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# ESF InfoReview

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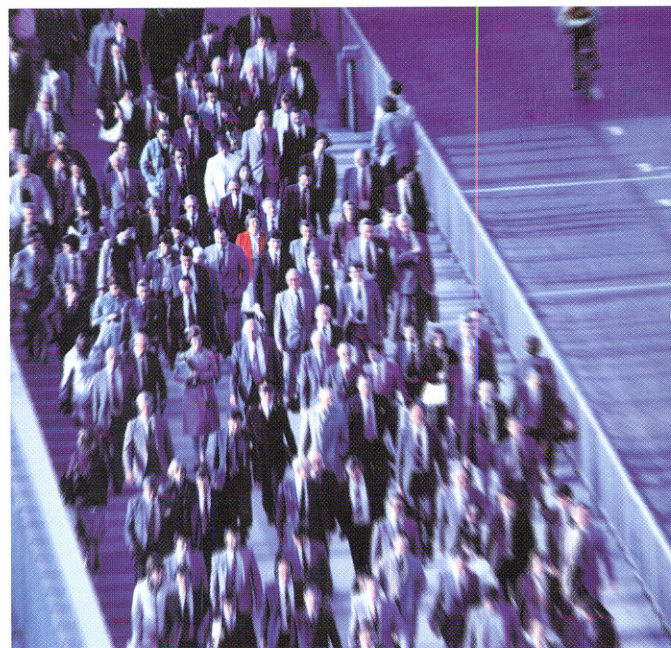
## The European Employment Strategy getting Europe back to work

The EU Member States launched the European Employment Strategy in November 1997 to implement more active and preventive employment policies across the EU. InfoReview talked to Allan Larsson, the European Commission Director General for Employment and Social Affairs, to find out how the strategy is working to put Europe back on track.

### Clear objectives provide the basis for success

According to Allan Larsson, the Employment Strategy has four clear objectives: "getting more people back into work; promoting job creation and preventing unemployment; helping companies and individuals to adapt to change; and ensuring that equal opportunities are available to everyone. The whole process is managed on the basis of these objectives" said Larsson. "This has helped the Member States to remain focused on what they are trying to achieve".

The Strategy was designed so that it can be developed and strengthened on an on-going basis. The Member States agree on annual Employment Guidelines, which they then implement through National Action Plans (NAPs). These plans are evaluated by the European Commission and recommendations are put forward for their improvement. At the same time, the European Commission monitors the annual employment performance of each Member State to measure the impact of the NAPs. According to Allan Larsson, "the process of management by objective has proved to be so successful that the Member States have called for this model to be applied to other policy fields".



### Featured in

 this issue

#### ESF 2000-2006:

InfoReview looks at the major changes resulting from the introduction of the new Structural Fund regulations.

**See article on page 11**

#### Employment and the ESF:

InfoReview interviews key players in Greece and Portugal.

**See pages 9, 18 and 19**





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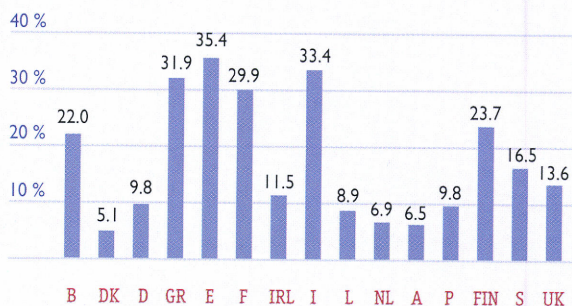
Allan Larsson, Director General for Employment and Social Affairs, European Commission

## Learning from experience

The first annual cycle of the Employment Strategy was completed at the end of 1998 with positive results according to the Director General. "The Member States agreed on the key elements of a more active and preventative employment policy and set out concrete plans for achieving agreed objectives. As a result, the EU Member States are now implementing a coherent and consistent set of initiatives designed to help all of Europe's citizens play a full role in the economic development of the Union".

At the end of the year, the European Commission undertook a peer group review to evaluate the employment performance of each Member State compared to the performance of the best three. "This allowed us to delve into the specific strengths and weaknesses of each country and identify potential opportunities for employment growth that could be exploited by all of the Member States". As part of this process the Commission identified many examples of good practice, "Denmark's youth unemployment

Youth unemployment 1998  
(% labour force 15-24)



Source: Eurostat



policy dramatically reduced youth unemployment from 9% to 6% in 1997 – this is something that the other Member States can learn from". There is also praise for the integrated approach developed in Austria for reducing female unemployment, which provides a comprehensive pathway for bringing women back into the workforce.

Looking towards the future, the Commission is now evaluating the 1999 NAPs and will publish its opinion in the Joint Employment Report later this month. "Crucially, this report will look at how the Member States intend to use the European Social Fund which is the key financial resource for meeting the policy objectives set out in the strategy".

Meanwhile, the Finnish Presidency is expected to make an active contribution to the development of the strategy for the year 2000. "The Finns have expressed strong interest in local development and it is likely that the NAPs for 2000 will include stronger 'front end' engagement at the local level". Many Member States are interested in developing partnerships to help them design, as well as deliver, their National Action Plan commitments.

## Towards a European Employment Pact

Linking the Employment Strategy to other policies designed to increase growth and generate jobs is now a

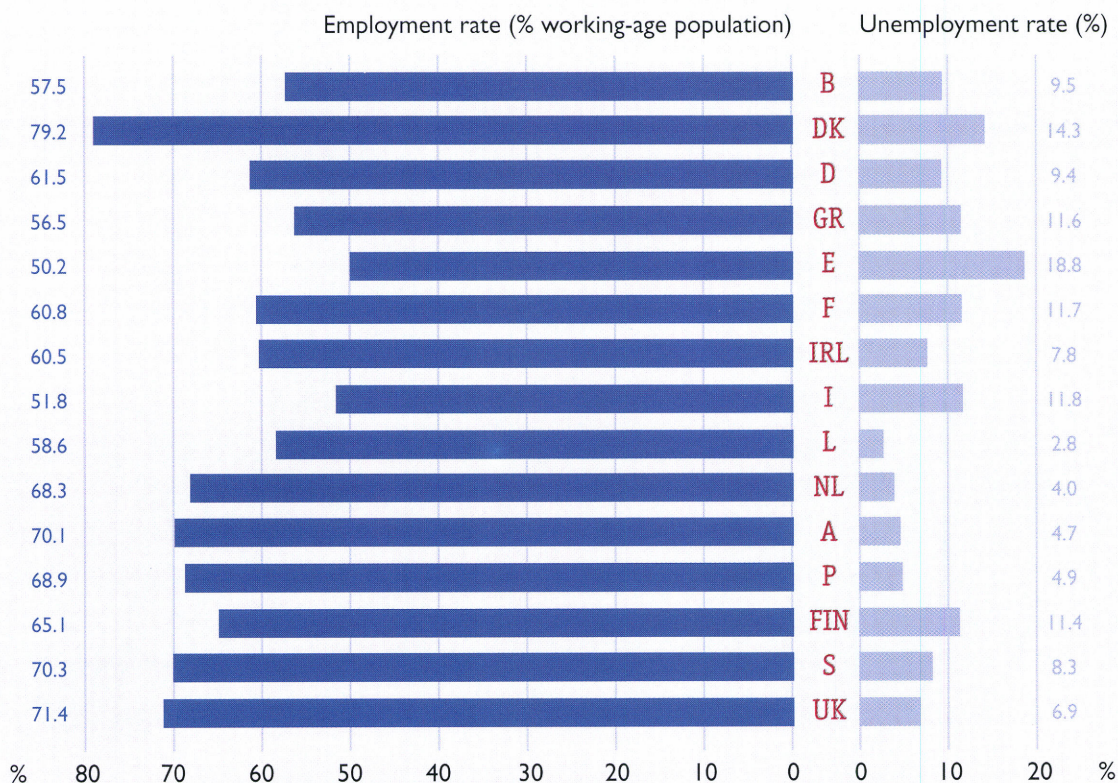
top priority for the EU Member States, according to Allan Larsson. "We now have to start building greater synergies between the Employment Strategy, the co-ordinated macro economic dialogue, and the reforms of the product, services and capital markets". In a decision reached at the Cologne Summit, the Member States agreed that these three key processes will be brought together under the 'European Employment Pact' in order to support and mutually reinforce each other.

The coordination of macro economic policies covers the Broad Economic Policy Guidelines and the newly established Macro Economic Dialogue on fiscal, monetary and wage policies (known as the Cologne process). Whilst the first of these is based on an institutionalised dialogue between the Member States, the European Central Bank, employers and trade unions, the latter is based on political agreement. Effective cooperation between the two should provide a basis for the development of the macro-economic policies necessary to achieve sustainable growth across the EU.

At the same time, the Member States will pursue reform policies (under the Cardiff process) in the product, services and capital markets. These reforms are vital for ensuring that European businesses are able to compete successfully in world markets and achieve their full potential for growth.

