: Annex I to the ESF Regulation.

[103] Annex I to Regulation No 1304/2013 on the European Social Fund.

The choice of indicators in the ESF Regulation suggests that measurements of effects focus on a combination of outputs (e.g. the number of participants and projects within an intervention) and results achieved (e.g. the number of participants with a job upon leaving the programme). The choice of categories shows that the ESF interventions target specific categories (e.g. the unemployed, younger and older workers), as well as disadvantaged groups (e.g. migrants, minorities, women). The indicators also reflect the nature of the ESF as a fund mainly supporting human capital investments, rather than job creation per se. The regulation does not require collection of data on how many jobs were created, the closest proxy is the number of participants leaving the ESF-supported projects in an improved labour market situation (i.e. a job, qualification etc.). Data on job creation, however, are often available at programme and project level, as expected employment creation is usually among project selection criteria.

Similarly to the European Social Fund, in its Annex I the ERDF Regulation specifies common output indicators under the investment for growth and jobs goal. Among them, three indicators can be considered directly employment-related (see Table 2).

Table 2 – Employment-related output indicators (ERDF)

Name of indicator	Unit
Employment increase in supported enterprises	full-time equivalents
Number of new researchers in supported entities	full-time equivalents
Number of researchers working in improved research infrastructure facilities	full-time equivalents

Data source: Annex I to the ERDF Regulation.

The fact that only 3 out of 40 indicators specified in the ERDF Regulation refer to employment reflects the orientation of the ERDF towards the Thematic Objectives 1-4 (R&D, ICT, SMEs and low-carbon economy). It is also noteworthy that while one of the employment-related indicators focuses on enterprises in general, the remaining two refer solely to research. Moreover, the measure of employment creation used is full-time equivalents (FTE). This means that any part-time jobs are aggregated together and calculated as an equivalent of one full-time job. This measure is useful for the purposes of statistical evaluation as it ensures comparability of results between regions and programmes. However, it has some limitations in that the FTE number on its own underestimates the extent of the labour market inclusion of new workers (the number would be higher if part-time workers were counted) and thus masks the possible progress towards reducing unemployment. Moreover, a part-time job might be the preferred solution of a job-seeker (especially in case of people with caring responsibilities). Part-time jobs can have additional benefits, both for the job-seeker and from the point of view of social policies, since in addition to providing income, they ensure work experience, as well as tax and social security contributions.[104]

Moreover, it can be argued that the gross jobs figure does not provide sufficient information on the nature and durability of the jobs (e.g. permanent vs. temporary, high and low quality). Neither does it take into account the lower survival rate of newly created companies in comparison with established companies, and job fluctuations depending on the stage a company is at (start-up, growth etc.).

[104] Evaluating the Contribution of the Structural Funds to Employment, MEANS Handbook No 6, European Commission, 1996.

A number of ERDF indicators and actions not directly aimed at job creation can also be interpreted as contributing to employment. These include a variety of support measures for enterprises (such as grants and non-financial support), which may translate into new jobs as the company grows. Other ERDF indicators can be seen as enhancing human-capital, for instance the capacity of supported childcare or education infrastructure, improved health services and improved living environment (rehabilitated urban areas and housing units, new transport infrastructure waste management and water supply). In some cases, the impact of an intervention expressed in non-employment terms (such as improved transport links, new tourist attractions or community regeneration) may still translate into employment effects in the form of new job opportunities. This also applies to Cohesion Fund measures, which are aimed primarily at improving environmental and transport infrastructure.

A comprehensive evaluation of employment effects from ESI Funds requires the full range of employment effects to be taken into account, as well as looking closely at the nature of the new jobs created. The number of newly created jobs alone does not illustrate the full impact. Jobs may be full-time or part-time, temporary or permanent, high or low quality. Moreover, some existing temporary jobs which would have been lost without the intervention may be converted into viable employment as a result of gaining new qualifications or boosting the economic viability of enterprises. Thus, in order to interpret aggregated figures on the number of jobs created by an intervention, it is important to have background information on the nature and sustainability of these jobs to assess the prospects for change in the longer term.

