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Evaluation of the European Social Fund Interventions in Germany

Programming Period 2000 - 2006



Commissioned by the Ministry
of Economics and Labour



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Mid Term Evaluation Report OP of the Federal Government Objective 1

Summary

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Central Results, Conclusions and Recommendations

RWI-Essen, the SÖSTRA Institute Berlin and Prof. Ronning of the University of Tübingen were commissioned by the Federal Ministry of Economics and Labor for the mid-term evaluation of the ESF interventions from 2000 to 2006 in the new *Länder*, in accordance with the Federal Government OP Objective 1. In addition to a detailed analysis of the results of the monitoring (process and flow data), the focus of this mid-term report was especially on the analysis of available results from other evaluations. Furthermore, comprehensive expert interviews were carried out and the economic, labor market policy and social framework conditions of East Germany were analyzed. No separate survey of participants was carried out for federal interventions concerning objective 1. This is due to the fact that nearly all federal programs co-funded by ESF are accompanied by independent evaluations, and that these in most cases already provide for direct surveys of participants in their respective research project designs. If survey results have already been available at the time of the mid-term evaluation, then these were included into the assessment of the intervention results.

Material and Financial Flow

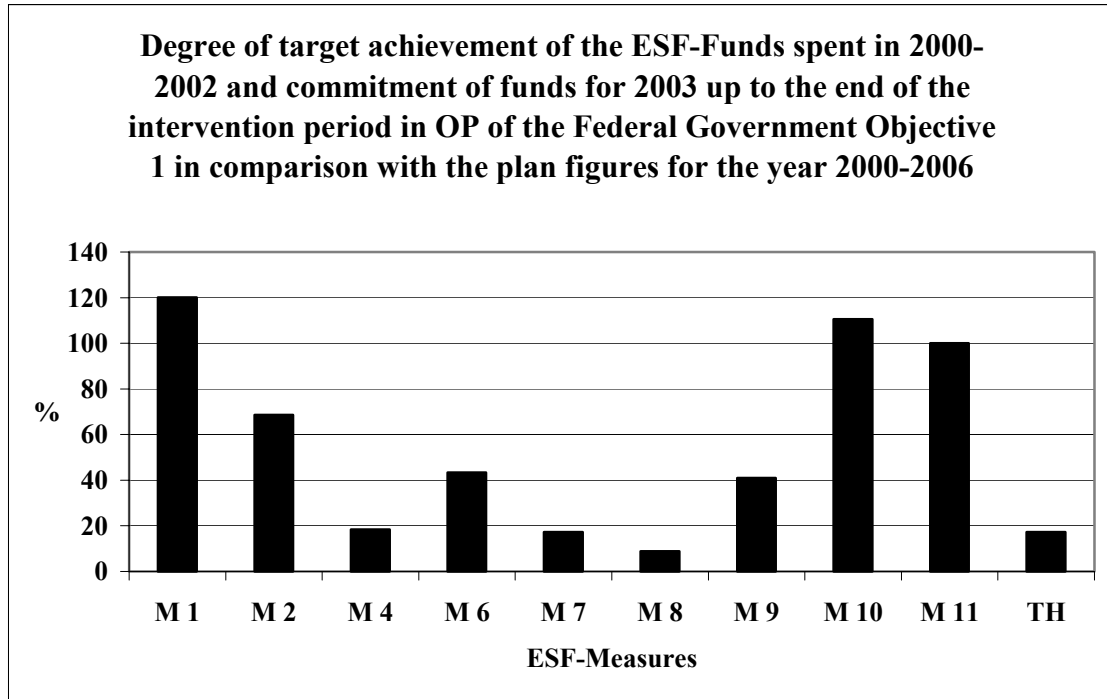
Overall, very good execution of the implementation of the program can be certified in material as well as financial flow for the federal OP objective 1. The **material flow** is more than 100 percent above the planned measure thresholds for the first three years of the planning period. **Financial execution** of the implementation of the program is at 96 % of planning. With 63 % of the total amount of financial aid, the maximum possible ESF share has been largely utilized.

This overall very good status of program implementation was primarily due to the Jugendsfortprogramm (JuSoPro). Nevertheless, a very diverging status of execution was observed for the individual policy fields and measures of the ESF. While the Policy Fields A (active and preventive labor market policy) and E (equal opportunities) are far above plan with respect to material as well as financial flow, this is not the case in other policy fields. The financial deviation analysis shows that the Policy Fields B (society without exclusion), C (vocational and general education, lifelong learning) and D (adaptability and entrepreneurial spirit) were only able to spend currently between 30 and 40 % of the planned funds (refer to figure KF-1).