"The German government worked hard to secure the adoption of the Employment Pact and we expect this

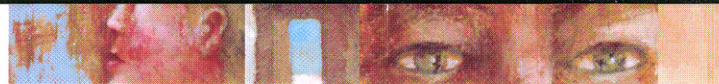
Employment and unemployment rates per Member State in 1998



Source: Eurostat

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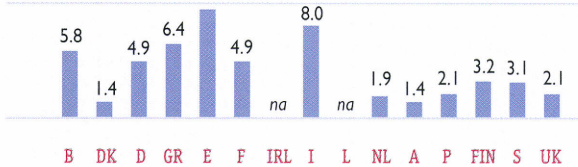




**Long-term unemployment rate 1998  
(% labour force)**

20 %

10 %



Source: Eurostat

## Building on success

Europe has many examples of success, according to Larsson. "Since 1996, the number of unemployed people in the EU has fallen by 2 million. Denmark, the Netherlands and Portugal have all brought unemployment below 5%. Others are following. Ireland's past investment in human resources has paid off with strong growth halving the rate of unemployment and Spain is now achieving employment growth of 2% a year. The challenge is for all of the Member States to follow these examples and bring unemployment below 5% while at the same time maintaining price stability". That is what the European Employment Pact and the European Employment Strategy must help them to achieve.

momentum to be continued under the next two presidencies", said Allan Larsson. A special summit will be hosted by the Portuguese Presidency in March next year on moving 'towards a Europe of innovation and knowledge'. "This meeting will focus on employment, economic reform and social cohesion and will review the progress made under the Luxembourg, Cologne and Cardiff processes".



EU Leaders welcomed the European Employment Pact at the Cologne Summit in June



# Europe's employment problems

## the rationale behind the Employment Strategy

Europe has high unemployment (over 10%) and low employment (about 60%) and massive long-term unemployment (half of the unemployed have been out of work for more than one year). There are two main reasons for this:

### Europe's inability

to cope with macroeconomic shocks

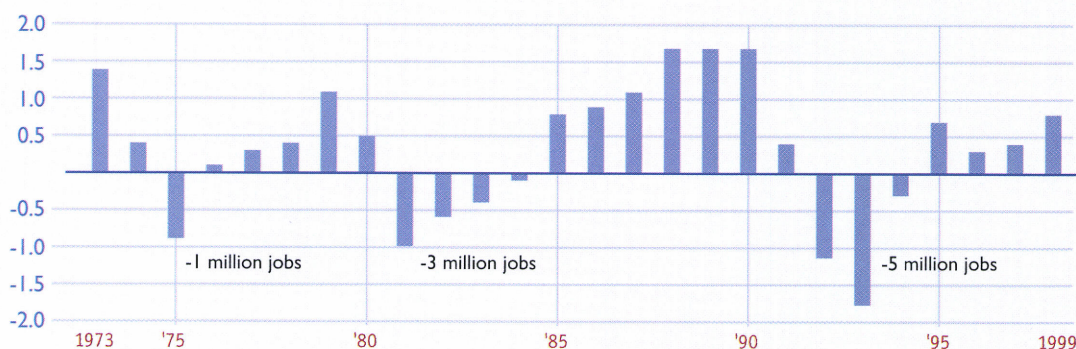
Over the last 25 years Europe has suffered three periods of economic recession, each of which was triggered by an external macroeconomic shock (the oil price shocks in 1974 and 1981 and the monetary crisis in the early 1990s). During these periods of recession Europe lost more than 9 million jobs. This reduced the net jobs growth for the period 1973-1998 to just 8 million jobs. At the same time, Europe's working age population increased by 28 million people. Europe's inability to absorb growth in the active population has therefore been translated into higher unemployment (17 million) and a low employment rate (60%).



There are two main reasons behind Europe's employment woes

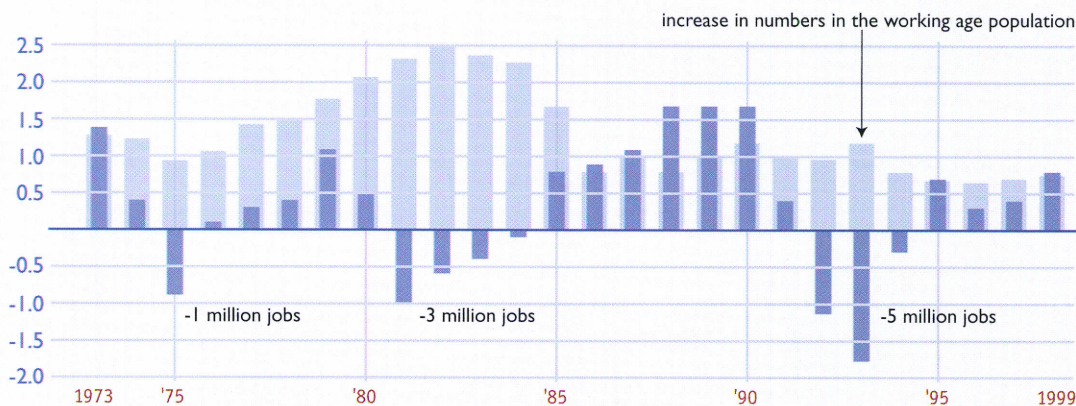
#### Jobs gains and losses and changes in the working age population

Changes in employment (EU 15 • 1973-1999)



Source: Eurostat

Annual change in employment and working age population (EU 15 • 1973-1999)

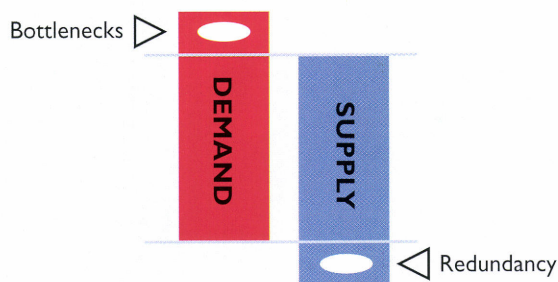


Europe's inability to absorb growth in the active population has contributed to higher unemployment





### The two-speed labour market



## Europe's changing labour market

There is about a 10 % turnover in the number of jobs lost and created in Europe each year. Many of the jobs lost are in declining industries and are often either 'low skill' or 'old skill' occupations. Meanwhile the majority of jobs being created tend to be in new economic sectors that demand 'high skills' or 'new skills'. This imbalance causes two types of structural problem. The first is bottlenecks. Many growing companies can not find the skilled employees they need to support their development. The second problem is redundancy. 'Low skilled' and 'old skilled' jobs are being lost more quickly than the rate at which low skilled or old skilled employees leave the labour market.

The European Union has developed a twin response to these problems. The European single currency will help Europe to prevent and manage the impact of external economic shocks more effectively. It will help to shield Europe from global economic and financial turbulence as well as help to stabilise conditions in the rest of the world. The European Employment Strategy has been designed to help Europe manage the structural transformation of the labour market. It has put in place a convergence process based on quantified and comparable targets and agreed guidelines for active employment initiatives, replacing the passive employment policies of the past.

## Employment Strategy's four pillars

The Employment Strategy is founded on four goals or 'pillars': making sure people are equipped with the right skills (employability); making it easier for people to start running businesses and to employ people (entrepreneurship); developing new flexible ways of working in a fast-changing world (adaptability); and ensuring equal access to jobs for women and men and equal treatment at work (equal opportunities).

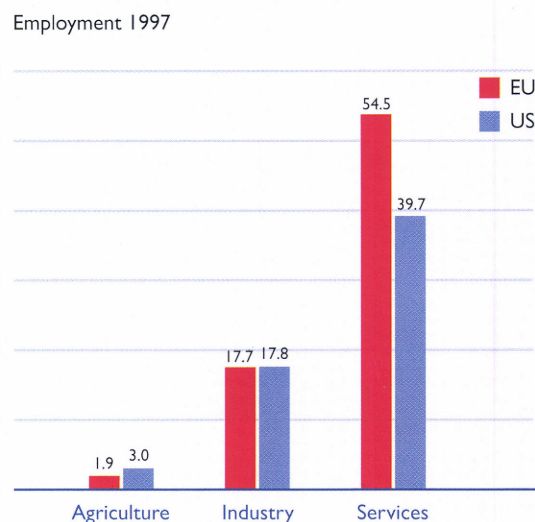
## Why Employability?

While the European social model has been successful in providing an income 'safety net' for people who have become unemployed, it has failed to provide a 'spring-board' to help people get back into work. This has led to massive long-term unemployment. Two thirds of the 200 billion ECU applied to labour market policy are spent on the passive administration of unemployment, while just one third is invested in active measures to improve the employability of job seekers. Moreover, many of the active measures only become available to people after they have been unemployed for over a year which is much too late. With skills demands of the labour market changing fast, active measures must be put in place to equip people with the skills that employers need.

