

Rheinisch-Westfälisches Institut für Wirtschaftsforschung, Institut für Sozialökonomische Strukturanalysen and Gerd Ronning

Evaluation of the European Social Fund Interventions in Germany

Programming Period 2000–2006
OP of the Federal Government Objective 1

Update of the Mid Term Evaluation
Final Report – Executive Summary

Research Project Commissioned by the
Federal Ministry of Labour and Social Affairs
Financed by the European Social Fund



Rheinisch-Westfälisches Institut für Wirtschaftsforschung

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Phone +49 (0) 201/81 49-0, Fax +49 (0)201/81 49-200, e-mail: rwi@rwi-essen.de
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Project team:

RWI Essen

Project manager: Dr. Michael Rothgang

Authors: Dr. Boris Augurzky, Prof. Dr. Thomas K. Bauer, Dr. Jochen Dehio, Rainer Graskamp, Verena Groß, Dr. Jochen Kluge, Dr. Bernhard Lageman, Dr. Markus Scheuer, Peter Michael Schumacher

Prof. Christoph M. Schmidt, Ph.D., and Dr. Michael Fertig provided scientific advice to the project team.

SÖSTRA

Project manager: Dr. Frank Schiemann

Authors: Dr. Herbert Berteit, Ulrich Malers, Dr. Karsten Schuldt, Gerd Walter

In co-operation with

Prof. Dr. Gerd Ronning, Eberhard-Karls-Universität Tübingen

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I. Commission for Research and Basic Concept of the Evaluation

The Objective 1-Interventions of the ESF in Germany are to be evaluated with reference to their impacts on the labour market situation in East Germany. In the last 15 years, little progress was made in adjusting the economic situation in the eastern Federal States ('*Länder*') to that in the western *Länder*. The originally expected growth impetus was not reached. The Objective 1 Area is characterised by a higher average rate of unemployment and by the migration of young and partly highly-skilled employees. Therefore, it is not surprising that the Kok Report granted priority to the elimination of the regional differences between east and west with the implementation of the European Employment Strategy in Germany.

At the same time, the final report on the update of the mid-term evaluation of the *Operational Programme of the Federal Government Objective 1* (Federal Government OP Objective 1) emerges following contentious changes in labour market policy both in Germany and at the European level. At a European Union level, the common employment strategy continued to develop. Persistent high unemployment rates in numerous European Union countries – as well as in Germany – are not only the result of obstacles in the labour market, but also reflect a long-lasting growth weakness.

Consequently, the new guidelines for growth and employment are based on the recognition that a co-ordination of supply and demand measures is necessary in order to meet the challenges that confront employment policy at the European level. The Lisbon Strategy, which was formulated – among other reasons – in response to the Kok Report, regards job-creation measures as an important complement to the micro-economic and macro-economic policies targeted at economic growth in the European Union.

At the national level, the Hartz reforms revamped the system for coordinating labour market policy. The reorientation had immediate effects on the organisation and emphasis of those federal- and state-level projects supported by the European Social Fund (ESF). This was inevitably the case, since at both levels, ESF promotion is often linked directly to state support through the federal government. The question thus arises as to the added value of ESF promotion and its future role in context of the new form of national support.

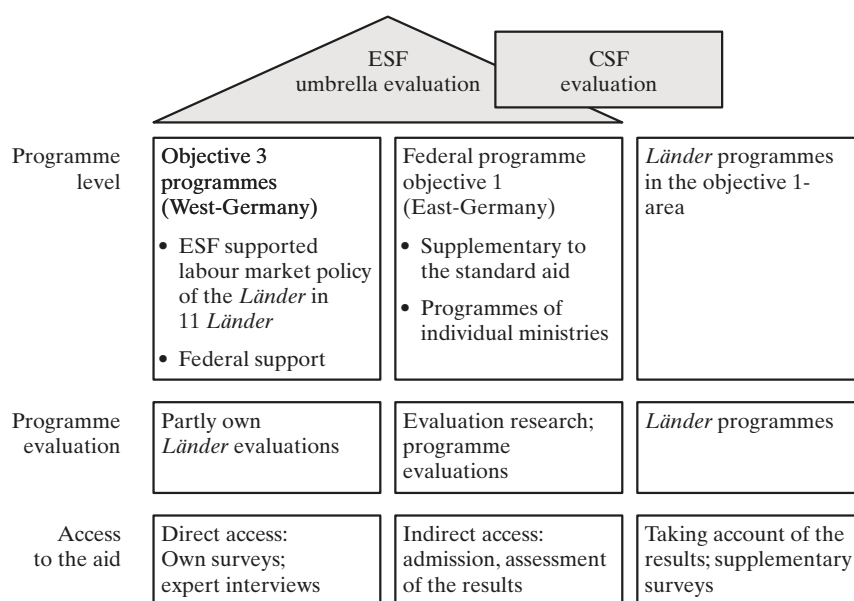
The ‘Guidance Paper on ESF Final Evaluation’ from April 28, 2004 provides the framework for the contents of the present report. Based on these specifications, one emphasis of the revised mid-term evaluation is on the support and impetus that the national labour market policy receives through the ESF. In particular, the two following questions are examined: Does the ESF make an independent and original contribution to labour market policy in Germany? How is the main focus of the ESF, both with respect to federal support as well as state (*Länder*) labour market policy, distinguished from the national labour market policy?

An additional emphasis of the analysis lies on the effectiveness of the support. In this regard, the pertinent question is how many of the recipients can profit from the ESF funds. In particular, it was also determined how many of the recipients could be integrated into the primary labour market as a consequence of the ESF promotion. From the perspective of modern evaluation research this question is of central significance not least because the effectiveness of active labour market policy was recently questioned. The present report addresses specifically, which causal effect the labour market policy has on the recipients, which kind of support is more effective

and which measures can be used in order to improve the quality of the support. At the same time, the long-term increase of employability through the promotion of human resources remains another focus of the study.