Moreover, employment effects can appear at various stages of the intervention, and as either a direct or indirect result:

- employment generated in the course of implementing an intervention (e.g. staff recruited in the areas of construction, administration and management);
- employment generated as a direct result of the intervention (e.g. jobs in new companies or in existing companies experiencing growth as a result of structural assistance, jobs created to run and maintain the new infrastructural facilities such as airports or railway connections);
- employment generated as an indirect result of the intervention (e.g. through improved transport infrastructure or new childcare facilities, enhanced tourist attractions drawing more visitors, improved efficiency of the local economy).[105]

In addition to these direct and indirect effects, an improved local economy, more intense economic activity generated by the new infrastructure, and increased competitiveness of companies, as well as more tourism, can boost demand due to the increased income of the population. The so-called 'income multiplier effects' may revive local sectors such as retail and housing construction, to meet the demands of the newly-employed. In addition, this improved situation may lead to spillover effects outside the programme area, for instance through increased demand for new suppliers.

While assessing cohesion policy impact, it is also important to remember that the attribution of an employment effect to an ESIF intervention is not always clear, due to other concomitant factors. In some cases, jobs may have been created anyway, due to an economic boom, or the job increase may have resulted from jobs displaced from the

[105] Evaluating the Contribution of the Structural Funds to Employment, MEANS Handbook No 6, European Commission, 1996.

surrounding regions. Labour market developments, such as economic and social policy measures, may also play a role. Moreover, some structural interventions may not lead to the creation of new jobs per se, but to a redistribution of jobs among social groups or regions, which may be the desired goal of the intervention achieved by setting specific eligibility conditions.

4. Outlook

The EU labour market is in a state of moderate post-crisis recovery. The most pressing concerns are continuing high overall unemployment, especially long-term and youth unemployment; as well as insufficient labour market participation, in particular of disadvantaged social groups. Moreover, disparities between Member States and regions in the area of employment remain prominent.

Cohesion policy offers a significant potential contribution to addressing these challenges. Supporting quality and sustainable employment is one of the priorities enshrined in the European Structural and Investment Funds regulations. In the strategic documents setting out the long-term spending plans for the funds – Partnership Agreements and Operational Programmes – all Member States have allocated funding to employment as a thematic priority. Specific actions target investment in human capital, in particular through education and training, as well as enhancing employability and entrepreneurship. Labour market participation is also fostered by improving health and childcare facilities, public employment services and transport infrastructure, allowing better and more affordable access to workplaces. In addition, the investments aimed at supporting enterprises and improving competitiveness can translate into positive employment effects, resulting from increased demand and revived economic activity.

Evaluating the impact of cohesion policy is increasingly important, as the policy is currently driven by the rules of efficiency and result-orientation. A variety of indicators are used to monitor progress, including the numbers of new jobs created, people trained and SMEs assisted. Data from individual projects and programmes are aggregated at EU level and available in the form of ex-post evaluations. This data collection process is crucial for assessing the impact of cohesion policy on employment and contribution to EU priorities in this area.

The impact of cohesion policy on employment and its contribution to EU priorities in this area are monitored through evaluation. Its role is increasingly important, as the policy is currently driven by the rules of efficiency and result-orientation. Data from individual projects and programmes (such as the number of new jobs created, people trained and SMEs assisted) are aggregated at EU level and made available in the form of interim and ex-post evaluations. While it is too early to evaluate the results of the 2014-2020 period, it can be expected that the targeted funding support and cohesion policy actions will make a significant contribution to addressing both the challenges on the labour market and achieving EU employment priorities in line with the European Semester and the Europe 2020 strategy.

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In these times of post economic and financial crisis the EU is faced with numerous employment challenges, such as high overall unemployment and insufficient labour market participation by disadvantaged groups. Cohesion policy offers significant investment resources to address these issues and contribute to EU-wide employment goals.

The EU regulations on the European Structural and Investment Funds, which form the legal basis of cohesion policy, lay down the rules for funding allocation and specify the priorities supported, including employment.

The strategic implementation documents prepared by the Member States – Partnership Agreements and Operational Programmes – describe concrete actions such as training, strengthening public employment services, and supporting entrepreneurship. Individual projects are then implemented on the ground.

The impact of cohesion policy is analysed by means of evaluations based on a set of common indicators and methods. These provide the basis for assessing the efficiency of interventions and progress towards the objectives.

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