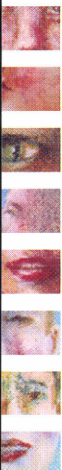
## Why Entrepreneurship?

Comparisons of employment by sector with the United States reveal that Europe lags behind in generating the employment potential of the services sector. The US has 15% more people employed in the provision of services many of whom are employed in hotels, catering, restaurants and distribution and in communal services which includes education, health and social services. Clearly there is room for growth in the EU services sector, but this can only stem from entrepreneurial initiatives at the local level. To achieve this, measures are needed to make it easier for people to start and run businesses and to create a new culture of entrepreneurship in Europe.

Employment Rates by sector - US and EU 15



Source: Eurostat





## Why Adaptability?

It is predicted that by 2005, 80% of the technology we are using today will be obsolete. As the pace of technological change quickens employees will be required to think differently and work differently. More jobs require higher levels of education and training. Meanwhile, the working population is getting older. As the birth rate slows, so there will be fewer recently trained young people entering the labour market. With the workforce getting older and technologies and production processes ever advancing, we can no longer rely on 'front end' investment in training for the young, rather we must focus on the continual renewal of skills and competencies through lifelong learning.

At the same time companies will constantly have to restructure and modernise to remain competitive. To do this successfully they will have to ensure that change and restructuring are understood and supported by their employees. Active partnership and dialogue will be essential for managing change and developing cultures of excellence based on adaptation and anticipation.

## Why Equal Opportunities?

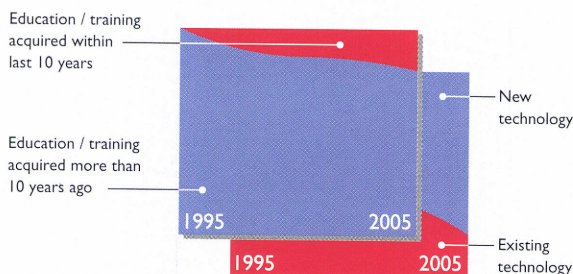
Despite the rapid growth of female participation in the workforce there remains a significant gender gap, not only in terms of participation, but also in terms of quality and access. Social justice demands that disparities in terms of working time, working conditions and career development be brought to an end. In particular, more needs to be done to help people reconcile their working lives with their family responsibilities.

But there is also a strong economic reason for pursuing more inclusive policies. The changing demographic situation coupled with a declining working age population means that women will be required to play an active role at all levels and in all sectors of the labour market.



### The skills gap

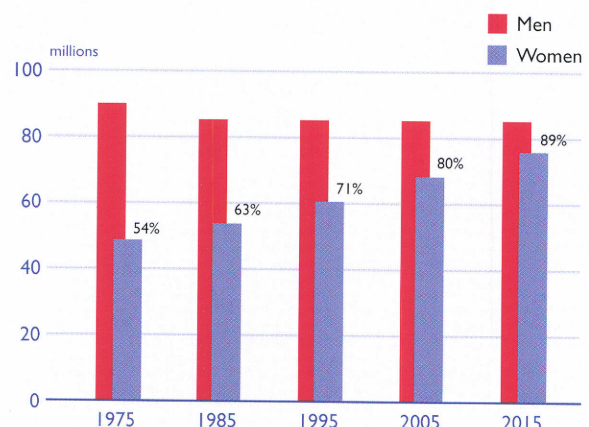
The workforce is the most important investment project in Europe for the next ten years



- 80 percent of technology is less than 10 years old
- 80 percent of the workforce acquired their education and training more than 10 years ago

### Closing the gender gap

Share of women's employment compared with men's employment



Figures for 1975 and 1995 adjusted to allow for the new German Länder



# Key tools for strengthening the European Employment Strategy

The European Employment Strategy aims at convergence of employment policy and performance. It is vital, therefore, that the European Commission is able to analyse and compare the 'employment performance' of Member States to assess whether progress is being made. Each Member State's performance needs to be monitored against a starting-position. This is based upon employment performance over the years before 1998.

## The Performance Indicators



In 1998, nine 'common performance indicators' were agreed with Member States. They were selected to provide an easy-to-read comparable view of the employment record of a particular country, and to monitor whether a particular Member State is moving towards the standard set by the three best-performing countries.

### Nine key indicators:

- 1 Total Employment Growth
- 2 Total Employment Rate
- 3 Total Employment Rate (Full-time equivalents)
- 4 Total Unemployment rate
- 5 Youth Unemployment Ratio
- 6 Long-term Unemployment Rate
- 7 Real GDP Growth
- 8 Apparent Labour Productivity Growth
- 9 Real Unit Labour Costs

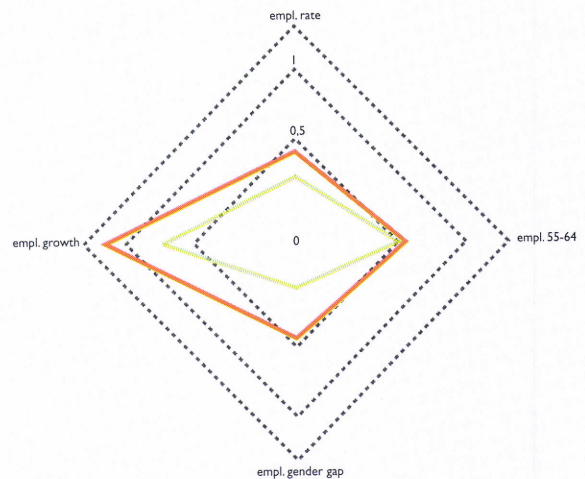
## The innovative diamonds approach

The European Employment Observatory has pioneered an innovative method of portraying employment performance, known as the diamond chart approach.

A set of selected indicators is presented which describe the performance of each country. The position of each Member State is determined by its relative location vis-à-vis best performance standards within the EU, which are defined as the average of the three best performers for each indicator for 1997. Two diamonds are presented portraying respectively the employment and unemployment performances. The larger the diamond, the more favourable the 1997 Employment Strategy starting point of the Member State concerned.



### The diamonds approach: the bigger the better



## Setting benchmarks

Assessing whether the Employment Strategy is working means more than monitoring trends in employment data. Putting guidelines into practice also requires close analysis of the policies themselves, objective benchmarks for what these policies should be doing, and ways of measuring whether this is actually happening.

The European Commission analyses the specific situation of different groups in the labour market and policies concerned with their employability. The results of a number of studies on the long-term unemployed, young unemployed, gender-related problems, the problems faced by elderly workers and the economics of active and passive labour market policies are fed into the analysis of the NAPs. Much work has been carried out on the preparation of a database for these policies and the type of data which needs to be input, so that data collection can start in 1999.

## Mainstreaming

In accordance with the Amsterdam Treaty employment issues are to be taken into account when developing and implementing all new EU policies. The European Commission has focused on developing methods for effective measurement of employment impact and on building employment impact assessment into all policy-making procedures.

The Commission is also reviewing the different EU policy areas that could be instrumental in increasing job growth and examining how greater synergies can be attained between different policy fields, such as employment and the environment.





# The Employment Strategy

## brings a new approach in Greece

Despite achieving GDP growth of 3% per year over the past five years unemployment has continued to rise in Greece. InfoReview talked to Christos Protopapas, the Greek under secretary of state for employment, about his plans for turning the employment situation around in Greece.

### Boosting the impact of EU funding

Since 1989 Greece has received nearly € 6.2 billion through the Community Support Frameworks for investments in human resources. These funds have been used for programmes on education, training, adaptation to new technologies, and the creation of new jobs both in the public, and the private sectors.

However, the employment indicators used to measure and compare employment performance across the EU show that while unemployment has been falling across Europe, it has actually continued to rise in Greece. This is despite sustained GDP growth above the 3% threshold normally considered sufficient to maintain or increase employment levels.

While the majority of competent authorities accept that the aid provided by the European Union, chiefly the European Social Fund, has been important for employment, many agree that the comprehensive approach offered by the European Employment Strategy will help to boost the impact of European funding.



The Employment Strategy has four pillars



InfoReview asked Christos Protopapas about how he views the role of the European Employment strategy and how it is being implemented in Greece.

### Sustainable jobs

"Europe has a responsibility to fight against unemployment on behalf of its citizens," said Protopapas. "The policies implemented in Greece through the National Action Plan for Employment lay down the foundations for a global strategy for employment and development. This strategy combines active employment policies, equal opportunities, and the welfare state, as well as policies that will regulate the labour market and ensure a system of balance and fair distribution of wealth".

Protopapas stressed that the objective of the Greek government was to achieve full employment on a sustainable basis. "Fighting unemployment is our number one priority, however, we have avoided including subsidies or temporary solutions within the package of employment measures". Asked if there were any differences between the European Employment Strategy and the Greek National Action Plan, he replied that the measures and structures





being undertaken are fully in line with the European Employment Guidelines. "This is an on-going, multi-year harmonisation effort which fully reflects the decisions and directions agreed at a series of EU summits".