The inquiry formally covers the promotion administered by the Federal Government and the states ('*Länder*') in context of the *Single Programming Document Objective 3* (SPD Objective 3) as well as the ESF interventions of the federal government within the framework of the Federal Government OP Objective 1. As the ESF umbrella evaluation for Germany, the evaluation of SPD Objective 3 and OP of the Federal Government Objective 1 has to take the entire promotional field into account, which overlaps with the evaluation of the Community Support Framework (CSF evaluation) as the umbrella evaluation for the Objective 1 region (**Graph KF 1**).

Graph KF.1
ESF Umbrella Evaluation: Field of Promotion



The present summary reviews the results of the evaluation for the examined promotional field with emphasis on the Federal Government OP Objective 1 in view of questions raised in the 'Guidance Paper on ESF Final Evaluation'. First, in part II, the questions regarding the complete programme are answered. In part III, the results concerning the effectiveness and the role of the support for the policy fields, which are investigated in the context of the

focused approach, are discussed. Part IV contains the conclusions and recommendations.

II. Results at Programme Level

A. Review of the Mid-Term Evaluation: Recommendations, Implementation and Obtained Improvements

In placing the recommendation submitted in the mid-term evaluation in the context of the further implementation of the federal promotion in the Objective 1-Area and posing the question of whether the desired results were obtained, the following picture emerges:

The recommendations of the evaluation regarding the *overall strategy* corresponded by and large to the observed developments after the mid-term evaluation. A majority of the developments was ultimately due to the existing performance pressure and the limited manoeuvrability of the stakeholders. The programme was implemented with a stronger orientation towards the support for young people, which was recommended in view of the tight trainee labour market in East Germany. The question about the suitable financial basis for the ESF-BA programme could not be satisfyingly resolved to date.

In view of the *promotion instruments*, different suggestions were submitted in the mid-term evaluation, leading to a proposal for a specific support for the long-term unemployed. The implementation of the programme SPALAR reflects a greater appreciation for this issue and caused a clear expansion of the promotion within the Policy Field B. The recommendations from the mid-term evaluation were also followed in that the support for lifelong learning was strengthened.

Progress was made in following the evaluation's recommendations for *implementation, administrative and monitoring systems*, especially in the further development of the monitoring system. Possibilities and restrictions of a simplification of monitoring were comprehensively discussed. However, optimization possibilities, which should be used in preparation of the new programming period, still exist.

B. Results of the Investigation of the Federal Government and Federal States Support

A further objective of the update of the mid-term evaluation was to determine the financial weight of the ESF in relation to the respective national policies. In order to arrange the effects of the ESF federal promotion in the

new *Länder* according to Federal Government OP Objective 1, a comparative analysis was carried out of the funds for the labour market policy from the BA (Federal Agency for Employment), the Federal Government and the *Länder*.¹

If one summarizes the expenditures for labour market policy in the Objective 1-Area, the Federal Government and the *Länder* have spent over 10 billion € per year. From this amount, about 9 billion € is allotted to the BA and the Federal Government (inclusive of its different support programmes). In the period of analysis, the new *Länder* allocated approximately 1.3 million € on average per year to the *Länder* funds for labour market policy. Based on the share of the employment support spent by the Federal Government, the commitment of the new *Länder* in this policy field, which is clearly higher than that of the old *Länder*, can be explained primarily by the labour market problems existing in East Germany. Nevertheless, the Federal Government (with the funds from the BA as well as funds allocated in its federal programmes) is the decisive actor within the field of labour market policy in East Germany, despite the clearly higher commitment of the new *Länder*.

In this context, if one places the relationship between the ESF funds spent under the Federal Government OP and the ESF funds spent by the new *Länder* for their *Länder* OPs in the Objective 1-Area, the findings that were observed in the Objective 3-Area are confirmed: The status of the ESF interventions is different if one places it in relation to the labour market interventions in East Germany or in relation to the *Länder* funds spent by the *Länder*. If one uses the approximately 10 billion € as a standard, which result from federal and *Länder* funds for active labour market policy, the ESF reaches a share of approximately 3%.

Through the substantial weight of the federal labour market policy, the share of the ESF changes hardly, irrespective of whether one regards the ESF funds of the Federal Government and the *Länder* together or separately. From the perspective of the new *Länder*, the ESF gets a fully different weight quantitatively. Thus, if one regards the ESF funds of the *Länder*, they have already a share in the *Länder* funds for active labour policy of approximately two thirds.

¹ Since the ESF interventions for the new Federal *Länder* are not the subject of this evaluation, the *Länder* budgets were not analyzed in detail. Therefore, results of a study were referred to, in which the expenditure for active labour market policy in the new *Länder* was examined in 2003.

C. ESF Support in the Policy Fields

Consideration of the *use and implementation of resources at the level of the complete programme* enables one to get a picture of the extent and the structure of the realized ESF promotion in the first five years of the current programming period in the area of the Federal Government OP Objective 1 at policy field and ESF measure level. The indicators, which are characterized as so-called ‘common minimum’, are concerned with physical and financial quantities, which are explained in the ‘Guidelines for the Monitoring and Evaluation Systems of ESF Interventions for 2000-2006’ (number of the projects and ESF participants, target-group specific allocation, and the spent ESF funds).

In view of these indicators, the following overview emerges: With 1.3 billion € of ESF funds and a total sum of 2.1 billion € – inclusive of trifle cases – 500,000 ESF participants were supported in more than 3,000 granted projects annually. Policy Field A had the most significance with a share of 44% of all ESF participants and approximately half of the ESF funds. A fifth of the ESF funds were allotted to the Policy Field E and 17% of these funds were spent within Policy Field B. The corresponding shares concerning the participants lie slightly below. Policy Field D was represented with a share of 11% of participants and 6% of the spent ESF funds. In the first five years, Policy Field C had 7% of the participants and 6% of the ESF funds.