It causes concern, especially in light of the labor market situation in Eastern Germany, that for the Policy Field B of the federal OP objective 1 up to now not even 20 % of the funds planned have been committed. Training courses for long-term unemployed with comparatively small integration opportunities in the primary employment market are usually regarded very sceptically because of supposed low efficiency, but from a socio-political viewpoint and due to missing other perspectives, the circumstance may surprise that within the federal program for the objective 1 area, the specific training courses for long-term unemployed have been called only for a very low scope.

Also to be assessed critically is the very low degree of target achievement for the Policy Field D (Measures 7 to 9). This carries even more weight because especially these policy fields include types of instruments for which private funds can be solicited to a greater degree of co-funding of ESF measures – an aspect seeming meaningful due to increasingly more difficult public co-funding opportunities in the future.

Figure KF-1



All in all, it is visible that the indicative finance plan which was prepared at the beginning of the current programming period no longer corresponds to the current socio-economical and labor market policy situation. The deviation analyses of the material and financial program flow therefore show the necessity to provide more funds to the Policy Fields A and E. Furthermore, this means for the second half of the programming period that existing deficits in implementation for different policy fields should be reduced and corresponding redistributions of funds should be carried out, respectively.

Gross Effects of ESF Intervention Activities

Table KF-2 shows that under the aspect of financial and participant-related program volume, a decisive role is played by the JuSoPro and the ESF-BA program within the scope of ESF interventions of the federal OP objective 1 – as already mentioned.¹ In contrary to this, the special program "Opportunities and Incentives for Starting Work Subject to Social Security Contributions Obligations" (CAST) – the third ESF funded program implemented by the BA on order of BMWA is of minor importance. Together, these three programs include about 95 % of total expenses for federal objective 1 interventions. Of course, this also means that the overall effects achieved by the federal OP are essentially determined by these programs. The other interventions by the federal ministries, in part, differ substantially from this. They are characterized by a number of specific features with respect to these ESF interventions. These exemplary development programs are used for testing models for appropriate approaches to solutions for, in part, very specific problems of the German labor and trainee market. Therefore, the effectiveness and sustainability of these programs is also to be measured by the induced structural changes, such as by the directly achieved integration successes of the participating persons like this is the case with the bigger federal programs mentioned above.

Table KF-2
Distribution of the ESF Funds on the ESF-Measures According to the Federal Programs

Federal Program	Federal OP Objective 1, Total	M 1	M 2	M 3	M 4	M 5	M 6	M 7	M 8	M 9	M 10	M 11
		Percentage Points										
JuSoPro	51.3	98.6					9.8				90.6	
ESF-BA	38.7		100		82.6				100	99.4	8.5	
CAST	0.6				6.3							
XENOS	2.6				11.2		18.3	68.1			0.8	
Innovative Projects	0.2						1.0	18.0				
BMBF	4.0	0.1					67.4					
BMFSFJ	0.5	1.1					2.3				0.3	
LOS	1.8											100
Single Projects	0.2	0.2					1.3	13.9		0.6		
Federal OP	100	100	100		100		100	100	100	100	100	100

Source: ESF-Monitoring, Date: March 2003

¹ While the measures 3 and 5 in the federal OP objective 1 are not implemented, the measure 11 has not been put into practice in the period under evaluation.

Promotion Effects at the Level of ESF Measures

Effects of federal aid in *measure 1*: The superordinate goal of interventions of this measure of making a preventive contribution to limit and prevent unemployment of young people was largely achieved by means of the co-funded federal programs. Besides the articles 7 and 8 of the JuSoPro used for implementation of this ESF strategy, especially the results achieved up to now by the voluntary social training year which prove this judgment.

To be able to achieve the goal of preventing long-term unemployment and associated social exclusion, very diverse measures for people not yet being long-term unemployed were created within the scope of *measure 2*. Results on target group achievement for vocational training and for training courses are available from accompanying research to the ESF-BA program. This comes to the result that stimulation approaches for unemployed non-recipients of government benefits in this respect enable participation in the BA qualification measures and therefore represent an appropriate approach within the scope of the ESF interventions.