## A tailor-made approach

"The Greek National Action Programme for Employment puts into practice the principle defined by European leaders for an effective employment policy, based on a sustained effort to co-ordinate actions. Every action in the economy must be linked to new jobs", he explained. "It incorporates the European guidelines for employment, reflecting the readiness of the Greek government to tackle, together with our EU partners and through the social dialogue, the problems of restructuring and the development. However, our actions and specific interventions are, of course, geared to the actual Greek situation, to the needs of the Greek citizen".

When asked about the impact that these policies will have on the Greek employment situation Christos Protopapas argued that the NAP would encourage public and private investments for development, strengthen active employment policies, and lead to the adoption of a new employment model combining flexibility with job security. "Over

the past two years, the Greek government, in line with the Amsterdam Treaty, has launched two National Action Plans for Employment (1998 and 1999) and, set clear, specific, verifiable, measurable and quantitative targets. By the year 2000, all unemployed persons will have been given an opportunity for employment or training. Every year, nearly 20% of the unemployed will take part in actions geared to reintegration in the labour market and young persons (up to 29 years old) will be provided with free medical care. Measures have also been taken to help SMEs create jobs and to encourage entrepreneurs to set up new business ventures".

## Achieving results

"Greek working men and women can now see the benefits of our employment policy. Most importantly through the opportunities offered by the 1999 National Action Plan for Employment and the efforts made to integrate young people in the world of 'gainful employment', many more unemployed people are now enrolled in training programmes to acquire work experience and to become better integrated in the labour market. We promised it, and we delivered".

Christos Protopapas accepts that unemployment remains a serious problem in Greece and is, in fact, one of the biggest challenges facing the country today. Nevertheless, he believes that current employment policy will succeed in stimulating demand on the labour market. "By adopting good European practices for employment; building links between development and employment; adapting the employment guidelines to the Greek context; and empowering people to improve their skills and ability to adapt to change, I am sure that we will achieve a substantial reduction in unemployment", said Protopapas. "I am certain that by creating opportunities and by involving every unemployed and employed person in the Europe of the 21st century, we will achieve results that will vindicate our policies".



## The revised Greek National Action Plan for Employment (NAP) 1999

### Bringing the Employment Strategy to Life: the revised Greek NAP

- Overall budget exceeds the 1998 NAP
- Emphasis on employability pillar
- Improvement to the organisation and coordination of employment interventions
- Quantitative targets and financial information for all measures
- Improvement of NAP's co-ordination and monitoring
- Commitment to upgrade the 'Territorial Employment Pacts'
- Measures to reduce the tax burden on businesses



# New rules for the new millennium

## Ministers adopt Structural Funds regulations

**ESF**  
2000-2006

On 21 June EU Ministers formally adopted the new Regulations that will govern the operation of the ESF and the other Structural Funds over the next seven years. Member States and the Commission now have to agree on the various national and regional plans setting out how the Funds will be spent on the ground in the drive to develop the EU's job market and economy over the years 2000-2006.

### Keeping up

with the pace of change

Europe has changed enormously since the last major reform of the Structural Funds in 1988. We have seen the completion of the Single Market, the accession of new Member States to the EU, the introduction of the Euro, and firm plans for further enlargement in the years to come. We have also witnessed significant changes in the way we work, with technological development and globalisation setting the pace of change, and creating the impetus for economic growth.

However, this has not always gone hand-in-hand with net employment growth. Although Europe has created new jobs, this has had little effect on the overall number of people out of work. In recognition of this fact, the EU has made a strong commitment to tackle unemployment and exclusion – set out in the Treaty of Amsterdam – and has established an overall strategy to link European and national employment policies to generate more and better jobs – the European Employment Strategy.



Millenium celebrations: new rules for 2000-2006

The Structural Funds in general, and the ESF in particular, have been reformed to take account of these new challenges, and a clear role has been set for the ESF as the principle funding mechanism for the European Employment Strategy.

## Milestones to the new ESF

**July 1997**

The Commission adopts a white paper on Agenda 2000

The Treaty of Amsterdam is agreed and sent for ratification, including a legal base for new forms of cooperation to tackle unemployment and combat exclusion

**November 1997**

The Luxembourg Jobs Summit agrees on the European Employment Strategy

**March 1998**

The Commission tables its proposals for the Structural Funds 2000-2006

**May 1998**

The European Social Fund Congress debates the future of the ESF

**December 1998**

The Vienna Summit confirms employment as the EU's N°1 priority and the ESF as the principle vehicle for funding this policy commitment

**March 1999**

The Berlin Summit agrees Agenda 2000, the blueprint for EU policy and financing for the next seven years

**May 1999**

The Treaty of Amsterdam enters into force

**June 1999**

The Structural Fund Regulations are formally adopted and enter into force.



# The new Structural Funds 2000-2006



The reform of the Structural Funds is an important element of the EU's plans for the first years of the new millennium. Agenda 2000, the EU's plan for the years 2000-2006, which was agreed in March 1999, determined the shape and size of the Structural Funds for this period, and the role they will play in building economic and social cohesion throughout the EU.

The Structural Funds have been set a four-fold mission under Agenda 2000:

- contributing to sustainable economic development
- developing employment and human resources
- promoting equality between women and men
- protecting and improving the environment.

Setting the budget for the Structural Funds (as for the EU's finances in general) was inevitably a matter for hard bargaining between the Member States, with pressure for budget stabilisation reducing still further the room for manoeuvre. However, it was finally agreed that the total Structural Funds allocation for all 15 Member States over the years 2000-2006 will be € 195 billion.

The General Regulation, E C 1260/99, (published in Official Journal L 161, 26 June 1999) sets out the rules for the way in which the Structural Funds will work during the next seven year programming period.

## Greater concentration

In order to use the resources of the Structural Funds as efficiently as possible, it was decided to concentrate their use by reducing the number of priority objectives from seven to three.

Two of these objectives will apply to particular regions, while the third will apply in the whole of the European Union.

**Objective 1:** Regions whose development is lagging behind

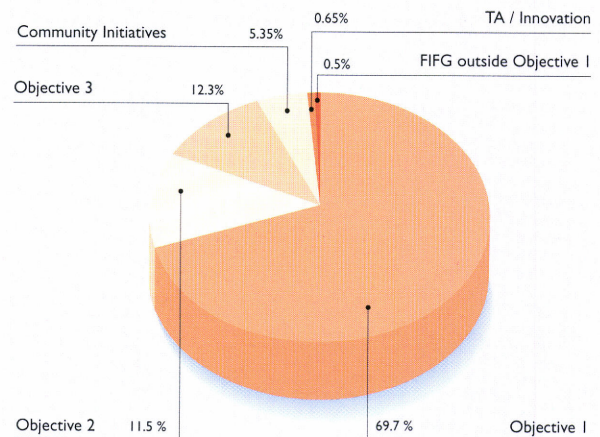
**Funding:** € 135.9 billion (69.7% of Structural Fund assistance)

**Operational Funds:** ERDF, ESF, EAGGF-G, FIGG.

This Objective will help the development of the poorest regions of the European Union, where GDP per capita is less than 75% of the Community average. It will also operate in some of the EU's more remote regions (the French overseas departments, the Azores, Madeira and the Canary Islands), and in sparsely populated regions in Sweden and Finland which benefited from Objective 6 assistance in the 1994 - 1999 programming period.

Transitional assistance will be available for areas which lose their eligibility in the new period, under a new regional programme (until December 2005 or 2006).

Funding per Objective (2000-2006)



### Objective 2:

Economic and social conversion of areas facing structural difficulties

### Funding:

€ 22.5 billion (11.5% of Structural Fund assistance)

### Operational Funds:

ERDF, ESF, EAGGF-G

Objective 2 will concentrate Structural Fund support on no more than 18% of EU population. It will cover four different types of regions facing particular problems in coping with economic and social change:

- industrial areas (10% population)
- rural areas (5% population)
- urban areas (2% population)
- areas dependent on fisheries (1% population)

The list of regions eligible for Objective 2 support will be finalised on the basis of specific criteria for each of these 'types' of area, and of population ceilings at national level.

### Objective 3:

Adaptation and modernisation of policies and systems of education, training and employment

### Funding:

€ 24.05 billion (12.3% of Structural Fund assistance)

### Operational Fund:

ESF only

Objective 3 is to promote the adaptation and modernisation of policies and systems for education, training and employment across the EU, and provide funding for these activities outside the Objective 1 regions, which will fund their own human resources activities. Besides this, Member States will have to draw up a Policy Frame of Reference which sets out the guidelines for this human resources sup-



port across their entire territory. This will be an extremely important policy document, as it is the main way of ensuring that ESF programming for human resources at national and regional level dovetails with activities and policies related to the National Action Plan for Employment.