In relation to the corresponding shares of the unemployed in the Objective 1-Area, young people were over-represented in the ESF promotion with a share of six tenths (ratio to unemployed persons of about one tenth) and the long-term unemployed were under-represented. Their ratio to the unemployed is about three times as high as that to the ESF participants. The female proportion regarding the ESF promotion, by contrast, corresponded to that of the unemployed.²

III. Results of the Analysis of Effects in the Selected Fields of Support

A. Selected Fields of Support

For the *more detailed impact analysis (“focused approach”)*, the evaluation had to consider the specific conditions of Objective 1-Interventions in

² With regard to the interpretation of these shares one has to take into account that entrance of participants are measured as flow variables while the unemployed are measured as stock variables. A comparison of the stock of the unemployed to the participant stocks at a fixed date might lead to different results.

the context of the Federal Government OP. The impact analysis concentrated on results from the ESF-BA Programme and on selected programmes from the Federal Ministries. In order to have the entire promotion field in perspective, results of participant interviews for two selected instruments of the *Länder* labour market policy (vocational further training of unemployed persons and business start-up support) were included. In the framework of the focused approach, the following promotion instruments and programmes were examined in detail:

- ***Full-time further training of the unemployed.*** The full-time further training of the unemployed was supported particularly in the **Federal Government OP Objective 1** in the context of the **ESF-BA Programme**. Furthermore, an investigation of the effectiveness of measures for further education in the context of ***Länder labour market policy*** (full-time further training of the unemployed in Saxony) was carried out in order to have the entire ESF promotion field in perspective. The ESF-BA Programme supplements the standard support for vocational further training. In the context of the evaluation of the ESF-BA Programme by the IAB, the analyses of the net effects are already going on for the ESF addition to the standard support. Preliminary results are already on hand, but without any differentiation between East and West Germany. Therefore, reference is made to the corresponding sections in the Objective 3 report. The update of the mid-term evaluation in the Objective 1-Area carried out no own interviews in the framework of the analysis of the net effects of the active labour market policy. The investigations for the further training of the unemployed in the context of the *Länder* labour market policy in Saxony from 2003 were, however, continued and refined. The central results are summarized here.
- ***Further training in supported employment.*** The ***special programme of the Federal Government “Work for the long-term unemployed”*** (called AfL or SPALAR) financed the further training of participants in publicly supported employment measures. The special programme belongs beside the ESF-BA Programme, the *Jugendsofortprogramm* (“Youth Immediate Programme”), XENOS and LOS to the large federal labour market policy programmes in the context of the implementation of the Federal Government OP Objective 1.
- ***Business Start-up Support.*** Within the scope of the ESF in the programming period 2000 to 2006, business start-ups were supported by the ***Länder as well as the Federal Government OP (in the context of the ESF-BA Programme)***. In order to have the entire promotion area in perspective - as with the full-time further training of the unemployed - both the promotion at federal and *Länder* level were examined. The

provisional results of the evaluation research of the IAB to the ESF-BA Programme were used for the effects of the federal promotion. In particular, long-term effects of the promotion were taken into consideration for the investigation of the *Länder* labour market policy effects.

- ***Changes in employment and training systems.*** The support of vocational training and further training systems using the example of the BMBF Programme ‘Learning regions - promotion of networks’ was examined in detail. This promotion programme is one of several programmes from the BMBF (Federal Ministry of Education and Research), which was co-financed by the ESF from 2000-2004 in the context of the Federal Government OP Objective 1. Regarding the extent of the financial support planned for the period 2000 to 2006, it has, along with the programme ‘Learning culture – development of competences’, the strongest weight under the ESF-co-financed programmes of the BMBF.

B. Effects of the Promotion

1. Full-time Further Training of Unemployed Persons

Further Training in the Context of the ESF-BA Programme

Under the ESF-BA Programme, the unemployed and people who are threatened by unemployment can be supported with the help of the ESF by modules of vocational further training as well as by the participation in measures for the improvement of their integration prospects (training measures). Within the scope of the support for vocational further training, the ESF-BA Programme supports unemployed persons or job seekers who are threatened by unemployment in two ways: People who participate in a measure for further training and possess no claim for SGB III maintenance payment can be granted such a payment from the ESF. In connection with a FbW (‘further vocational training’) measure, the participation in additional modules was supported (conveying of language skills, placements abroad, vocational-related or general-education contents).

The IAB’s evaluation research to the ESF-BA Programme revealed that in FbW measures and training measures, the share of employees subject to social insurance contributions rises noticeably from the first until the sixth month after the end of the measure. Accordingly, the shares of the unemployed and participants who are registered as job seeking decreased from the first until the sixth month after the end of the measure. Regarding the status of these persons, however, no clear statements can be made because of missing social insurance numbers for some observations in the data, mak-

ing proof of employment impossible. Therefore, the determined values from the IAB's evaluation research for the shares of persons in employment subject to social insurance contributions are to be regarded as the lower limit.

All in all, the following can be claimed in relation to the gross effects: The share of the people who were registered as unemployed after withdrawing from the measure is reduced in consideration of the deadlines from the first until the sixth month after the end of the measure. Nevertheless, final statements concerning the net effects of the ESF promotion cannot be made because the analysis work here is still going on.

Further Training of the Unemployed in Context of the Objective 1-Support in the New *Länder*

The focused approach of the present evaluation in the Objective 1-Area carried out no interviews to determine the net effects of training measures for the unemployed. However, the results of the interviews in Saxony, which had been carried out within the scope of the mid-term evaluation, were continued in depth.

In summary, it can be noted that the participation in an ESF measure increased significantly the probability of job seekers finding a job. If one differentiates between certain target groups, the impact of the measure varies clearly. The highest effect could be observed in people returning to their job after a period of absence. Contrarily, for people with a migration background and younger people, no significant participation effects could be determined in this analysis.

2. Further Training in Supported Employment

The special programme SPALAR covered several fields of support and associated promotion objectives, which were conceived not least in anticipation of the joining of unemployment and social assistances for guaranteeing the minimum level of income for job seekers (SGB II). Thus, for the first time, SPALAR made it possible to support those recipients of unemployment benefits who fall under the responsibility of the local authorities and/or the social welfare offices, as established according to the BSHG (Federal Social Assistance Act).