The goal of *measure 4* consists in supporting groups of people with particular disadvantages. In light of the group of people to be promoted, assessment of the impacts achieved is a difficult matter. If the benchmark used for assessment of (re-)integration effects attained for people promoted, then the ESF activities performed here prove to have little effect. But if you include the criteria of social stabilization and increase of potential ability to hold jobs of the persons supported, then positive results of the promotion have been reached after all. The problems are especially pressing in the new Länder in this respect. Therefore, the political decision must be made to which extent these interventions are to be maintained and expanded even further, respectively.

As has already been mentioned, the federal interventions in *measure 6* show a considerable delay in implementation. Still, the stimulation programs executed by the federal ministries may be attested substantial qualitative effects. They result primarily from the fact that these exemplary development programs address deficiencies in the German training and retraining system. Important experience was gained in overcoming these deficiencies in practice. Since this experience has in several cases lead to changes in the statutory basis of the educational system, lasting effects can be certified to these promotion programs.

The federal interventions realized in *measure 7* also show substantial backlog in implementation. The analysis of the contents of stimulation programs co-funded using ESF funds also uncovers difficulties of the federal government of maintaining stimulating instruments conforming to the strategy for co-funding by ESF. If the financial scope of stimulation by this measure is to be upheld, then this would mean for the federal government that they might have to consider new instruments, by means of which the strategies of ESF planned for this measure may be adequately implemented.

The results of the accompanying research for the ESF-BA program show that the "qualification on short hours" performed in *measure 8* have been implemented overall as provided for in the program planning – but to a slightly lower extent than in other fields of ESF activities. This governmental aid plays an important role for implementation of the ESF target spectrum in Germany within the scope of the ESF-BA program. In addition to the program realisation, numerous questions still remain open especially with respect to the success of measures, which will be answered in further steps of the research work accompanying the program.

First results on gross effects of the start-up program in *measure 9* show relatively low transition to unemployment. Overall, the assessment of the program evaluation is that this start-up program has been effective during the first half of the programming period with respect to the goals of stimulation of the entrepreneurial spirit and has performed as an important supplement of assistance within the scope of standard stimulation.

The examination of the promotion of women carried out in the *measure 10* has shown the result that the strategies formulated in the federal OP have been realized satisfactorily. This is shown by the women-specific stimulation approaches of the immediate youth program as well as the results achieved by now of the women projects of the BMFSFJ. Women-specific consulting services have an important role in this. But the ESF funds of this measure should be concentrated more on selected target groups among women.

Results of the Two Federal Programs by Volume

With the JuSoPro, SGB III instruments were promoted supplementarily which are obviously suitable for compensating individual problems of the supported young people and for setting their integration into the educational and employment system in motion. Nevertheless, the JuSoPro makes clear the limited range of effectiveness of the labor market policy and the strong dependence on the economic and cyclical development as well as the absorptive capacity of the labor market connected with that. The achieved integration rates indicate this in particular. Since the beginning of the program, these rates have decreased – in accordance to the deteriorating overall economic development. Additionally, it becomes clear that the rates of the objective 1 area and the ones of the objective 3 area are significantly different.

For the ESF-BA program as the central aid program at the federal level, the IAB has in context of its accompanying research work calculated and compared the integration rates of the ESF participants and the participants promoted regularly. Within the context of vocational retraining aid, the integration rate of the ESF-BA program into unsupported employment subject to social insurance lies with over 18.7 % only slightly below the rate of standard aid. For the vocational training activities the integration rate into unsupported employment subject to social insurance is 17.1 %. Both can be regarded as a positive result of the ESF activities.

For the start-up promotion in context of the ESF-BA program, the following statements can be made: With 10 to 11 %, the share of promoted persons who were registered as unemployed six months after the end of the promotion is fairly low like in the objective 3 area. Without more detailed information about the participant groups it is not possible to assess how far this can be regarded as a success.

Overall Assessment of Federal ESF Interventions and their Contribution to the European Employment Strategy

The federal ESF interventions in the objective 1-area display a positive effect on the ability of the participants to hold jobs and stimulate the formation of enterprises. The ESF was used almost for the whole bandwidth of the European employment strategy within the federal program. The quantitative contribution of ESF interventions during the years 2000 to 2002 is strongly concentrated on preventive stimulation strategies and within this scope on subjects for which overcoming of unemployment, the acquisition of qualification as well as deliberate promotion of women are at the focal point (table KF-3). In contrary to this, the stimulation of disadvantaged as well as the ability of enterprises and employed to adjust are less strongly represented within the federal OP objective 1.