## The Community Initiatives

As from 2000, there will only be four Community Initiatives, as opposed to the current thirteen. These four Initiatives will each be financed by a single Fund:

**EQUAL** promotes new means of fighting all types of discrimination and inequality with regard to the labour market (ESF)

**INTERREG** supports transnational, cross-border and inter-regional cooperation on planning (ERDF)

**LEADER +** focuses on local initiatives for rural development (EAGGF)

**URBAN** seeks to promote sustainable urban development of towns, cities and urban areas in crisis (ERDF)

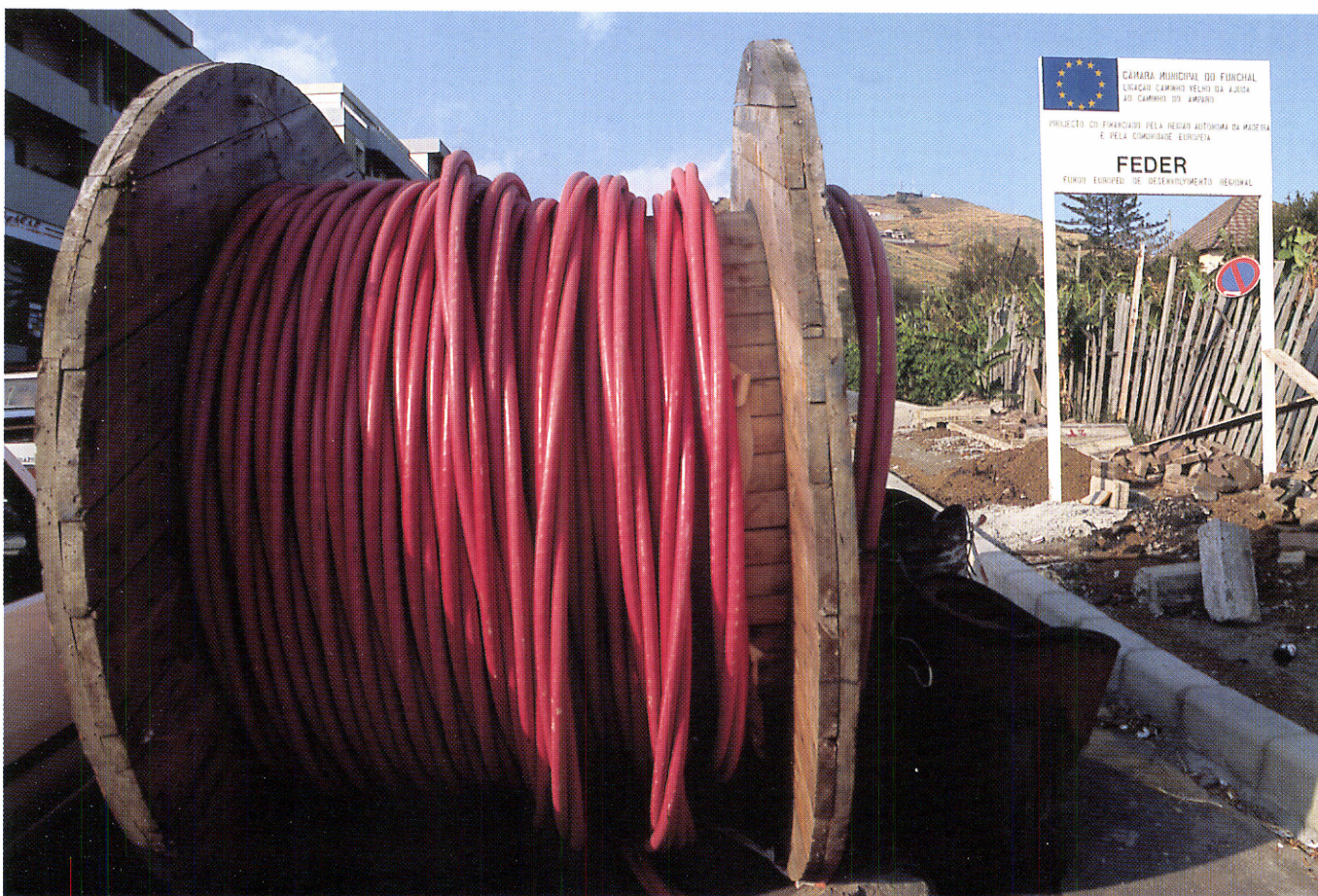
5.35% of the total Structural Funds budget (roughly (10.5 billion) will be allocated to these four Initiatives over the 2000-2006 period.

## Increased efficiency

The Structural Funds have always worked on the basis of partnership. As from 2000 the partnerships involved in preparing, financing, monitoring and evaluating the Structural Funds will be widened to include local authorities and other bodies with a contribution to make, as well as the national and regional authorities and the economic and social partners. While the Commission will agree the main shape of each programme, the details of programming and the way finance is broken down within programmes will be dealt with by the Member State, in a new document called a 'programming complement'.

The changes outlined above will all contribute towards increased efficiency. However, tighter definitions of eligible expenditure, improved systems for financial inspection and checking, and better integration of evaluation are all included within the new Structural Fund rules to improve the way programmes work and to maximise their impact. The regulation also provides for new, varied forms of funding.

In addition, 4% of each national allocation will be withheld and re-assigned within each Member State to its best-performing programmes.



The Structural Funds play a key role in improving infrastructures in less developed regions



# The new European Social Fund 2000-2006



The new European Social Fund Regulation (EC 1262/99) sets out the ESF's mission, and the way it is to work. The ESF's role is to help prevent and combat unemployment, to develop human resources and to promote integration in the labour market. It must also seek to promote a high level of employment, equality between women and men, sustainable development and economic and social cohesion. In particular, the ESF should support activities undertaken by the Member States as part of their National Action Plans for Employment.

## Five policy fields

The policy fields in which the ESF can provide support are necessarily broad. This is to take account of the wide range of policies and needs between different Member States, and of the fact that this must cover ESF activity over seven years.

- 1) Developing and promoting active labour market policies
  - to combat and prevent unemployment,
  - to prevent both women and men from moving into long-term unemployment,
  - to facilitate the reintegration of the long-term unemployed into the labour market
  - to support the occupational integration of young people and of persons returning to the labour market after a period of absence.
- 2) Promoting equal opportunities for all in accessing the labour market, with particular emphasis on those exposed to social exclusion.
- 3) Promoting and improving training, education and counselling as part of a lifelong learning policy to:
  - facilitate and improve access to, and integration into, the labour market
  - improve and maintain employability, and
  - promote job mobility;
- 4) Promoting a skilled, trained and adaptable workforce, innovation and adaptability in work organisation, developing entrepreneurship and conditions facilitating job creation, and enhancing skills and boosting human potential in research, science and technology.
- 5) Specific measures to improve women's access to and participation in the labour market, including their career development, their access to new job opportunities and to starting up of businesses, and to remove barriers to employment or career development based on sex discrimination.

Within these five fields, the Fund is also to take account of three key objectives:

- Supporting local initiatives on employment, in particular local and territorial employment pacts.

- The social and labour market aspects of the information society, to harness its job potential and that ensuring its facilities and benefits are available to all.
- Ensuring equal opportunities for men and women are included as an objective of all activities.

## Three fields of activity

The ESF provides support to help people become more employable. However, it can also be used to improve systems and structures to enhance the operation of the labour market.

### Developing human resources

Education and vocational training, including:

- apprenticeships
- pre-training, especially basic skills
- rehabilitation in employment eg, for the disabled
- measures to promote employability on the labour market
- guidance
- counselling
- continuous training.

Employment aids and aids for self-employment.

In research, science and technology development, including: post-graduate training and training of managers and technicians at research establishments and in enterprises.

Developing new sources of employment, including those in the social economy.

### Structures and systems

Developing and improving training, education and skills acquisition, including:

- the training of teachers, trainers and staff;
- improving the access of workers to training and qualifications;
- modernising and improving the efficiency of employment services;
- developing links between the worlds of work, education, training and research establishments;
- developing systems for anticipating changes in work and employment needs, particularly related to new patterns of work and work organisation.

### Accompanying measures

- Assistance in the provision of services to beneficiaries, including care services and facilities for dependants
- Promoting socio-educational development to facilitate a pathway approach to labour market integration
- Awareness-raising, information and publicity.



# The main changes in the new programming period

ESF  
2000  
2006

## Changes in the way the Structural Funds work

### New 7-year programming period

Each Structural Fund programme will cover the entire 2000-2006 period, though there is scope for adapting programmes half-way through, after the mid-term evaluation.

### New procedure for agreeing programmes

The Commission has published guidance on common priorities for all three Objectives of Member States draft plans. Following consultation with the Commission, Member States will compile broad strategic outlines, financial allocations, and methods for implementation.