As samples showed with individual institutes that support the employment measures from the special programme SPALAR, long-term gross integration successes varied from institute to institute. In the old *Länder*, they ranged from less than 5% in employment subject to social insurance contributions to more than 20% six months after the end of the measure. Regarding the institutions, it should be noted that the six-month maximum duration

of support is usually too short for the recipients with frequent multiple hiring problems to diminish these problems adequately so that integration into the first labour market is easily possible.

Concerning the indirect programme objectives, it can be stated that through the recruitment of *case managers* (*Fallmanager*), first experiences with this promotion approach for job seekers and the unemployed could be actually made in many local authority districts, which might influence the implementation of the SGB II after January 2005. Consequently, the local authorities and/or the social welfare offices that were part of the programme implementation succeeded with regard to the early introduction of the case management. This success allowed them to gain important experiences for the broad implementation in context of the SGB II and thereby arrange the process with less friction. However, the *stabilization of local networks* and structures for the employment support with the special programme SPALAR was only partly successful due to the dominant influencing factors, which were external to the programme.

3. Business Start-Up Support

Business Start-Up Support in Context of the ESF-BA Programme

The business start-up support from the Federal Government with bridging money (*Überbrückungsgeld*) and the business start-up subsidy (since 2003) was supplemented by funds from the ESF-BA Programme through start-up coaching and seminars (until 2003). The determination of net effects by the evaluation research of the IAB concentrates on the combinations of seminars and/or coaching with bridging money. The coupling with the business start-up subsidy is excluded, since only short observation periods are available due to its introduction in 2003.

In summary, the supplement of bridging money through a start-up seminar and/or coaching brings constantly higher probabilities of survival as compared to no such a supplement. The results, however, should be regarded as provisional.

Business Start-Up Support in Context of Objective 1-Promotion of the *Länder*

There are two principle aspects of importance for the determination of the promotion's effectiveness. On the one hand, the sustainability of the start-up success is of particular interest in the evaluation of start-up projects. To examine this, the ESF-funded start-up founders from 2000 to 2002 (partially the same as in the first interviews from 2003) were interviewed. In the Objective 1-Area, the analysis of the net effects of the labour market policy

included ESF-funded business start-up programmes of the *Länder* Saxony and Saxony-Anhalt.

All in all, no significant results could be identified in the investigation. However, start-up seminars and coaching measures probably have a stronger effect on the sustainability of the start-ups than the future turnover, the employment, or the employment growth (also due to the on average limited extent of the support). The insignificant effects of the variable 'survival rate' can be explained by the small number of unsuccessful start-up founders among the participants and the control group, thereby undermining statistical inference. Therefore, an unequivocal statement regarding the effect of the measures on the stability of the start-up is on the basis of the available data not possible.

4. Changes in Employment and Training Systems

The programme 'Learning regions – support of networks' pursues the objective of promoting the co-operation of regional key participants in the field of training (e.g. training services, general and vocational training schools, further education colleges, chambers, enterprises, management and employees, youth welfare offices, employment offices, socio-cultural institutions, Agenda 21 projects). By supporting the set-up and strengthening of training and institutional-comprehensive networks, the programme develops, tests and establishes innovative projects in the field of lifelong learning in the long term.

The experimental and exemplary programme 'Learning regions – support of networks' is reported by the interviewed people in charge of the programme to be a quantitative and qualitative far-reaching scheduled level of implementation. The evaluated documents confirm this assessment. From the perspective of the evaluators from the Federal Government Objective 1, the following estimations can be made concerning the concrete implementation of the programme 'Learning regions – support of networks':

- The instrument of the controlling committee is judged as very helpful. Both the programme control in general and the coordination between the participants involved at federal and *Länder* level in particular thereby have a reliable and efficient basis.
- The experiences gained in the Learning Regions prove that, in the promotion process, the co-operation of the key participants in different fields of education has improved. This concerns particularly the providers of educational services, while the potential for development still exists with regard to the integration of the consumers of training measures into the networks.

- As intended by the programme conception, results of other BMBF programmes' application are found in the programme 'Learning regions – support of networks', and their wide application in their mainstreaming ability are tested. Thus, the procedure 'Learn-oriented quality testing in further training' (LQW), which was developed successfully by the Art-Set Institute in the context of a joint project of the BLK³ model programme 'Lifelong learning', is checked for its suitability for the practice.
- The target group focus on people with a low educational level, originally intended by the programme, has not been realized as planned according to findings from the experts. The development processes revealed a stronger orientation on people who are on the thresholds between different fields of education (school – traineeship, traineeship – profession). This is regrettable in light of the decrease of target group-specific interventions in the labour market policy. However, that corresponds more appropriately to the fundamental programme concept of comprehensive fields of training networking and moreover to the intentions and objectives of the learning regions which originally arose 'bottom-up'.

The programme 'Learning regions – support of networks' represents a stringent addition to other programmes with its approach of networking (using comprehensive fields of training and institutions) from education providers and those institutions that have a demand for training in its concrete regional and local context: For example, the BLK model programme 'Lifelong learning' (with its thematic focus on such fields as further training of trainers, strengthening of self-learners, vocational education environment etc.) and the programme "InnoRegio" (with its explicit approach of creating practical innovations). Against this background, the further pursuance of the objectives that fall under the expiring programme 'Learning regions – support of networks' is recommended.

In order for the self-alleged claim to become the main item of the BMBF action programme 'Lifelong learning for all' - particularly in view of the current political environment regarding promotion – an adherence to the conceptually planned focusing of the learning regions on people with a low educational level would be desirable. The extent to which this is compatible with the intended autonomy of the bottom-up and regionally/locally established networks cannot be answered in the context of the evaluation of the Federal Government OP Objective 1. If such compatibility does not exist, it might make little sense to steer the programme and future similar promotion projects toward the stronger inclusion of people with a low educational

³ Bund-Länder Commission for Educational Planning and Research Promotion.

level. However, in this case it is recommended to open (new) support options especially for people who are disadvantaged in the educational system and, consequently, also in the employment system.