Table KF-3
Structure of the Federal Objective 1 Interventions with Respect to Strategic Focal Points of the European Employment Strategy

Focal Points of the European Employment Strategy	Admission of Participants 2000 – 2002		ESF Expenditure 2000 – 2002	
	Persons	In Percent	Mio €	In Percent
Prevention and activation	189,068	69	550	62
Reform of the fiscal and social systems, taxation of labor	-	-	-	-
Lifelong learning	-	-	50	6
A job market that incorporates all	34,263	12	84	9
Entrepreneurial spirit	10,610	4	29	3
Modernization of labor organisation	3,734	1	5	1
Equal opportunities	37,770	14	175	19
Territorial dimension	-	-	-	-
Total	275,445	100	893	100
Authors' own calculations.				

Overall, a positive image results from the contribution of ESF to the employment strategy. Besides this, some parts offer starting points for improvement. In detail, this leads to the following results:

- For **Policy Field A**, which falls under the **subject field of prevention and activation**, the federal OP objective 1 during the first half of the program period formed a focal point. This field of promotion was essentially covered by the Ju-

SoPro and the ESF program. This promotion was in total effective, leaving leeway with respect to increase of the effectiveness of the measure. The intense promotion in this area fitted seamlessly – in accordance with the planning for the overall ESF strategy- to the European Employment Strategy.

- For **Policy Field B**, the focal point of financial aid within the federal OP was especially included in the ESF-BA program, in XENOS and to a slightly smaller extent in CAST. In spite of the, at first glance, less favorable findings concerning integration rates for the primary labor market, ESF plays an important role in this sector in the main subject "**one labor market for all**" for implementation of the employment strategy. With respect to compliance with these socio-political goals, in spite of missing concrete "hard" indicators for evaluation, there are indications of positive effects of aid activities under evaluation aspects.
- **Policy Field C** is characterized by federal programs serving further development of the system and improvement of the quality of vocational training. These measures played an important role in the European employment strategy for the field "**lifelong learning**". Within the scope of evaluation, the qualitative statements within the scope of expert interviews showed indications for positive effects of the financial aid. Overall, a generally positive image resulted from evaluation with respect to the contribution of the financial aid of Policy Field C to the employment strategy.
- **Policy Field D** has especially contributed to the subject of **lifelong learning** during the first half of the program period. Even though federal aid is not very intense for this area, the federal programs implemented – especially qualification during short hours work – were in compliance with the goals of the employment strategy able to increase the ability of the employees to adapt.
- **Start-up promotion** in Policy Field D during the first half of the program period was able to make a positive contribution to the aspect of development of the entrepreneurial spirit in the employment strategy. With respect to the effects of the aid using this instrument and the associated employment effects, evaluation comes to overall positive results. The effect on the classical target groups of ESF interventions was more of an indirect nature in this respect.
- The major topic of **equal opportunity** is anchored within the scope of the ESF interventions as a cross-sectional goal as well as in **Policy Field E**, which for instance has the goal of improving access of women and promotion of their career opportunities. As an independent policy approach, this goal is perceived and accepted first and bears the clearest profile at this time. Therefore, a generally positive image results with respect to the contribution of the ESF interventions to the employment strategy for this policy field. Some problems still exist in practical implementation, which should continue to be addressed.

- The **small projects for stimulating local development of employment** supported in the **Policy Field F** under the aspect of European employment strategy make a – even though small - contribution to the subject of **entrepreneurial spirit** as well as to stronger orientation to the territorial dimension of the labor market. Financial aid in this policy field generally started late and is therefore still in the initial phase. From an evaluation perspective, this policy field offers many promising approaches, also making clear problems with respect to the required administrative effort and the integration of responsible bodies.

Recommendations

The strategic deliberations on the future role of ESF during the second half of the program period are oriented toward the new, more streamlined guidelines on employment policy and the new columns of the year 2003. They take into consideration the recent overall economic development of the objective 1 area. It shows that in East Germany labor market, regional, structural and cyclical problems overlap with continuing negative effects on growth and employment. In context of the future direction of the ESF interventions, the high youth and long-term unemployment has to be taken into account. If this strategy is to be continued, the focal point would remain to rest on measures for increasing the employment rate and reducing unemployment. Especially this goal is at the core of measures forming the basis within the scope of the current reorganization of labor market policy.

Within the scope of an overall strategy aiming at achieving all goals of the employment strategy, it seems necessary and appropriate from an evaluation viewpoint that **ESF interventions within the federal OP find a balanced relation between its preventive approach and a strategy for "strengthening of social cohesion and social integration" for the second half of the promotion period.** But this should occur without giving up the partially successful and effective approaches within the scope of preventive labor market policy.