After these are adopted and agreed by the Commission, Member States or regions compile a new programming complement for each programme, which sets out the type of beneficiary, and gives the financial allocation for each measure.

### New Managing Authority

A Managing Authority will be designated by the Member State to be responsible for supervising the implementation, ongoing management and effectiveness of the programme (the programming complement).

## Changes specific to the ESF thematic approach

While most ESF-funded assistance is designed to be of benefit to individuals, the Regulation focuses on policy areas for support, rather than on "target groups" as before.

### Funding for NGOs and local partnerships

An important new element in the new period will be the requirement for Member States to set aside "a reasonable amount" of funding for small grants, with special access conditions for NGOs and local partnerships.

### No difference in eligibility between Objectives

The 1994-99 ESF allowed for different types of activities within different Objectives to assist different types of target groups. Thus, Objective 1 areas could use ESF money to develop education structures, which could not happen in Objective 2 areas. Similarly, a Member State's Objective 3 programme could not help companies predict changes in working methods, as this was only eligible under Objective 4 programmes. ESF 2000 allows the same use of ESF money across all the three new Objectives.



Training remains a top priority for Europe





## The ESF Regulation - article by article

### Article 1 - Tasks

The ESF is to support measures to prevent and combat unemployment and to develop human resources and social integration into the labour market. It is to contribute to action undertaken under the European Employment Strategy.

### Article 2 - The five policy fields

The ESF can help what Member States do to develop their labour markets and human resources in the five policy fields mentioned above. Across these fields, it is also to focus on local employment initiatives, the benefits of the information society, and is committed to mainstreaming equality of opportunity for women and men.

### Article 3 - Eligible activities

Sets out the types of activities which can be eligible for support - see above.

### Article 4 - Concentration

Member States are to commit to focus ESF spending on

the fields which require it most, with particular emphasis on skills development and equal opportunities. A reasonable amount of funding in Objective 1 and 3 programmes must be made available for small grants, with special access for NGOs and local partnerships.

### Article 5 - Community Initiative

The ESF will contribute to EQUAL, the Community Initiative to tackle discrimination and inequality in the labour market.

### Article 6 - Innovative measures and technical assistance

The ESF can also support various types of activities for preparing, monitoring and evaluating ESF programmes. These are set out in this article.

### Articles 7 - 12

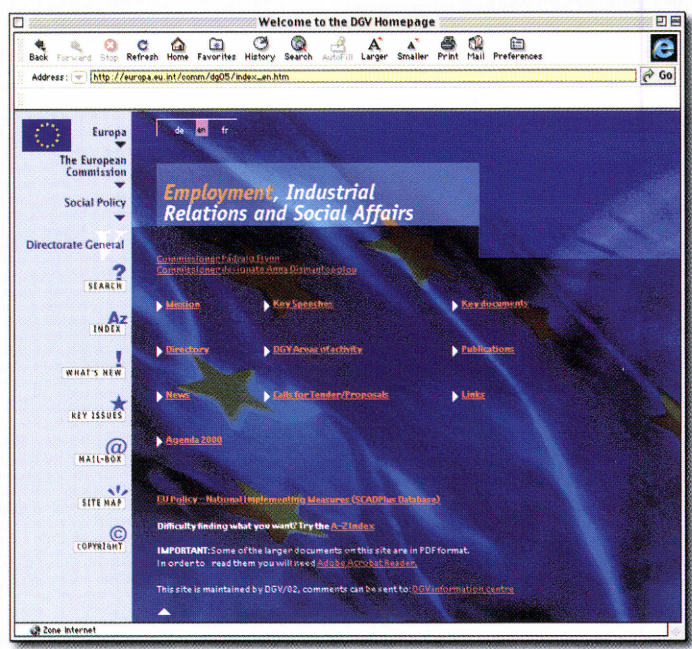
Various practical provisions on applications for ESF assistance (via a computerised form), and on how and when the Regulation is to be implemented.

The full text of the new regulation was published in the Official Journal of the European Communities, issue L 161 of 26 June 1999

# Employment and ESF Internet search

## Looking for information ?

The full text of the new ESF Regulation is available on the DG V web site, together with a wide range of current and background information on Employment and the ESF.



[http://europa.eu.int/comm/dg05/index\\_en.htm](http://europa.eu.int/comm/dg05/index_en.htm)



# Focus on Portugal

## economic growth brings fall in unemployment

Portugal's consumers are in confident mood. Over the last three years, Portugal has achieved GDP growth in excess of 3% per year and unemployment has fallen from over 7% to just 4.9% - one of the lowest rates in Europe. As consumer spending continues to increase, the challenge for the government is to maintain growth over the long-term and to extend the benefits of success to those people still on the margins of society.

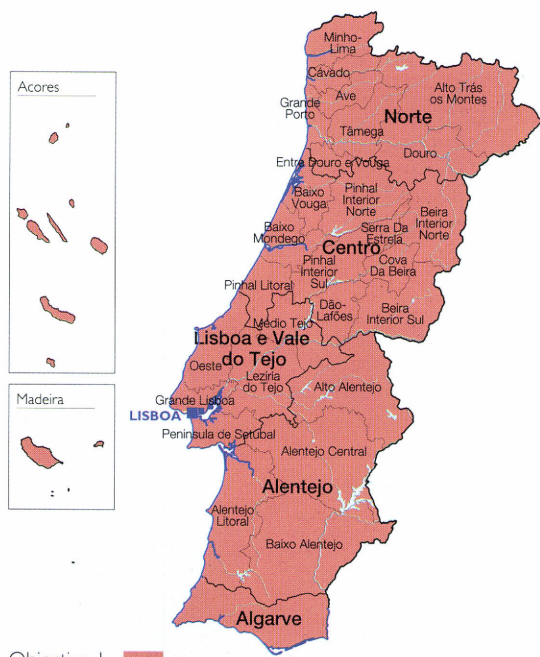
### Strong performance

Portugal's economy has developed rapidly over the last few years. GDP growth reached 4% in 1998 and employment has increased at an average annual rate of 1.7% over the past three years - well above the European Union average. Much of this growth has resulted from the favourable combination of very low interest rates (due partly to the introduction of the Euro) and an upward turn in Portugal's economic cycle. Nevertheless, unemployment problems persist, with young people, men over the age of 54 and the long-term unemployed continuing to experience difficulties in finding work.



Most of the job advertisements appearing in Portuguese newspapers cite youth and experience as principle requirements. Employers are looking for young people (in many cases around 20 years old) with solid experience, especially in the field of information technology. Young people lacking qualifications or experience and older candidates without the right skills find it hard to attract the attention of companies despite their enthusiasm and willingness to work. This story is common to many EU Member States and confirms that youth and long-term unemployment remain intractable problems, even when the economy is doing well. In 1998, youth unemployment accounted for roughly 31% of total unemployment, and the long-term unemployed made up 44.9% of the total number of people out of work.

## Portugal



### Concerns for the future

Strong regional differences also persist across the Portuguese labour market. According to the National Institute of Statistics unemployment rates vary from just 2.5% in the Central region to 7.5% in Alentejo, one of the poorest areas of the European Union. However, salaried employment rose by 3.9% in the second half of 1998 thanks in part to an increase in the number of temporary contracts and the expansion of the service sector.

The 1999 National Action Plan, unveiled at the end of June, predicts that the Portuguese economy will continue to enjoy average annual growth of 3.3% from 1999 to 2002. However, not everyone is so positive about the future. With increasing levels of spending being funded through credit, and higher than expected levels of inflation being reported, some economists fear that the economy could overheat. The Bank of Portugal has forecast that prices will rise faster than the European average in 1999, that exports will fall, and that GDP growth will slow to between 2.75% and 3.25%. The challenge for the Portuguese government will be to manage this economic slow down without jeopardising the long-term successes that have been achieved so far.





# Better qualifications hold the key to Portugal's success

InfoReview spoke to Eduardo Ferro Rodrigues, Minister of Labour and Solidarity about the employment challenges that lie ahead in Portugal.



## Unskilled labour is a real concern

"Improving the level of qualifications is perhaps the greatest challenge facing our generation", said Eduardo Ferro Rodrigues, speaking in his office in Lisbon. "Even though we have reduced the level of unemployment, Portugal still has the highest rate of unskilled labour in the European Union. Addressing this problem is one of the top priorities of the Portuguese government".

According to the Minister, who is an economist by training, the problem begins with a lack of academic success. If people fail to gain qualifications they inevitably have to look for unskilled work. "To address this problem" he said, "the government is about to make sizeable investments to combat the problem of students dropping out of school. In the 1999 National Action Plan we gave the social partners a challenge: to achieve a situation whereby all young people under the age of 18 participate in a skills training programme, including those who already have a job". The Minister applauded the European Employment Strategy for "attacking unemployment at the earliest possible stage" and for "seeking to build a closer bond between public employment services and the citizen - this is very important for Portugal", he said.