C. Support of the National Policy and Contribution to the European Employment Strategy

The update of the mid-term evaluation should evaluate the links to the national policy and specifically the extent to which the ESF supplements the national policy within the respective field. The contribution to these policies is to be judged for the examined fields of support. It is concerned with the contribution to the Employment Strategy and to the National Action Plan (in each case, at the time of programming and today).

Ultimately, all of the fields of support covered in this evaluation are connected to varying degrees with the European Employment Strategy. Only within individual fields can links be found to other policy fields. This is the case, for example, with the business start-up support, which is part of an economic and SME policy.

The National Action Plans, wherein the contribution from the ESF – here the Objective 1-interventions – is to be evaluated reflect the labour market political reforms in recent years. At the *time of the programming of the present programming period*, the *labour market policy in Germany* was especially characterized by the *consensus-oriented policy articulated by the Alliance for Work, Training and Competitiveness* (Bündnis für Arbeit, Ausbildung und Wettbewerbsfähigkeit, NAP 1999:4). In recent years, a reorientation of the labour market policy was made that gave *active measures priority over passive wage compensations*. Target groups with specific handicaps in finding unsupported employment (e.g. young people, low-skilled or also older unemployed persons) should be promoted more specifically in view of integration into the regular labour market. At the same time, equal opportunities for women and men were given a special role in the context of the implementation of political guidelines for employment.

The results of this reform process find their expression, among other things, also in the National Action Plan for 2004. It supports the implementation of the Agenda 2010 and the Hartz reforms on the labour market. With this fundamental reorientation of the labour market policy in Germany, the role of the ESF has also changed fundamentally. Since the reform process is not final, it is not yet possible to make statements concerning the contribution of the ESF in the new political contexts for promotion. Nevertheless, the evaluation can provide first indications for a possible and desirable future role for the ESF.

Apart from the national context, the contribution of the fields of support examined here should be seen against the background of the European Employment Strategy the main objectives of which are ‘full employment’, ‘raising job quality and job productivity’ as well as ‘strengthening social cohesion and social integration.’ Furthermore, the ‘Task-Force Employment Report’ (Kok Report) suggested concrete reform measures for Germany with reference to the further implementation of the European Employment Strategy, which should be thereby considered.

When assessing the contribution of the Objective 1-Promotion according to the Federal Government OP for the European Employment Strategy, it bears noting that no separate interviews with people participating in these individual programmes were carried out. With regard to the promotion instruments, which were used in the context of the *Länder* OPs, own interviews in the Objective 1-Area were conducted. In considering both the ESF-BA Programme and the programmes of the Federal Ministries, the results of the respective programme evaluations were drawn upon. This different methodical perspective has consequences for the representation of the contribution of the interventions according to the Federal Government OP Objective 1 for the European Employment Strategy. Against this background, we do not conduct a quantitative assessment.

Nevertheless, references can be found in the evaluations analysed by us for selected Federal Government OP programmes from which the specific contribution of these ESF co-financed programmes for the implementation of the European Employment Strategy is visible:

- With the help of the promotion instruments implemented under the ESF-BA Programme, gaps in promotion could be closed that were identified in the programming phase of the national employment support in Germany which also applies to the Objective 1-Area. Reference here is made to the supplementing assistance of the ESF-BA Programme for the business start-up support (coaching) as well as to the additional modules in the context of promotion for vocational further training.
- Differentiated contributions to the European Employment Strategy could be identified within the scope of the update of the mid-term evaluation of the examined Federal Ministries promotion programmes. **Generalizing**, it can be surmised that the Federal Government could test new directions of the labour market policy with the possibilities of the ESF in a multiplicity of intervention fields. With the help of these model projects, one could establish whether certain innovations for a standard promotion are suitable. The objective of the stabilization of the social cooperation and integration played a special role, also in the federal programmes. Several federal programmes were committed to

the implementation of a strategy of lifelong learning, as for example in the BLK model programme 'Lifelong learning' but also in the BMBF programme 'Learning culture/competence development' or in the programme 'Learning Regions'.

- Within the context of the Federal Government OP, the implemented ***vocational-oriented and vocational-preparing measures for young people (BO/BV)***, new ways of integrating young people into the training and employment system were followed. An essential contribution to the strengthening of the social integration could be made through content-related and organizational innovations of the vocational-orientation of young people in the framework of the BQF programme ('Vocational qualification for target groups with special support requirements') as well as in the FSTJ ('Voluntary year of social training'). The lasting effects of this contribution have led to major changes in the organisational structure of vocational-oriented and vocational-preparing measures in Germany. The investigation of selected measures of this support instrument in Thuringia, however, showed that ESF interventions meaningfully supplement the measures carried out by the Federal Agency for Employment, thereby contributing to the objective of making possible a vocational training for young people.
- The ***business start-up support in context of the ESF*** at federal and *Länder* level supplements a wide range of offers of promotion from the Federal Government, *Länder* and the local authorities. These are to a large extent offers not so much in the context of the labour market as in the economic and SMEs policies. The business start-up assistance was not part of the recommendations of the Kok Report. Indeed, a wide range of support already exists, in which the ESF in some places can offer a significant addition. Furthermore, the ESF support focuses on start-ups from people who were previously unemployed; however, with a broader approach, financial support and consultation offers for different groups of business start-up founders are available. For the total governmental start-up support, there are no reliable estimates. Related to the federal start-up support, 4% came from ESF promotion for 2002. Under the Hartz reforms, the start-up assistance (in particular through the start-up subsidies) has gained greater importance than in the past.
- With the **definition of the cross-section objectives**, the ESF likewise made a not insignificant contribution to the implementation of the European Employment Strategy. Without a doubt, all aspects of the equal opportunities between women and men and also aspects of local development experienced important impetus through these objectives. However, these - above all qualitative - effects of the ESF interventions

can hardly be expressed in quantitative terms. The wealth of experience gained within the fields of local-oriented (and municipal-oriented) labour market policy would be at least underestimated if it was linked to the 1% of the funds of the Policy Field F.