The following recommendations are based on the evaluation and simultaneously considering the - in comparison to planning of ESF interventions - changed socio-economic and labor market policy in Germany. In recent years, the general growth weakness of the German economy has been accentuated by negative cyclical influences. The federal government has initiated a number of measures for **modernizing the welfare state** and **reorganizing the national labor market policy.** These reforms have a substantial effect on implementation of ESF interventions in Germany. But the exact effects may often only be determined after knowledge of the final design of the planned reorganization. Planning for the second half of the program period and the recommendations of the experts are therefore within the scope of a field which may be substantially changed due to political decisions.

Recommendations for the Overall Strategy

1. Against the background of changes in the job market policy at the federal level and the problem of co-financing, a **compromise** between **retaining the basis of the current program** and a **necessary reorientation** should be reached. Therefore, we do not advocate any general change of course for the federal OP in the objective 1 area. Furthermore, the strengthening of the innovation capabilities of East Germany and the creation of new training possibilities and jobs should receive priority as well as efforts to avoid the emigration of young people.
2. A central concern of ESF aid consists of permanently improving the chances of the young generation for trouble-free job integration. From our perspective, both the Länder and the federal government should offer **broader activities for youth**, especially in the field of education (Policy Area A, Measure 1). On the one hand, this involves the improvement of the training offer to general training academies with a view to preparation for working life. On the other hand, it involves the qualitative improvement of initial vocational training (especially in vocational schools).
3. Currently, ESF promotion often fills gaps in national governmental support. If changes in the national labor market policy accompanied by the implementation of the Hartz concept and the Agenda 2010 lead to these gaps being closed, then it may prove to be necessary to rethink the current ESF strategy in principal. For the second half of the program period, the question arises then of whether the current interpretation of **complementarity of ESF aid and national aid** will continue to be sensible and target-oriented. Alternatively, **instruments** stipulated by **SGB III** could be used, in contrast to the current practice with ESF funds, if this involves instruments proven to be effective.
4. An alternative possibility of the financial basis at the national level was developed through the accompanying research for the ESF-BA program. Here, a **new financial basis from the tax resources of the federal government and ESF funds should be aimed at**, which avoids the disadvantage of the present mixed financing.

Recommendations on the Individual Instruments

5. Increasing long-term unemployment – especially in the new Länder – also requires the use of **instruments** which **socially cushion** these developments (Policy Field B), as experience has shown. But if these measures are evaluated using the common efficiency indicators only, then there is hardly any reason to be found in their favor. In addition to the **political decision** on how large the share of ESF within the scope of implementation of primarily socio-political goals is to be, indicators have to be defined and operationalized, with which the effectiveness of such ESF interventions can be assessed.

6. The Policy Fields C (lifelong learning) and D (entrepreneurial spirit) offer interesting approaches in the long term **for forming a profile of the content of ESF interventions**, which may be reduced to the formula "**promotion of social cohesion in an entrepreneurially oriented society**".
7. Notification of the commission of 4/25/2003 ("simplification guideline" item 1.1.) offers the possibility of **private ESF co-funding**. We find a common basis for entrepreneurial interests and genuine stimulating fields of ESF, but are sceptical with respect to the development potential of this source of co-funding (especially for measure 7).
8. For promoting **vocation-related qualification measures** (Policy Field D), in accordance with the "recommendations of the commission on implementation of labor policy guidelines in the member states", under the aspect of life-long learning, **stronger focusing on specific target groups** should take place: older employees, women, untrained respectively semi-skilled employees and impaired persons.

Recommendations for the Execution, Administration and the Monitoring System

9. In order to improve the **flexibility of the program**, adjustments in the allocation of funds which are caused by socio-economic or by changes in labor market policies should be made possible in shorter delays than it was usual so far. Such changes should be decided by the monitoring committee. However, the volume of the re-deployable funds should be limited in a relative and absolute sense to prevent fundamental restructuring of the program. The procedure of the amendments should be maintained. An alternate way to proceed in the same intention would be to declare as coverable up to a certain limit the funds for certain policy fields and ESF measures which are designated beforehand. This could further facilitate the procedure.
10. The procedures of administration could also be simplified in other contexts. This applies in particular to the **monitoring system** which could be optimised by downsizing.
11. If the **instrument of the performance reserve** should become a steering device in the future, its aim – general assessment of the program execution **or** assessment of the efficiency of ESF-interventions – has to be defined more precisely. In a second step, indicators will have to be developed that are at the same time operational and adequate regarding the aims.