## Priorities for action

Eduardo Ferro Rodrigues highlighted three areas for priority action: "the integration of young people into active life, support for economic re-conversion processes and the social integration of the most disadvantaged groups are all top concerns for the government".

In the view of the Minister "improvements are required to ensure that the education system meets the needs of companies and keeps up with technological developments. Young people and companies should be brought together through ambitious vocational training programmes". Providing lifelong learning was also a key concern "our corporate environment is dominated by SME's (small and medium sized enterprises)", he explained, "many of these companies still have not understood the advantage of improving their employees' qualifications".

## Success must be judged over the long-term

The Labour Minister was cautious when analysing the fall in unemployment in Portugal. "Unemployment rates are far from being the only indicators of an economy's success", he said adding that it had taken a long time to secure sustained employment growth. Comparing Portugal's experience with other Member States, he argued that Portugal was still at a "relatively backward stage in two essential processes: the modernisation of its economic structure and the construction of its social protection model". However, he stressed that significant progress could be made through the European Employment Strategy and the European Employment Pact. "During our EU Presidency, which will start on 1 January 2000, we will carry out an in depth analysis, together with our EU partners, to evaluate and consolidate the Luxembourg and Cologne processes and to define new objectives for the future of employment in the EU".







# ESF raises skill levels of Portuguese workforce

To find out how the European Social Fund is working to improve the employment situation in Portugal, InfoReview spoke to Ana Vale, President of Portugal's ESF Co-ordinating Committee.



## Meeting the demand for higher skills

According to Ana Vale, the ESF has had a very positive impact on training and employment systems in Portugal and has helped to raise the level of skills in the workforce. Given the need to consolidate the economic gains made in recent years she believes that "it is even more important that the ESF continues to reinforce the development of skills".

Although Portugal's unemployment rate is relatively low in comparison with other EU countries, Ana Vale believes that youth unemployment and long-term unemployment are very significant problems: "our levels of unemployment in these areas exceed the European average". At the same time she argues that "given the country's corporate structure, which is characterised by the dominance of micro and small enterprises (roughly 50% of jobs are accounted for by companies with fewer than 50 employees), it is particularly difficult to provide continuous training to their staff".

## Combating exclusion

Socially excluded people also present a challenge for the ESF. "The experiences of the INTEGRAR project, which is targeted towards socially excluded people, and the INTEGRA Community Initiative have been very positive", she said, emphasising that the "results are promising on various levels". "This has also been the case with the application of the minimum guaranteed wage, in which financial compensation is given in exchange for the beneficiary's obligation to participate in the vocational integration process".

However, Ana Vale also highlighted capacity building at the local level as an example of the ESF's success. "By providing funding to local entities, including charities, and enabling them to implement projects and develop their know-how, the ESF has helped to develop resources available for helping excluded groups". The ESF has also helped to develop social networks involving a wide variety of organisations operating 'in the field', such as employment agencies, social security and health centres.

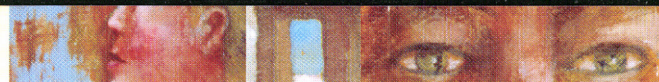
In addition, she argues there is now a range of different types of support available to help young people look for work. "Young people who wish to obtain vocational qualifications in order to improve their employment opportunities now have access to the apprenticeship system, vocational schools, technological programmes and initial training courses provided by the Institute of Employment and Vocational Training, as well as training provided in the tourism and health sector. These varied alternatives are available throughout the country". In the case of young people who recently obtained a diploma, vocational training schemes, which are supported by the ESF, help them to gain initial working experience. "These schemes have been shown to facilitate the vocational integration of young people".

## Promoting equal opportunities

"Contrary to what happened with the first Community Support Framework (CSF), the current CSF emphasises equal opportunity between women and men in all programmes". In this regard Ana Vale stressed the importance of measures that "give priority to vocational training and vocational integration, which promote the diversification of vocational options for women and provide them with access to new job sectors". She also emphasised the importance of schemes that contribute to women's career development and access to supervisory positions.

"Sharing experience and ideas at European level is highly motivating", she said, reflecting on a recent meeting held to prepare for the CSF with the various Member States' ESF Directors. "Despite the diversity of operational and management systems, many of us share the same concerns and difficulties". As a result, she suggested that these opportunities to discuss and exchange experiences "should be promoted by the European Commission so as to ensure that together the Member States provide the solutions that best serve the ESF's objectives". In her view "Portugal's

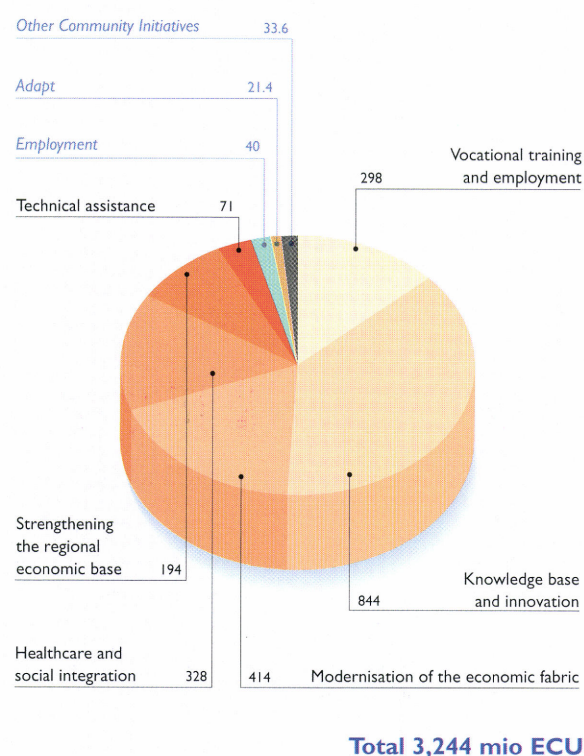




experience as an Objective I country could be interesting for the ESF's future regulatory framework. All of the Member States will be able to broaden their ESF funded efforts to include areas in which we have always been active and where we have significant long-term experience", she said.



### ESF Financing in Portugal 1994-1999



## The revised Portuguese National Action Plan for Employment (NAP) 1999

### Bringing the Employment Strategy to Life: the revised Portuguese NAP

- Recognition of need to tackle labour force structural weaknesses
- Emphasis on **employability** pillar:
- Territorial approach to preventing youth and long-term unemployment to continue
- **Entrepreneurship**: New tax incentives for SMEs and new fiscal measures supporting employment for young people
- **Adaptability**: Reduction on the Single social tax for firms providing training
- **Equal opportunities**: Innovative measures for gender mainstreaming considered

## Facts and figures

Roughly 56% of vocational training expenses and active employment measures are financed by the ESF.

The ESF's annual contribution to Portugal is equivalent to 0.74% of GDP.

In the current Community Support Framework, it is expected that 360,000 people will participate annually in vocational programmes financed by the ESF and that 280,000 will benefit from job support programmes.

Based on the interim evaluation results of the Community Support Framework II, between 79,000 and 115,000 new jobs were created from 1994 to 1996. The equivalent figures for the period 1994-1999 are expected to be between 120,000 and 145,000. The initial forecast cited the creation of 100,000 jobs.

In 1996, average wages were 2.2 percentage points higher than average wages in 1994, and it is estimated that they will be 5.6 percentage points higher in 1999.







# Empowerment strategies for employment and inclusion

## The INTEGRA

### Community Initiative

Of the 17 million unemployed people in Europe, none face more formidable problems than those who are consistently excluded from the job market because of a disability or some form of social discrimination. The INTEGRA Community Initiative was set up to find innovative ways of bringing excluded groups including the disabled, refugees, migrant workers, ethnic minorities, single parents, former offenders and drug addicts back into the labour market. According to many experts 'empowerment' holds the key to breaking the cycle of exclusion.

As Odile Quintin, Acting Deputy Director General of DG V explained, "many of the 1,500 INTEGRA projects across Europe have identified empowerment as a key concept in tackling the underlying causes and problems of exclusion". Speaking at a conference on "Empowerment: Strategies for Employment and Inclusion" in June this year, Odile Quintin said the empowerment concept was based on the idea that "individuals and communities must have the resources, skills and opportunities to enable them to take a stake in their own future".

Delegates attending the two-day conference explored strategies for the empowerment of individuals, groups and communities that facilitate integration through economic activity. Organised by the UK Department for Education and Employment and the European Commission, the event brought together practitioners, policy makers and representatives of excluded groups. Representatives from 25 innovative INTEGRA projects participated in the debate and exhibition staged at the Birmingham International Convention Centre.

## Working with people not just for them

Several national employability strategies have already incorporated the principle of empowerment through policies of activation, client consultation and through the involvement of the voluntary sector in networks and partnerships. The fundamental principle behind empowerment is that excluded people need to be recognised as active citizens, with rights and responsibilities, rather than passive recipients of services. Andrew Smith, UK Minister for Employment, Welfare to Work and Equal Opportunities, stressed that it is by working with people, not for them, that it is possible to empower them to manage their lives and to share in the opportunities that exist.