- With the help of the ESF, important *innovative promotion instruments* were developed in the past at the level of Objective 1-interventions from the Federal Government. Those ESF-funded programmes of the Federal Ministries should be emphasized here, for example, the FSTJ and the BQF programme, in which essential aspects of the content-related and organizational reorganisation of the system of vocational-orienting and vocational-preparing measures in Germany were tested. From these programmes, essential impetus exists for the integration of the BO/BV support into the reorganization of the vocational training laws and, thus, into the overall system of initial vocational training in Germany. Since the issue is concerned with a qualitative aspect with the “innovative promotion instruments”, a quantitative estimation shows the significance of innovative promotion measures as not reasonable. Nevertheless, the ESF support has, as the results of this investigation show, an important role in a national context as ‘experimental laboratory’ for new approaches of the labour market policy.

D. The European Added Value of the Support

A central objective this report is to be able to make sound statements about the European added value of the ESF support in Germany based on focused investigation of selected fields of support. The following bullets highlight the salient findings:

- The *full-time training of job seekers and unemployed persons, supported through the ESF*, supplemented the training of unemployed persons in the context of the standard promotion *appropriately and effectively*. Job seekers who did not have a claim to further training in the context of the standard promotion could be trained in view of the requirements of the labour market. In particular, the positive assessment results in determined positive net effects of the labour market policy at the *Länder* level. After completing the measure, the ESF participants in the *Länder* had a clearly higher probability of finding a job. The results for the ESF-BA Programme are still pending. For the preliminary results in the ESF-BA Programme – still without East-West differentiation – we refer to the Objective 3-report.
- With respect to the effects of the ESF *Länder* labour market policy on *vocational orientation and vocational preparation of young people*,

the analysis shows no positive net effects, although the investigations resulted in substantial gross effects. However, the interviewed young people themselves found these measures to be successful under the criteria of subsequent admission to an initial vocational training scheme and increasing employability.

- The ***business start-up support in the context of the ESF supplemented the broad range of corresponding promotion programmes in Germany***, partly specifically with regard to start-ups from people who were previously unemployed, partly with general offers. Referring to the effectiveness of the ***business start-up support in the context of the ESF***, a ***uniform picture*** results from the analysis of the ***net effects at the federal and Länder levels***. The analysis on hand could not establish any positive effects of the *Länder* labour market policy on employment and on the turnover per employee. Furthermore, the evaluation research of the IAB to the ESF-BA Programme did not determine positive net effects from the coaching and from start-up seminars in view of the survival chances of the start-ups within the period of 24 months after launching business, whereby the results are still pending.

IV. Conclusions and Recommendations

A. The Future Role of the ESF in the Context of German Labour Market Policy

From our investigations, ***three fields of activity*** emerge in which the ESF should play an outstanding role in the future:

- The ESF promotion is suitable for embodying the necessary ***‘social component’*** of the labour market policy as disadvantaged groups are introduced to permanent employment.
- The ESF is also suitable in particular for functioning as an implementation catalyst of measures for ***adaptation*** to the ***knowledge-based economy***.
- The ESF should support the ***entrepreneurial spirit*** and the ***entrepreneurial initiative*** effectively.

Contemporary labour market policy measures are appropriately judged primarily by their economic success in increasing employment and – more generally – in increasing prosperity. In the past, the question was not often asked about concrete provable recruitment successes, let alone about effects in the sense of ‘hard’ evaluation results (‘net effects’). Some years ago, the Federal Agency for Employment changed its course radically following the

public discussion about the problematic identity card from ‘employment agencies’. At the same time, the evaluation practice of the Hartz reforms is a sign of a change of views by the policy decision makers.

As much as the questions about effectiveness and efficiency of the preventive and active labour market policy are justified, one should not overlook **that labour market policy also contains a social aspect**. In this context, the ESF should set the priority aim the future, complementing and supplementing national labour market policy by increasing of employability of disadvantaged groups in the labour market. The short-term integration into the first labour market is usually not sufficient to secure a permanent job for these problem groups. In addition to promotion within the framework of SGB II and SGB III, it is furthermore meaningful and necessary to support training measures that are related to target groups.

The ESF is suitable in principle for playing an essential role in the **support for vocational training and further training** and for the **acquiring of human capital**. Here, groups that are disadvantaged in the labour market, e.g. the low-skilled and young people with poor training chances, play an important role. The significance of the ESF training offers, which are co-financed, is by no means limited to these segments of the labour force pool. Thus, offers of vocational further training for people threatened by unemployment are aimed at a potentially large section of the employed. Not least of all, the ESF can contribute to increasing equal opportunities between women and men.

Finally, a further area is to be emphasized in which the ESF can place future special focus: the support for the **entrepreneurial spirit** and the entrepreneurial initiative. Here, the existing – and partially quite extensive – offers from the Federal Government and the *Länder* regarding start-up support could be supplemented through original measures that currently play a rather peripheral role, such as coaching and the support for nascent entrepreneurs’ networks.

All in all, these considerations highlight that the **ESF has a considerable significance as an original addition to the national policy in Germany, despite a changed labour market policy environment**.

B. Conclusions and Recommendations

Our investigations lead to the following recommendations for future ESF funding:

Recommendations for the Complete Promotion Strategy

Despite the attained developmental progress, the German Objective 1-Areas are still confronted with serious structural problems. On the basis of the present socio-economic situation and the current foreseeable developmental tendencies, it is to be expected that the structural weaknesses and the associated implications for the labour market and employment in East Germany will not appropriately have been managed up to the start of the next programming period in 2007. In this respect, it can be assumed that the ESF can support the labour market policy in the German Objective 1-Area through an ESF co-financed programme also in the future, which is similar to the current Federal Government OP Objective 1.

The political emphasis of such a programme in the period 2007-2013 should lie in the context of the comprehensive ESF fields of activity specified above. It should be taken into account that the reforms introduced within the legal systems of the SGB III and the SGB II apply only for a short time and therefore intended and unintended effects as well as associated implications for the labour market and employment in East Germany are frequently only recognizable in the basics. Incidentally, this is comparable to the *Länder* labour market policies in the East German *Länder*, which had to be re-planned in view of the pursued paths of reform and develop individual promotion profiles, whereby these reorientations are not yet final.

For the future orientation of the federal Objective 1-Interventions' promotion strategy, the following recommendations are submitted for the field of support:

- 1 The reorientation of the active labour market policy in Germany in the course of the Hartz reforms has the objective of a 'fully co-ordinated labour market policy', which has the aim of a fast and effective integration of the unemployed into the first labour market. However, the associated social objectives, which are indispensable components of economic and labour market policies, open possibilities for supporting measures that are only partly covered by the SGB II. ***The supported labour market policy should set also at the federal level a signal regarding the responsibility of the government for the target groups of labour market policy.***

- 2 The *ESF promotion should be carried out further in the next programming period at federal and Länder levels*. In the past, however, co-financing became more difficult due to the precarious budgetary situation both levels. At the *federal level*, the *financing basis for the ESF-BA Programme should be reconsidered*, so that the support can make an important contribution to the European Employment Strategy in the future. At the *Länder level*, there is no alternative but to carry on with the increasingly close connection to the federal support.
- 3 As the evaluation research of the IAB to the ESF-BA Programme and the ESF umbrella evaluation already recommended for the mid-term evaluation, a *special programme* would be desirable that is *based on a new financial basis from tax proceeds from the Federal Government and ESF funds*. A possible objective for such a special programme could be a *specific promotion for disadvantaged groups in the labour market*.
- 4 If the forming of a programme based on its own financial basis is proven not to be possible due to the financial budgetary situation, the possibility of linking an *ESF federal programme to the SGB II promotion* should be considered. The SGB II promotion additional programme, however, should be *oriented decidedly towards the increase of employability of the supported persons*. This is the standard on which its success should be measured. With reference to the recommendation mentioned above, the advantage of such a programme is in its financial base, which is composed of tax and ESF funds.
- 5 From our perspective, an *ESF programme in the context of the SGB III promotion* would be *in principle a possible alternative*. Nevertheless, as the results of the evaluation research of the IAB to the ESF-BA Programme show, such a programme would have to struggle with controlling problems through the connection with the individual support of the BA. However, in view of the tight financial situation of the Federal Government, one should consider whether an ESF programme in the context of the SGB III aid for the coming programming period would be warranted. This would be in accordance with the intentions of the European Employment Strategy.
- 6 An *intensified commitment from the ESF* in fields that are close to the labour market like *vocational training and social policy* is definitely *reasonable and desirable* from our view. One would have to examine in each case whether appropriate promotion programmes correspond to the objectives of the ESF and the European Employment Strategy. The difficulties of co-financing from tax proceeds under a tight budgetary situation would, however, continue to exist.

- 7 ***The participation of different federal departments*** in the implementation of the Federal Government OP in Objective 1 is both content-related and administratively more elaborate than a solitary implementation by only one Federal Ministry. Nevertheless, it worked and ***should be maintained in the future***, whereby the focus of the promotion should continue to lie in the future labour department. This appears above all as reasonable, because with consideration of the development of the socio-economic basic conditions, the challenges can be mastered in the future only in ***mutual interaction between the different departmental policies***. From the perspective of the ESF, this applies in particular to the fields: ***education, innovation, knowledge-based economy and demographic change***. In order to be able to master the challenges in these policy fields, the following policies have to interact more closely together: labour market, employment, (vocational) training, youth, family, regional, social and economic policy. This applies to the German Objective 1-Area in particular, since it is confronted with substantial structural weaknesses, regardless of the attained developmental progress. The weaknesses can hardly be mastered by the regional players in East Germany alone.

Recommendations for Promotion Instruments and Systems

On the basis of the impact analysis in the Objective 1-Area, recommendations were made for the future priorities of the ESF in Federal Government OP Objective 1, using the examined promotion instruments and systems within the framework of the focused approach:

- 8 As the positive net effects of the *Länder* promotion show, the ESF co-financed ***further training of job seekers and unemployed persons*** proved to be a meaningful and an effective addition to the training in the context of the standard promotion in the past. On the basis of the preliminary findings on hand, the conclusion can be made that the further training of the unemployed is to be regarded as a suitable promotion instrument for the implementation of the European Employment Strategy. Therefore, the support should be carried out in the future, whereby the training measures offered under the new constellation at the federal level should be examined and prioritized.
- 9 The ***federal programmes within the field of vocational orientation and vocational preparation of young people proved to be quite successful***. Both the BQF Programme from the BMBF and the 'Voluntary year of social training' (FSTJ) from the BMFSFJ (Federal Ministry for Family Affairs, Senior Citizens, Women and Youth) should be emphasized. In both programmes, the tested new directions of the content-related and organizational design of vocational-oriented and vocational-

preparatory measures found, in important aspects, their way into the overall system of vocational orientation/vocational preparation in Germany. Thus, the claim of the ESF to make also a contribution to the change in both the labour market and vocational training systems could be fulfilled. Nevertheless, a need to adjust to changed basic conditions exists. ***Model programmes initiated by the Federal Ministries*** for testing new content-related and organizational methods ***should be continued*** in order to integrate this group of young people into the training and employment system.