A wide range of approaches for developing empowerment strategies were identified linked to information and guid-



Andrew Smith UK Minister for Employment

ance, employability skills development, entrepreneurship training, strategies to promote attitude change and strategies for the involvement of groups and communities in decision-making.

Participants argued that efficiency gains could be achieved by authorities and services working together. Involving local people by being located in the heart of a neighbourhood and enlisting their participation in profiling their needs, potential and aspirations were also seen as important. Meanwhile direct contacts need to be developed with local employers. A coherent approach is also needed to changing attitudes. Conference participants stressed the importance of openly addressing gender, family, cultural and inequality issues at the same time as employment issues.

## Pathways to employment

Several successful methods for involving disadvantaged groups in the development of pathways to employability and employment were discussed. Outreach strategies for information and vocational guidance, supported self-assessment techniques, a wider variety of work experience opportunities and the promotion of entrepreneurship were all seen as effective approaches. For example, several successful projects recruited 'mediators' from the communities they were working with. These mediators were not only able to gain access to the excluded groups being targeted, but they also provided positive role models for project participants and were very effective in motivating people to improve their quality of life.





The “Europe Fortæller” project in Denmark has helped immigrants to integrate with the local community, using puppet theatre and other artistic and cultural tools.

## A professional role for community groups

Local voluntary and community groups can also play an important role in the development of empowerment strategies as they are well placed to deliver guidance, training and employment services. However, many voluntary groups lack the resources they need to play a full role. Local authorities, responsible employers and other institutions should support these organisations by providing the resources and opportunities they require. By supporting the active involvement of the people concerned at all stages of project development, the new EQUAL Community Initiative will contribute to extending the practice of organisation capacity building.

## Participation in decision-making

Decision-makers present at the conference recognised that institutional and attitude changes are prerequisites to greater participation of disadvantaged groups in the development of programmes and policies. Important tools for change are the decentralisation of services, support for partnerships that include representatives of civil society, and the creation of a diverse range of debating and negotiating forums that structure the process of decision-making from the grass-roots to the national level. By offering

opportunities for active citizenship, these structures also help to prepare job seekers for new forms of employment that require more autonomy and capacity for independent choice.

## National perspectives

The conference also provided an opportunity for national groups to discuss how to take forward empowerment strategies at the national level. A number of dissemination strategies were recommended by conference participants: For example, it was suggested that the lessons of INTEGRA could be presented to the annual Social Conference in the Netherlands that provides a forum for public dialogue on activation and participation issues. In Denmark, INTEGRA results could be incorporated into the debates of the campaign for social responsibility in the corporate sector. In Greece, it was suggested that people concerned with needs assessment, outcome monitoring, priority-setting and transnational mediation should be actively involved in the operational management of integration projects.

Promoting the active participation in work and society of the most excluded groups remains a challenge. However, the conference illustrated that many individuals and communities are prepared to take a stake in their own future, provided they have access to resources, skills and opportunities to do so. Greater participation is clearly a prerequisite for a more inclusive society.

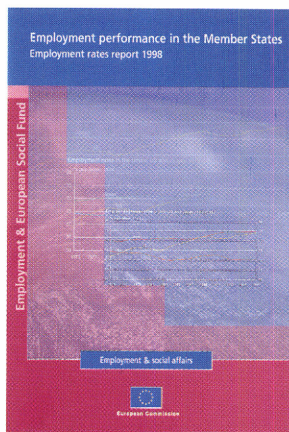


# ESF & Employment Publications

## Employment performance in the Member States – Report on employment rates (1998)

This report, requested at the 1997 Luxembourg jobs summit, provides a brief analysis of the Union's recent employment figures and draws a number of interesting conclusions about how the Member States could increase their employment rates. It is available free of charge in English, French and German.

**Catalogue No: CE-18-98-469-  
\*\*-C, ISBN 92-828-6788-9  
(EN).**



## The European Employment Strategy - Investing in People

This short booklet provides a brief introduction to the European Employment Strategy. Currently available in English with other language versions to follow soon.

**Catalogue No: CE-18-98-631-  
\*\*-C, ISBN 92-828-2194-3 (EN)**

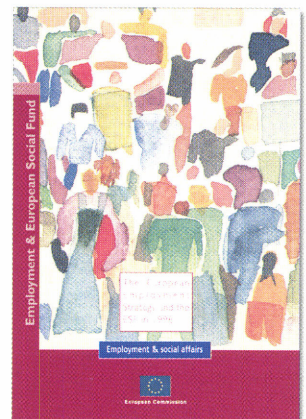


## ESF and Employment Annual Review 1998

This 47 page annual review provides a comprehensive overview of the activities undertaken by the European Social Fund in 1998. Highlighting some of the key achievements of 1998 the Annual Review also provides an insight to developments in 1999 and beyond.

Currently available in English with other language versions to follow soon.

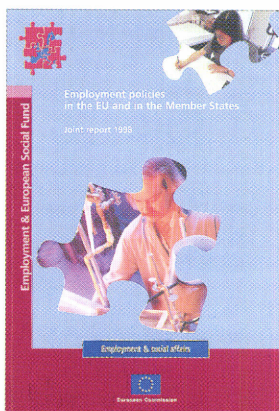
**Catalogue No. CE-22-99-959-\*\*-C, ISBN 92-828-7184-0 (EN)**



## Employment policies in the EU and in the Member States – Joint report (1998)

This report provides information on the progress of the Luxembourg process so far. It also reviews EU employment markets in 1997 and assesses the measures taken by the Member States to translate the political commitments made in their NAPs and employment guidelines for 1998 into reality. Available in English, French and German.

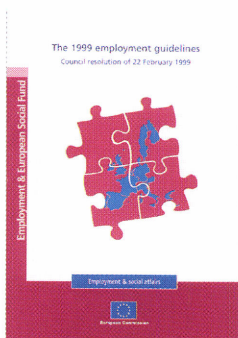
**Price: EUR 15. Catalogue No: CE-18-98-477-\*\*-C, ISBN 92-828-6239-9 (EN).**



## The 1999 employment guidelines

This 16-page booklet contains the text of the Council resolution of 22 February 1999 on the 1999 employment guidelines as well as the guidelines themselves. Available free of charge in English, French and German.

**Catalogue No: CE-18-98-542-  
\*\*-C, ISBN 92-828-6375-1  
(EN).**



## How to obtain our publications

For publications that are for sale, please contact the sales office of the Office for Official Publications in your Member State. For publications available free of charge, contact the Representation of the European Commission in your Member State. The catalogue number should be completed with the appropriate language code (EN/FR/DE/IT/SP) replacing the asterisks.

## Coming soon

The following publications will be available in the autumn.

- "Employment in Europe 1999"
- "Joint Employment Report 1999"
- "The Employment Guidelines 2000"



# ESF & Employment

## Events Update

### Competence for Europe: Change through Learning Learning Undergoing Change

**Berlin 21-23 April 1999**

Organised by the German Presidency, this conference was held in the framework of the European Employment Strategy. It aimed to address how the provision of training can keep up with the fast pace of change in the workplace. The event also provided an opportunity to share some of the lessons learned through Objective 4 and the ADAPT and EMPLOYMENT Community Initiatives

Allan Larsson, Director General of DG V explained the Commission's approach to lifelong learning and set out a number of priorities for transforming the good intentions of the Member States into firm commitments for action. He emphasised that the European Employment Strategy will be an important vehicle for action and that training is now being developed within all four of pillars of the strategy.

### Organisations Initiatives and Services in the Social Field

**Aachen 19-21 May 1999**

This conference, which took place in Aachen from 19 - 21 May, was organised jointly by the German Presidency, DG V, and the German Red Cross. The event highlighted the important role played by civil society organisations in the development of social policy at national and European level.

The conference, which brought together hundreds of representatives of civil society organisations from across Europe, was addressed by the German Minister Dr Cristine Bergmann and by Commissioner Flynn, who paid tribute to the role that civil society plays in developing Europe's social policies.

The conference was organised around three separate workshops which looked at: national and European framework conditions for the work of social organisations and services; examples of projects and organisations addressing partnership and participation and the transfer of best practice; and, improving quality and developing European co-operation.

### European Social Investment Forum

**Roubaix 3-4 June 1999**

More than 250 people met in Roubaix at the beginning of June to take part in a major forum on 'European Social Investment'. Hosted by the International Association of Investors in the Social Economy, the forum looked at the benefits of social investment and the importance of action at the local level.

The participants explored new alternatives to funding and raised a number of new ideas which were backed-up with real case studies. The discussions dealt specifically with the structural and legislative obstacles which impede the provision of alternative funding, as well as the major qualitative advances needed for the creation of new financial instruments to support development in this field.