- 10 Regarding the ***effectiveness of the business start-up support***, a ***uniform picture*** results from the corresponding analyses. The present investigation could not determine positive effects of the business start-up support on the employment and the turnover per employee of the start-ups in the Objective 1-Area. The same applies to the evaluation research of the IAB to the ESF-BA Programme in view of the survival chances within the first 24 months after the business start-up through promotion by means of coaching and business start-up seminars. In evaluating these results, it should be considered, on the one hand, that business start-ups display a very large heterogeneity and it is very complicated to determine the net effects of the promotion on start-up types. On the other hand, the wide range of start-up support in the Federal Republic makes the identification of the respective measure effects more difficult. Therefore, we ***recommend a specific focus of the ESF support*** from the Federal Government OP Objective 1 ***on fields in which there are as few as possible overlaps with the support offers from other participants and institutions.***
- 11 The ***cross-section objective “Equal Opportunities”*** and ***“Gender Mainstreaming”*** is embodied in all programmes of the Federal Ministries and at the project level. There are programmes that are devoted to the support of this objective as well as programmes that take it into account labour market-related and measure-related objectives. The exceptions are programmes that were started without ESF support and only later took up the idea of gender in the programme implementation. The subsequent integration of ESF funds into the fiscal planning of the programmes led to the fact that equal opportunity principles and the gender mainstreaming approach were considered more strongly than before in the context of implementation. Generally, this means that the cross-section objective in new selection procedures of projects will be taken into account. In the model programmes of the Federal Government, gender-specific questions and objectives from the view of the evaluation were implemented in an exemplary way. Already at the start of the programming period, important impetus was conveyed from

the Federal Government to the players of the labour market policy, which, like the gender seminars and the different guides and information on gender mainstreaming, influence the practice of the grant authorities until today. **In view of these findings, these new influencing activities in the practice of the labour market policy should be continued.**

- 12 In view of local and regional pockets of unemployment, poverty and exclusion, the instruments and procedures that were established under the ***cross-section objective 'Local Development'*** have proved to be effective labour market instruments against exclusion as well as for socio-spatial integration and coherency. A successful interdisciplinary integration of development objectives is more probable the more the labour market policy concentrates its instruments not only on target groups, but also on disadvantaged areas. Therefore, the ***consideration of the promotion approach for local development*** is judged in the practical implementation of labour market policy ***as still meaningful***. The players locally active within this field are dependent on nationwide support.
- 13 According to the present intentions regarding the future of the structural funds, it is assumed that in the new programming period 2007-2013, the systematic ***development and testing of labour market, employment and vocational training political innovations*** as well as their mainstreaming will be adopted in the ESF standard promotion and that the GI EQUAL ('Community Initiative EQUAL') will be discontinued. Accordingly, in future ESF interventions, one should combine the identified advantages from innovation and mainstreaming of the large 'ESF Standard Programmes' in the Federal Republic on the one hand (Federal Government OP Objective 1, SPD Objective 3) and the GI EQUAL on the other while eliminating the respective disadvantages. In the future ESF standard promotion, its own policy field could be set up and budgeted, which originally and determinedly serves the development and the testing of new labour market, employment and vocational training political problem solving approaches as well as the mainstreaming of successful innovations ('innovation via conception').

The most important instruments, procedures and structures for the promotion of innovation and mainstreaming (network formation under integration of strategic partners, project budget for creation of innovations and mainstreaming, integrated project and programme and/or policy field evaluation, thematic networks and mainstreaming forums, if necessary, also trans-national cooperation) are to be planned programmatically and implemented adequately for the situation. Moreover, innovation and mainstreaming could be secondary objectives in

the other policy fields in order to make ‘practice innovations’ still possible in the context of the ESF standard promotion. In accordance with collected experiences from the preceding programming period, special measures should be taken so that the systematic identification of new innovative problem solving solutions is guaranteed. After identification, they could be merged into the corresponding structures of the policy field aligned to the creation of innovations and mainstreaming, whereby primarily thematic networks and mainstreaming forums should be used.

- 14 The analyses for the update of the mid-term evaluation showed that not all interventions could be arranged stringently according to the Federal Government OP in Objective 1 activities of other actors and promotion guidelines. This assessment applies in particular to the numerous *offers of support*, which the actors *can hardly overlook in the fields of vocational preparation, initial vocational training* as well as *business start-up support*. Also in the field of experimental and exemplary interventions, it was not always guaranteed that they would not overlap due to the multiplicity of active institutions and promotion guidelines. Therefore, the *programme evaluation recommends that the programme-controlling actors of the Federal Government OP Objective 1* - in coordination with the corresponding actors and institutions - aim at *non-overlapping and coherent interfaces between the individual interventions*. Within this coordination, the implementing actors of the SGB II should be included, since these will presumably set stronger and more independent accents on promotion in the future.

Conclusions for the Implementation, Administrative and Monitoring Systems

- 15 In the context of the *control process*, a ‘management by objectives’ is only successful if programmes concentrate on few objectives and one defines these objectives clearly. Redundancies in the objective regulations forcefully reduce the control effect. In order for the Federal Government to maintain the necessary scope for the adjustment of the objectives to changed socio-economic conditions and federal-political requirements, changes to the strategy should be easier and possible without bureaucracy. Therefore, the following suggestion is presented for discussion: In place of an out-differentiated OP - like currently in Objective 1 - and exact definitions like the Programme Supplement, a policy paper is conceived on the National Development Strategy. This forms the framework for the elaboration of thematic objectives and policy fields, but not - as with the OP - the role of a differentiated financial administrative instrument. The stipulation of the programmes should take place only at an aggregated and/or at the highest priority level by

emphasizing the most important activities. From this point of view, the programme evaluation confirms the suggestion from the KOM to abstain from additional details like the present “Addition to the Programme Planning” and from the management of the measures in the future.

- 16 The full-coverage installation of the *master data list procedure* (*‘Stammblattverfahren’*) as a basis of the monitoring and the establishment of a sufficiently reliable as well as a more or less uniform system for the recording of the promotion process can be judged as a success. Thus, effectiveness and efficiency of the promotion could be evaluated in a more topical manner and better than before. From the expert perspective, the future development of the monitoring system should concentrate on combining the material and financial monitoring, which were previously separated, in order to improve further the consistency of the data basis for the programme control and evaluation. The imminent programming phase of the structural funds for the new programming period offers an optimal opportunity to stabilise the previously achieved progress of the ESF monitoring and adapt to the new conditions.